



XiDeLang Holdings Ltd

(Bermuda Company No. 43136)
(Malaysian Foreign Company Registration No. 995210-W)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2018 ⁽¹⁾ RMB'000	Quarter ended 31.12.2017 RMB'000	Financial year ended 31.12.2018 ⁽¹⁾ RMB'000	Financial year ended 31.12.2017 RMB'000
Revenue	115,841	124,078	454,259	542,422
Cost of Sales	(91,573)	(103,197)	(367,452)	(449,522)
Gross Profit ("GP")	24,268	20,881	86,807	92,900
Other Income	909	596	3,071	2,280
Distribution Costs	(209)	(222)	(354)	(391)
Administrative and Other Expenses	(17,357)	(16,464)	(56,799)	(69,637)
Finance Costs	(48)	(48)	(231)	(301)
Profit before Tax ("PBT")	7,563	4,743	32,494	24,851
Tax Expense	(3,106)	(1,928)	(11,692)	(8,264)
Profit For The Period ("PAT")	4,457	2,815	20,802	16,587
Other Comprehensive Income:				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
Total Comprehensive Income	4,457	2,815	20,802	16,587
Profit attributable to:				
Equity holders of the parent	4,457	2,815	20,802	16,587
Total Comprehensive Income attributable to:				
Equity holders of the parent	4,413	2,815	20,802	16,587
Earnings per share attributable to equity holders of the parent				
- Basic ⁽²⁾ (RMB cent)	0.25	0.21	1.31	1.23
- Diluted ⁽²⁾ (RMB cent)	0.25	0.21	1.31	1.23

Notes:

(1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the annual report and audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

(2) Refer Note B9 for further details.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	As at 31.12.2018 ⁽¹⁾ RMB'000	As at 31.12.2017 RMB'000 (audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	536,376	549,572
Land use rights	46,678	47,895
	583,054	597,467
Current Assets		
Inventories	1,520	6,071
Trade and other receivables (Note @)	150,807	179,476
Current tax assets	584	1,672
Cash and cash equivalents	805,983	619,239
	958,894	806,458
TOTAL ASSETS	1,541,948	1,403,925
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	452,534	157,909
Reserves	955,132	1,109,274
TOTAL EQUITY	1,407,666	1,267,183
Non-current Liabilities		
Deferred tax liabilities	22,237	21,027
Current Liabilities		
Trade and other payables (Note #)	99,645	110,715
Bank borrowings	12,400	5,000
	112,045	115,715
TOTAL LIABILITIES	134,282	136,742
TOTAL EQUITY AND LIABILITIES	1,541,948	1,403,925
Net assets per share (RMB)⁽²⁾	0.78	0.94

Notes:

(1) *The Condensed Consolidated Statement of Financial Position should be read in conjunction with the annual report and audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.*

(2) *Calculated based on the number of ordinary shares outstanding (excluding treasury shares) as at the end of the respective financial period(s). The number of ordinary shares outstanding (excluding treasury shares) as at 31 December 2017 have been adjusted, taking into account the effects of bonus issue completed on 11 January 2018.*

Remark

(@) *Average credit terms granted to trade receivables by the Group are 120 days.*

(#) *Average credit terms granted by trade payables to the Group are 120 days.*



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Quarter and year ended 31 December 2017	←----- Non-distributable ----->							Distributable		Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Warrant reserve RMB'000	Statutory surplus reserve RMB'000	Merger deficit RMB'000	Exchange translation reserve RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	
Balance at 1 January 2017	157,909	15,087	578,218	24,032	37,889	(204,906)	33,401	(1)	608,967	1,250,596
Total comprehensive income	-	-	-	-	-	-	-	-	16,587	16,587
Transactions with owners										
Transfer to statutory surplus reserve	-	-	-	-	2,185	-	-	-	(2,185)	-
Unexercised warrants lapsed	-	-	-	(24,032)	-	-	-	-	24,032	-
	-	-	-	(24,032)	2,185	-	-	-	21,847	
Balance at 31 December 2017	157,909	15,087	578,218	-	40,074	(204,906)	33,401	(1)	647,401	1,267,183



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

Quarter and year ended 31 December 2018 ⁽¹⁾	Non-distributable						Distributable		Total equity RMB'000	
	Share capital RMB'000	Share premium RMB'000	ESOS Reserve RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve RMB'000	Merger deficit RMB'000	Exchange translation reserve RMB'000	Treasury shares RMB'000		Retained earnings RMB'000
Balance at 31 December 2017	157,909	15,087	-	578,218	40,074	(204,906)	33,401	(1)	647,401	1,267,183
Impact arising from adoption of MFRS 9 [^]	-	-	-	-	-	-	-	-	(1,154)	(1,154)
Balance at 1 January 2018	157,909	15,087	-	578,218	40,074	(204,906)	33,401	(1)	646,247	1,266,029
Total comprehensive income	-	-	-	-	-	-	-	-	20,802	20,802
Granting of ESOS	-	-	2,043	-	-	-	-	-	-	2,043
Transactions with owners										
Ordinary shares issued pursuant to:										
- Exercise of warrants	101,315	-	-	-	-	-	-	-	-	101,315
- Exercise of options under employee share option scheme (ESOS)	17,230	2,290	(2,043)	-	-	-	-	-	-	17,477
- Bonus issue	176,080	(15,087)	-	(160,993)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	-	2,816	-	-	-	(2,816)	-
	294,625	(12,797)	(2,043)	(160,993)	2,816	-	-	-	(2,816)	118,792
Balance at 31 December 2018	452,534	2,290	-	417,225	42,890	(204,906)	33,401	(1)	664,233	1,407,666

Note:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual report and audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

Remark

[^] Kindly refer to Note A1 for further details.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Financial year ended	
	31.12.2018 ⁽¹⁾ RMB'000	31.12.2017 RMB'000
Profit before tax	32,494	24,851
Adjustments for non-operating cash flows:		
Non-cash items	17,321	15,813
Non-operating items	(2,499)	(1,979)
Operating profit before working capital changes	47,316	38,685
Changes in working capital		
Net change in current assets	32,249	60,432
Net change in current liabilities	(11,070)	(23,220)
Cash generated from operating activities	68,495	75,897
Income tax paid	(9,394)	(7,398)
Net cash from operating activities	59,101	68,499
Investing activities		
Interest received	2,731	2,280
Proceeds from disposal of property, plant and equipment	-	11
Purchase of property, plant and equipment	(1,048)	(8,458)
Net cash from/(used in) investing activities	1,683	(6,167)
Financing activities		
Interest paid	(232)	(301)
Net drawdown/(repayment) of bank borrowings	7,400	(5,000)
Proceeds from issuance of new ordinary shares	118,792	-
Net cash from/(used in) financing activities	125,960	(5,301)
Net change in cash and cash equivalents	186,744	57,031
Cash and cash equivalents at beginning of financial year	619,239	562,208
Cash and cash equivalents at end of financial year	805,983	619,239
Cash and cash equivalents at end of financial year		
Cash and bank balances	805,983	619,239

Note:

- (1) *The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the annual report and audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.*



A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements (“MMLR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the annual report and audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The significant accounting policies and methods of computation applied in these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2017, save for the adoption of the following MFRS and Amendments to MFRSs during the current financial period as disclosed below:

Effective for annual periods commencing on or after 1 January 2018

- Amendments to MFRS 1 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15
- Amendments to MFRS 128 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the above MFRS, Amendments to MFRSs and IC Interpretation did not have any significant financial impact to the Group upon their initial application, save as disclosed below.



A1. BASIS OF PREPARATION (cont'd)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. MFRS 9 introduces new requirements for classification and measurement of financial instruments, impairment assessment based on Expected Credit Loss (“ECL”) model and hedge accounting.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and has elected not to restate the comparative figures.

The adoption of MFRS 9 did not have any significant financial impact to the Group, save for the effect of applying impairment assessment based on the ECL model on trade receivables.

The Group has adopted the simplified approach in measuring the loss allowance for trade receivables. For the purpose of assessing the impairment on ECL model, the Group has applied the practical expedient by using a provision matrix, where trade receivables are grouped according to the ageing profile and taking into consideration the credit terms granted, historical trend of collection and current economic conditions of the market in which the Group operates.

The impact of adopting MFRS 9 to opening balances were as follows:

Statement of Financial Position

	Previously stated on 31.12.2017 RMB'000	Effects from adoption of MFRS 9 RMB'000	Restated balance on 1.1.2018 RMB'000
Assets			
Trade receivables	179,234	(1,154)	178,080
Equity			
Retained earnings	647,401	(1,154)	646,247

A1. BASIS OF PREPARATION (cont'd)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but have not been early adopted by the Group:

Effective for annual periods commencing on or after 1 January 2019

MFRS 16 *Leases*

Amendments to MFRS 3 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)

Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Amendments to MFRS 11 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)

Amendments to MFRS 112 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)

Amendments to MFRS 119 (*Plan Amendment, Curtailment or Settlement*)

Amendments to MFRS 123 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)

Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Effective for annual periods commencing on or after 1 January 2020

Amendments to MFRS 2 *Share-based Payment*

Amendments to MFRS 3 *Business Combinations*

Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*

Amendments to MFRS 101 *Presentation of Financial Statements*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Amendments to MFRS 134 *Interim Financial Reporting*

Amendments to IC Interpretation 132 *Intangible Assets – Web Site Costs*

Effective for annual periods commencing on or after 1 January 2021

MFRS 17 *Insurance Contracts*

Deferred

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group is in the process of assessing the impact of implementing these accounting standards and amendments, since the effects would only be observable for the future financial years.



A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 31 December 2017 were not subject to any qualification.

A3. SEASONALITY OR CYCLICALITY OF OPERATION

Save for the seasonality that is inherent in the sportswear industry, our Group's operations are not exposed to any anomalous cyclical fluctuation.

A4. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial year under review.

A5. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the current quarter and financial year under review.

A6. DEBTS AND EQUITY SECURITIES

▪ *Proposed Bonus Issue*

The Company had, on 15 November 2017, proposed to undertake a bonus issue of up to 894,179,400 new ordinary shares of USD0.04 each in the Company ("**XDL Shares**") ("**Bonus Shares**") on the basis of 1 Bonus Share for every 1 existing XDL Share held by entitled shareholders of the Company on an entitlement date to be determined and announced later ("**Proposed Bonus Issue**").

The Proposed Bonus Issue was subsequently approved by the shareholders of the Company at a Special General Meeting held on 26 December 2017, with the entitlement date fixed on 10 January 2018.

The Proposed Bonus Issue had been completed on 11 January 2018, following the listing of and quotation for 676,153,620 Bonus Shares and 218,025,780 additional Warrants C on the Main Market of Bursa Securities. Relevant announcement has been made to Bursa Securities.

▪ *Exercise of Warrants*

391,809,206 new ordinary shares of USD0.04 each were issued during the financial period under review pursuant to the exercise of warrants. Total proceeds received amounted to RMB101.39 million.



A6. DEBTS AND EQUITY SECURITIES (cont'd)

▪ *Employee Share Option Scheme ("ESOS")*

The Company had, on 20 July 2018, offered 63,050,000 units of ESOS to the eligible employees of the Group with an exercise price of RM0.165. Accordingly, employee benefits associated with the grant of ESOS of RMB2,042,702 were charged to profit or loss in accordance with the requirements of MFRS 2 *Share-based Payment*.

The entire 63,050,000 units of ESOS were exercised in September 2018, resulting in 63,050,000 units of new XDL Share being issued at the price of RM0.165 per share with the listing date on 4 September 2018. Total proceeds raised from the exercise of ESOS amounted to RMB17.48 million.

▪ *Proposed Bonus Issue of Warrants*

The Company had, on 3 December 2018, proposed to undertake a bonus issue of up to 902,441,557 free warrants in the Company ("**Warrants D**") on the basis of 1 Warrant D for every 2 existing ordinary shares of USD0.04 each in the Company ("**XDL Shares**") held by registered holders of XDL Shares on an entitlement date to be determined and announced later ("**Proposed Bonus Issue of Warrants**").

The Proposed Bonus Issue of Warrants was subsequently approved by the shareholders of the Company at an Extraordinary General Meeting held on 2 January 2019, with the entitlement date fixed on 17 January 2019.

The Proposed Bonus Issue of Warrants had been completed on 25 January 2019, following the listing of and quotation for 902,441,557 Warrants D on the Main Market of Bursa Securities. Relevant announcement has been made to Bursa Securities.

Save for the above, there were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial year under review.

A7. DIVIDEND PAID

The Board of Directors did not recommend any payment of dividend during the current quarter and financial year under review (*Quarter and financial year ended 31 December 2018: Nil*).

A8. SEGMENT INFORMATION

The Group's activities are predominantly in designing, manufacturing and marketing of sports shoes as well as designing and marketing of sports apparel, accessories and equipment within the People's Republic of China ("PRC" or "China"). The Group's operations are concentrated in Jinjiang City, Fujian Province of the PRC, which represents its principal place of business and in which the assets and liabilities of the Group are located.



A8. SEGMENT INFORMATION (cont'd)

Due to the similarities in the business operations between the two operating subsidiaries in the PRC, the Group's chief operating decision maker, the Group's Chief Executive Officer in this context manages the operations within the Group as a whole in single segment and relies on internal reports which are similar to those currently disclosed externally to make decisions about allocation of resources.

The Group evaluates performance on the basis of revenue from the respective operations. The analysis is as follows:

	Own branding manufacturer RMB'000	Original design manufacturer ("ODM") RMB'000	Total RMB'000
Quarter ended 31 December 2018			
Revenue	48,323	67,518	115,841
Interest income	755	*	755
Finance Cost	(50)	*	(50)
Net finance income/(expense)	705	*	705
Quarter ended 31 December 2017			
Revenue	77,707	46,371	124,078
Interest income	595	1	596
Finance Cost	(48)	*	(48)
Net finance income/(expense)	547	1	548

* *Less than RMB1,000*



A8. SEGMENT INFORMATION (cont'd)

	Own branding manufacturer RMB'000	Original design manufacturer ("ODM") RMB'000	Total RMB'000
Financial year ended 31 December 2018			
Revenue	233,242	221,017	454,259
Interest income	2,731	*	2,731
Finance Cost	(232)	*	(232)
Net finance income/(expense)	2,499	*	2,499
Financial year ended 31 December 2017			
Revenue	346,912	195,510	542,422
Interest income	2,273	7	2,280
Finance Cost	(301)	*	(301)
Net finance income/(expense)	1,972	7	1,979

* *Less than RMB1,000*

Accordingly, no further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by MFRS 8:

Revenue by products

	Quarter ended 31.12.2018 RMB'000	Quarter ended 31.12.2017 RMB'000	Year to date ended 31.12.2018 RMB'000	Year to date ended 31.12.2017 RMB'000
Sports shoes	115,841	124,078	454,259	542,422



A8. SEGMENT INFORMATION (cont'd)

During the financial year under review, the Group derived all of its revenue from the PRC. In view of the vast geographical areas within the PRC, customers can be stratified on a regional basis within the PRC. The following is an analysis of the Group's revenue by region by location of customers, irrespective of the origin of the goods/services and based on the following regional groupings:

- Eastern region includes Jiangsu and Shandong.
- Southern region includes Fujian, Hubei, Hunan, Jiangxi and Anhui.
- Western region includes Sichuan, Guangxi, Guizhou, Yunnan, Chongqing, Gansu, Xinjiang and Shaanxi.
- Northern region includes Beijing, Henan, Heilongjiang, Liaoning, Shanxi and Jilin.

Revenue by region

	Quarter ended 31.12.2018 RMB'000	Quarter ended 31.12.2017 RMB'000	Year to date ended 31.12.2018 RMB'000	Year to date ended 31.12.2017 RMB'000
Within the PRC:				
- Eastern region	7,386	5,562	30,280	25,173
- Southern region	77,429	69,178	273,785	297,803
- Western region	17,272	27,695	83,189	122,522
- Northern region	13,754	21,643	67,005	96,924
	115,841	124,078	454,259	542,422

A9. MATERIAL EVENTS

There are no material events subsequent to the end of the current quarter that have not been reflected in this interim financial report or announced to Bursa Securities.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

The Company had, on 8 February 2018, incorporated a new wholly-owned subsidiary in Malaysia, namely XiDeLang Network Technology Sdn Bhd ("XDLNT"). The intended principal activity of XDLNT is to provide cloud services, internet marketing and E-Commerce services. Relevant announcement has been made to Bursa Securities.

Save for the above, there were no other changes in the composition of the Group during the current quarter and financial year under review.

A11. CHANGES IN CONTINGENT LIABILITIES

There are no material contingent liabilities as at the date of this report.



A12. CAPITAL COMMITMENTS

Capital commitments not provided for in the financial statements as at 31 December 2018 is as follows:

	As at 31.12.2018 RMB'000
Property, plant and equipment	
Approved but not contracted for	<u>31,152</u>

A13. RELATED PARTY TRANSACTIONS

There was no related party transaction entered into by the Group during the current quarter and financial year under review (*Quarter and financial year ended 31 December 2017: Nil*).

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. ANALYSIS OF PERFORMANCE

	Quarter ended		Changes	
	31.12.2018 RMB'000	31.12.2017 RMB'000	RMB'000	%
Revenue	115,841	124,078	(8,237)	-6.6
Gross profit	24,268	20,881	3,387	+16.2
Profit before tax	7,563	4,743	2,820	+59.5
Profit after tax / Profit attributable to equity holders of the parent	4,457	2,815	1,642	+58.3
	Year to date ended		Changes	
	31.12.2018 RMB'000	31.12.2017 RMB'000	RMB'000	%
Revenue	454,259	542,422	(88,163)	-16.3
Gross profit	86,807	92,900	(6,093)	-6.6
Profit before tax	32,494	24,851	7,643	+30.8
Profit after tax / Profit attributable to equity holders of the parent	20,802	16,587	4,215	+25.4

Revenue

Our Group recorded total revenue of approximately RMB115.84 million and RMB454.26 million respectively during the current quarter and financial year under review, decreased by 6.6% and 16.3% respectively as compared to prior year.

The moderation in sales performance during the current quarter and financial year under review was primarily due to softer demand for own-branding sports shoes, with lower sales volume as illustrated below:

- Own-Branding Division

	Quarter ended		Year to date ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Volume sold ('000 pairs)	593	970	2,889	4,330
Movement	-38.9%		-33.3%	



B1. ANALYSIS OF PERFORMANCE (cont'd)

The moderation was, however, partially mitigated by the increase in sales volume from the ODM Production Division, as illustrated below:

- ODM Production Division

	Quarter ended		Year to date ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Volume sold ('000 pairs)	1,007	719	3,337	3,040
Movement	+40.1%		+9.8%	

Profitability

Our Group's gross profit stood at RMB24.27 million for the current quarter under review, improved by approximately 16.2% as compared to the preceding year corresponding quarter; mainly due to increase in average unit selling prices.

Our Group's gross profit stood at RMB86.81 million for the financial year under review, lower by approximately 6.6% as compared to prior year; in line with the moderation of sales performance.

Our Group's profit after tax stood at RMB4.46 million for the current quarter under review, improved by approximately 58.3% as compared to the preceding year corresponding quarter; mainly attributable to increase in gross profit during the current quarter under review.

Our Group's profit after tax stood at RM20.80 million for the financial year under review, improved by approximately 25.4% as compared to prior year. This was mainly attributable to active monitoring of administrative costs by our Group. In particular, our Group has realigned the marketing strategy and revised downward the advertisement costs in view of the uncertainties within the operating environment, which has resulted in cost-saving of approximately RMB17.84 million for the financial year under review.

This was, however, partially offset by the one-off employees' benefit expenses of RMB2.04 million charged to profit or loss in respect of ESOS granted to eligible employees of the Group during the financial year under review.



B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		Changes	
	31 December 2018 RMB'000	30 September 2018 RMB'000	RMB'000	%
Revenue	115,841	120,260	(4,419)	-3.7
Gross profit	24,268	24,224	44	+0.2
Profit before tax	7,563	9,759	(2,196)	-22.5
Profit after tax / Profit attributable to equity holders of the parent	4,457	5,979	(1,522)	-25.5

Revenue for the current quarter under review was lower by approximately 3.7% as compared to the preceding quarter, mainly due to the sales resumed to normal level after the increase in demands during the preceding quarter as a result of seasonal transition.

Our Group's profit before tax and profit after tax was lower by approximately 22.5% and 25.5% respectively for the current quarter under review, as compared to the preceding quarter. This was mainly due to higher administrative expenses incurred during the current quarter under review.

ADDITIONAL INFORMATION – TRADE RECEIVABLES

	Quarter ended	
	31 December 2018 RMB'000	30 September 2018 RMB'000
Trade receivables – third party	150,878	168,513
Allowance for expected credit loss	(971)	(1,085)
	<u>149,907</u>	<u>167,428</u>

The normal credit terms granted by our Group is 120 days. As of 31 December 2018, our Group was not aware of any significant concern on the recoverability of the trade receivables.



B3. TAX EXPENSES

	Quarter ended 31.12.2018 RMB'000	Quarter ended 31.12.2017 RMB'000	Year to date ended 31.12.2018 RMB'000	Year to date ended 31.12.2017 RMB'000
Tax expenses	3,106	1,928	11,692	8,264
Effective tax rate	41.07%	40.65%	35.98%	33.25%

In line with our Group's improved performance, tax expenses increased to RMB3.11 million and RMB11.69 million respectively for the current quarter and financial year under review, higher as compared to prior year.

As our Group's principal operations are carried out in China, the effective tax rate reported by our Group is generally correlated to the statutory tax rate applicable in China. During the current quarter and financial year under review, the effective tax rate stood at 41.07% and 35.98% respectively, higher than the prevailing statutory tax rate of 25% in the PRC. This was primarily attributable to the following factors:

- (i) Non-allowable expenses added back for the tax computation, in particular the employees' benefit expenses in respect of ESOS incurred during the financial year under review;
- (ii) Additional deferred tax liabilities provided in relation to the expected withholding tax on undistributed profits of the PRC subsidiaries; and
- (iii) Non-availability of Group's relief, where losses incurred by the investment holding entities within the Group were not allowed to be offset against the taxable profit of the operating subsidiaries of the Group.



B4. OUTLOOK AND PROSPECTS

Demands for sportswear within the domestic China market and the global markets are expected to be gradual growth momentum, backed by the following catalysts:

- (i) Active measures and initiatives by the China Government to promote the development of the domestic sports industry and boost domestic consumption. These measures and initiatives are expected to contribute positively to the sports industry growth in the medium and long term;
- (ii) Huge and rising population within China, particularly with the implementation of two-child policy;
- (iii) Rising disposable income per capita for China citizen; and
- (iv) Increasing awareness on healthy lifestyle and growing popularity of sports.

Notwithstanding that the industry outlook for the near term is anticipated to experience certain degree of volatility due to the economic uncertainties, our Group is cautiously optimistic that the prospects of the sportswear industry for the medium and long term remain promising.

Barring any unforeseen circumstances, our Group expects the financial performance for the financial year ending 31 December 2019 to remain positive.

B5. Profit Forecast

Not applicable as no profit forecast was previously published.

B6. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS

Private placement and rights issue of warrants in 2012

The status of utilisation, as of 31 December 2018 is as follows:

(In RM)		Proposed	Actual	Deviation		
Purpose	Intended Timeframe	Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i) Purchase machinery and equipment for new design and production centre	Before December 2019	29,100	20,064	9,036	31.1 #	N1
ii) Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
		29,700	20,664	9,036		

(In RMB)		Proposed	Actual	Deviation		
Purpose	Intended Timeframe	Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i) Purchase machinery and equipment for new design and production centre	Before December 2019	53,670	36,038	17,632	32.9 #	N1
ii) Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
		54,777	37,145	17,632		

N1 *In line with the Group's strategic re-positioning of business focus, the Group is making appropriate alteration to the types of machinery and equipment to be invested in. Accordingly, a longer period is required for the remaining funds to be fully utilised. Barring any unforeseen circumstances, the Group expects the remaining funds to be fully utilised before 31 December 2019.*

Differential rate of deviation between RMB and RM was due to fluctuations in exchange rate.

B6. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS (cont'd)

Rights Issue in 2014

The status of utilisation, as of 31 December 2018 is as follows:

(In RM)			Proposed	Actual	Deviation		
	Purpose	Intended Timeframe	Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i)	Construction of the second stage of the new Design & Production Centre ("Stage 2 Construction")	Within 3 years	83,700	-	83,700	100	N2
ii)	Estimated expenses in relation to the Proposals	Immediate	1,000	1,000	-	-	
			84,700	1,000	83,700		

(In RMB)			Proposed	Actual	Deviation		
	Purpose	Intended Timeframe	Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i)	Construction of the second stage of the new Design & Production Centre ("Stage 2 Construction")	Within 3 years	151,246	-	151,246	100	N2
ii)	Estimated expenses in relation to the Proposals	Immediate	1,807	1,807	-	-	
			153,053	1,807	151,246		

N2 *The utilisation for the funds raised is expected to be within three (3) years from the commencement of Stage 2 Construction. All the funds are currently kept in the Group's banking account maintained with the Industrial and Commercial Bank of China.*



B7. BORROWINGS

The Group's borrowing consists of short-term loan from financial institution, arranged in the PRC and denominated in RMB.

As at 31 December 2018, the Group's outstanding borrowing are as follows:

	Secured RMB'000	Unsecured RMB'000	Total RMB'000
Current (<i>within 12 months</i>)			
Short-term bank loan	12,400	-	12,400
	<u>12,400</u>	<u>-</u>	<u>12,400</u>

B8. CHANGES IN MATERIAL LITIGATION

The Board has been made aware from the China Judgement Online website that there are several litigation matters against our subsidiary, Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. ("HongPeng Footwear") ("**Litigation Matter**"). The relevant details have been announced to Bursa Securities on the 10 January 2019.

Our Company has appointed an independent law firm in China, namely Messrs. Fujian Shilong Law Firm (福建世隆律师事务所) to undertake a thorough review of the Litigation Matters involving HongPeng Footwear and the law firm has confirmed that all Litigation Matters have been completed and settled, and all Litigation Matters are now closed. The relevant details have been announced to Bursa Securities on the 17 January 2019.

The Litigation Matters do not have any material and adverse impact on our Group.

As at the date of this report, there is no other litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.



B9. EARNINGS PER SHARE

(1) Basic Earnings per Share (“BEPS”)

The basic earnings per share (“BEPS”) is calculated as follows:

	Quarter ended		Financial year ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RMB'000	RMB'000	RMB'000	RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	4,457	2,815	20,802	16,587
Weighted average number of ordinary shares in issue ('000)	1,804,882	1,347,740	1,584,178	1,347,740
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	0.25	0.21	1.31	1.23

The basic earnings per share for the quarter and financial year ended 31 December 2017 have been adjusted, taking into account the effects of bonus issue completed on 11 January 2018. The effect of bonus issue was reflected in accordance with MFRS 133, where the earnings per share calculations for all periods shall be adjusted retrospectively.

(2) Diluted Earnings per Share (“DEPS”)

The diluted earnings per share is same as the basic earnings per share as the Group does not have any potential ordinary shares as of 31 December 2018.

B10. FINANCIAL INSTRUMENTS

Derivatives

The Group does not have any derivative financial instruments.

Disclosures of Gains/Losses arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities reported by the Group during the financial period under review.

B11. DISCLOSURE ON SELECTED EXPENSE/INCOME ITEMS AS REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Included in profit before tax comprised the following income/(expense) items:

	Quarter ended 31.12.2018 RMB'000	Year to date ended 31.12.2018 RMB'000
Interest income	755	2,731
Interest expense	(50)	(232)
Depreciation and amortisation expenses	(3,866)	(15,461)
Reversal of expected credit loss	115	184
Foreign exchange gain/(loss)	72	(997)
Exceptional item		
- Employees' benefit expenses in respect of ESOS granted	(2,043)	(2,043)
Other income including investment income	N/A	N/A
Provision for and write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
Gain/Loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Impairment of assets	N/A	N/A
Gain/Loss on derivatives	N/A	N/A

"N/A" denotes not applicable.



APPENDICES – FINANCIAL STATEMENTS TRANSLATED INTO RINGGIT MALAYSIA (FOR ILLUSTRATIVE PURPOSE ONLY)

The Board of Directors wish to highlight that the presentation currency adopted by the Group in preparing the interim financial statements is Renminbi (“RMB”) as allowed under the MFRS Framework.

The following supplementary financial statements in Ringgit Malaysia (“RM”) (which include condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows) are shown for reference only and have been translated at single exchange rate of RMB1 to RM0.6013 at 31 December 2018. The translation should not be construed as a representation that the RMB amounts actually have been or could be converted into RM at this or any other rate.

In addition, due to the changes of presentation currency on adoption of MFRS Framework, the comparative financial information contained in the following supplementary financial statements translated into RM would not be consistent with previously announced interim and annual financial statements as those statements were prepared using RM as the presentation currency (which was a requirement under the previous FRS Framework).

List of supplementary financial statements in Ringgit Malaysia (“RM”):

Appendix A – Condensed Consolidated Statement of Comprehensive Income

Appendix B – Condensed Consolidated Statement of Financial Position

Appendix C – Condensed Consolidated Statement of Changes in Equity

Appendix D – Condensed Consolidated Statement of Cash Flows



**APPENDIX A –
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2018 RM'000	Quarter ended 31.12.2017 RM'000	Financial year ended 31.12.2018 RM'000	Financial year ended 31.12.2017 RM'000
Revenue	69,655	74,608	273,146	326,158
Cost of Sales	<u>(55,063)</u>	<u>(62,052)</u>	<u>(220,949)</u>	<u>(270,298)</u>
Gross Profit ("GP")	14,592	12,556	52,197	55,860
Other Income	547	358	1,847	1,371
Distribution Costs	(126)	(133)	(213)	(235)
Administrative and Other Expenses	(10,437)	(9,900)	(34,153)	(41,873)
Finance Costs	<u>(29)</u>	<u>(29)</u>	<u>(139)</u>	<u>(181)</u>
Profit before Tax ("PBT")	4,547	2,852	19,539	14,942
Tax Expense	<u>(1,867)</u>	<u>(1,159)</u>	<u>(7,030)</u>	<u>(4,969)</u>
Profit For The Period ("PAT")	<u>2,680</u>	<u>1,693</u>	<u>12,509</u>	<u>9,973</u>
Other Comprehensive Income:				
Foreign currency translations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Comprehensive Income, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income	<u>2,680</u>	<u>1,693</u>	<u>12,509</u>	<u>9,973</u>
Profit attributable to:				
Equity holders of the parent	<u>2,680</u>	<u>1,693</u>	<u>12,509</u>	<u>9,973</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>2,680</u>	<u>1,693</u>	<u>12,509</u>	<u>9,973</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.15	0.13	0.79	0.74
- Diluted (sen)	0.15	0.13	0.79	0.74



**APPENDIX B –
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	322,523	330,458
Land use rights	28,067	28,799
	<u>350,590</u>	<u>359,257</u>
Current Assets		
Inventories	914	3,651
Trade and other receivables	90,680	107,919
Current tax assets	351	1,005
Cash and cash equivalents	484,638	372,348
	<u>576,583</u>	<u>484,923</u>
TOTAL ASSETS	<u>927,173</u>	<u>844,180</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	272,109	94,951
Reserves	574,322	667,006
TOTAL EQUITY	<u>846,431</u>	<u>761,957</u>
Non-current Liabilities		
Deferred tax liabilities	13,371	12,644
Current Liabilities		
Trade and other payables	59,915	66,572
Bank borrowings	7,456	3,007
	<u>67,371</u>	<u>69,579</u>
TOTAL LIABILITIES	<u>80,742</u>	<u>82,223</u>
TOTAL EQUITY AND LIABILITIES	<u>927,173</u>	<u>844,180</u>
Net assets per share (RM)	<u>0.47</u>	<u>0.57</u>



**APPENDIX C –
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

Quarter and year ended 31 December 2017	Non-distributable						Distributable			Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Statutory surplus reserve RM'000	Merger deficit RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	
Balance at 1 January 2017	94,951	9,072	347,683	14,450	22,783	(123,210)	20,084	(1)	366,172	751,984
Total comprehensive income	-	-	-	-	-	-	-	-	9,973	9,973
Transactions with owners										
Transfer to statutory surplus reserve	-	-	-	-	1,314	-	-	-	(1,314)	-
Unexercised warrants lapsed	-	-	-	(14,450)	-	-	-	-	14,450	-
	-	-	-	(14,450)	1,314	-	-	-	13,136	
Balance at 31 December 2017	94,951	9,072	347,683	-	24,097	(123,210)	20,084	(1)	389,281	761,957



**APPENDIX C –
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)**

Quarter and year ended 31 December 2018	←----- Non-distributable ----->							Distributable		Total equity RM'000
	Share capital RM'000	Share premium RM'000	ESOS Reserve RM'000	Capital redemption reserve RM'000	Statutory surplus reserve RM'000	Merger deficit RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	
Balance at 31 December 2017	94,951	9,072	-	347,683	24,097	(123,210)	20,084	(1)	389,281	761,957
Impact arising from adoption of MFRS 9	-	-	-	-	-	-	-	-	(693)	(693)
Balance at 1 January 2018	94,951	9,072	-	347,683	24,097	(123,210)	20,084	(1)	388,588	761,264
Total comprehensive income	-	-	-	-	-	-	-	-	12,509	12,509
Granting of ESOS	-	-	1,228	-	-	-	-	-	-	1,228
Transactions with owners										
Ordinary shares issued pursuant to:										
- Exercise of warrants	60,921	-	-	-	-	-	-	-	-	60,921
- Exercise of options under employee share option scheme (ESOS)	10,360	1,377	(1,228)	-	-	-	-	-	-	10,509
- Bonus issue	105,877	(9,072)	-	(96,805)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	-	1,693	-	-	-	(1,693)	-
	177,158	(7,695)	(1,228)	(96,805)	1,693	-	-	-	(1,693)	71,430
Balance at 31 December 2018	272,109	1,377	-	250,878	25,790	(123,210)	20,084	(1)	399,404	846,431



**APPENDIX D –
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	Financial year ended	
	31.12.2018 RM'000	31.12.2017 RM'000
Profit before tax	19,539	14,942
Adjustments for non-operating cash flows:		
Non-cash items	10,414	9,508
Non-operating items	(1,502)	(1,190)
Operating profit before working capital changes	<u>28,451</u>	<u>23,260</u>
Changes in working capital		
Net change in current assets	19,392	36,338
Net change in current liabilities	(6,656)	(13,962)
Cash generated from operating activities	<u>41,187</u>	<u>45,636</u>
Income tax paid	(5,649)	(4,448)
Net cash from operating activities	<u>35,538</u>	<u>41,188</u>
Investing activities		
Interest received	1,642	1,371
Proceeds from disposal of property, plant and equipment	-	7
Purchase of property, plant and equipment	(630)	(5,086)
Net cash from/(used in) investing activities	<u>1,012</u>	<u>(3,708)</u>
Financing activities		
Interest paid	(140)	(181)
Net drawdown/(repayment) of bank borrowings	4,450	(3,007)
Proceeds from issuance of new ordinary shares	71,430	-
Net cash from/(used in) financing activities	<u>75,740</u>	<u>(3,188)</u>
Net change in cash and cash equivalents	112,290	34,292
Cash and cash equivalents at beginning of financial year	<u>372,348</u>	<u>338,056</u>
Cash and cash equivalents at end of financial year	<u>484,638</u>	<u>372,348</u>
Cash and cash equivalents at end of financial year		
Cash and bank balances	<u>484,638</u>	<u>372,348</u>