



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2019**

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.03.2019 <sup>(1)</sup> RMB'000	Quarter ended 31.03.2018 RMB'000	Financial period ended 31.03.2019 <sup>(1)</sup> RMB'000	Financial period ended 31.03.2018 RMB'000
Revenue	96,836	102,817	96,836	102,817
Cost of Sales	<u>(74,950)</u>	<u>(85,697)</u>	<u>(74,950)</u>	<u>(85,697)</u>
Gross Profit ("GP")	21,886	17,120	21,886	17,120
Other Income	773	793	773	793
Distribution Costs	(91)	(43)	(91)	(43)
Administrative and Other Expenses	(14,003)	(11,276)	(14,003)	(11,276)
Finance Costs	<u>(155)</u>	<u>(61)</u>	<u>(155)</u>	<u>(61)</u>
<b>Profit before Tax ("PBT")</b>	8,410	6,533	8,410	6,533
Tax Expense	<u>(3,449)</u>	<u>(1,984)</u>	<u>(3,449)</u>	<u>(1,984)</u>
<b>Profit For The Period ("PAT")</b>	<u>4,961</u>	<u>4,549</u>	<u>4,961</u>	<u>4,549</u>
<b>Other Comprehensive Income:</b>				
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>
<b>Total Comprehensive Income</b>	<u>4,961</u>	<u>4,549</u>	<u>4,961</u>	<u>4,549</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>4,961</u>	<u>4,549</u>	<u>4,961</u>	<u>4,549</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>4,961</u>	<u>4,549</u>	<u>4,961</u>	<u>4,549</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic <sup>(2)</sup> (RMB cent)	0.27	0.34	0.27	0.34
- Diluted <sup>(2)</sup> (RMB cent)	0.27	0.34	0.27	0.34

**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 2018 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 31.03.2019 <sup>(1)</sup> RMB'000	As at 31.12.2018 RMB'000 (audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	532,994	536,377
Land use rights	46,374	46,678
	579,368	583,055
<b>Current Assets</b>		
Inventories	2,878	1,520
Trade and other receivables (Note @)	132,717	150,807
Current tax assets	66	437
Cash and cash equivalents	811,171	805,983
	946,832	958,747
<b>TOTAL ASSETS</b>	<b>1,526,200</b>	<b>1,541,802</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	452,534	452,534
Reserves	961,283	956,322
<b>TOTAL EQUITY</b>	1,413,817	1,408,856
<b>Non-current Liabilities</b>		
Deferred tax liabilities	22,565	22,274
<b>Current Liabilities</b>		
Trade and other payables (Note #)	77,418	98,272
Bank borrowings	12,400	12,400
	89,818	110,672
<b>TOTAL LIABILITIES</b>	112,383	132,946
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,526,200</b>	<b>1,541,802</b>
<b>Net assets per share (RMB)<sup>(2)</sup></b>	0.78	0.78

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 2018 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).

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 period ended	Non-distributable						Distributable		Total equity RMB'000
	Share capital RMB'000	Share premium 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	
31 March 2018 <sup>(1)</sup>									
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	-	-	-	-	-	-	-	4,549	4,549
<b>Transactions with owners</b>									
Ordinary shares issued pursuant to:									
- Exercise of warrants	593	6	-	-	-	-	-	-	599
- Bonus issue	176,080	(15,093)	(160,987)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	557	-	-	-	(557)	-
	176,673	(15,087)	(160,987)	557	-	-	-	(557)	599
Balance at 31 March 2018	334,582	-	417,231	40,631	(204,906)	33,401	(1)	650,239	1,271,177



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

Quarter and period ended 31 March 2019 <sup>(1)</sup>	<----- Non-distributable ----->						Distributable		Total equity RMB'000
	Share capital RMB'000	Share premium 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 1 January 2019	452,534	2,290	417,225	42,973	(204,906)	33,401	(1)	665,340	1,408,856
Total comprehensive income	-	-	-	-	-	-	-	4,961	4,961
<b>Transactions with owners</b>									
Transfer to statutory surplus reserve	-	-	-	919	-	-	-	(919)	-
	-	-	-	919	-	-	-	(919)	-
Balance at 31 March 2019	452,534	2,290	417,225	43,892	(204,906)	33,401	(1)	669,382	1,413,817

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 2018 and the accompanying explanatory notes attached to this interim financial report.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Financial period ended	
	31.03.2019 <sup>(1)</sup> RMB'000	31.03.2018 RMB'000
Profit before tax	8,410	6,533
Adjustments for non-operating cash flows:		
Non-cash items	4,160	3,662
Non-operating items	(618)	(539)
Operating profit before working capital changes	11,952	9,656
Changes in working capital		
Net change in current assets	16,442	32,338
Net change in current liabilities	(20,854)	(26,823)
Cash generated from operating activities	7,540	15,171
Income tax paid	(2,786)	(1,698)
Net cash from operating activities	4,754	13,473
Investing activities		
Interest received	773	600
Purchase of property, plant and equipment	(184)	(264)
Net cash from investing activities	589	336
Financing activities		
Interest paid	(155)	(61)
Proceeds from issuance of new ordinary shares	-	599
Net cash (used in)/from financing activities	(155)	538
Net change in cash and cash equivalents	5,188	14,347
Cash and cash equivalents at beginning of financial period	805,983	619,239
Cash and cash equivalents at end of financial period	811,171	633,586
Cash and cash equivalents at end of financial period		
Cash and bank balances	811,171	633,586

*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 2018 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 2018 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 2018.

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 2018, 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 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*

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.

## **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 2020

Amendments to MFRS 2 *Share-based Payment*

Amendments to MFRS 3 *Business Combinations*

Amendments to MFRS 3 *Definition of a Business*

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

Amendments to MFRS 101 *Presentation of Financial Statements*

Amendments to MFRS 101 *Definition of Material*

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

Amendments to MFRS 108 *Definition of Material*

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 2018 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 period 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 period under review.

## A6. DEBTS AND EQUITY SECURITIES

### ▪ *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 was no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period under review.

## A7. DIVIDEND PAID

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review (*Quarter and financial period ended 31 March 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
<b>Quarter and period ended 31 March 2019</b>			
Revenue	38,882	57,954	96,836
<b>Quarter and period ended 31 March 2018</b>			
Revenue	60,789	42,028	102,817

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

#### ***Revenue by products***

	<b>Sales revenue by products</b>	
	<b>Quarter and period ended 31.03.2019 RMB'000</b>	<b>Quarter and period ended 31.03.2018 RMB'000</b>
Sports shoes	96,836	102,817



## A8. SEGMENT INFORMATION (cont'd)

During the financial period 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*

	<b>Sales revenue by regions</b>	
	<b>Quarter and period ended</b>	<b>Quarter and period ended</b>
	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within the PRC:		
- Eastern region	2,465	6,523
- Southern region	69,419	56,442
- Western region	13,456	21,834
- Northern region	11,496	18,018
	96,836	102,817

## 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

There were no other changes in the composition of the Group during the current quarter and financial period 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 March 2019 is as follows:

	<b>As at 31.03.2019 RMB'000</b>
<b>Property, plant and equipment</b>	
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 period under review (*Quarter and financial period ended 31 March 2018: 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 and financial period ended		Changes	
	31.03.2019 RMB'000	31.03.2018 RMB'000	RMB'000	%
Revenue	96,836	102,817	(5,981)	-5.8
Gross profit	21,886	17,120	4,766	+27.8
Profit before tax	8,410	6,533	1,877	+28.7
Profit after tax / Profit attributable to equity holders of the parent	4,961	4,549	412	+9.1

#### Revenue

Our Group's total revenue stood at RMB96.8 million for the current quarter under review, lower by approximately 5.8% as compared to Quarter 1, 2018.

The moderation of sales performance during the current quarter under review was mainly due to lower quantities sold for own-branding sports shoes, as a result of intensified market competition and conservative spending sentiments among the consumers within China. Total sales volume for own-branding sports shoes decreased to 0.48 million pairs for the current quarter under review, from 0.76 million pairs for Quarter 1, 2018.

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

	Quarter and financial period ended	
	31.03.2019	31.03.2018
Volume sold ('000 pairs)	864	653
Movement	+32.3%	

#### Profitability

Our Group's gross profit stood at RMB21.89 million for the current quarter under review, improved by approximately 27.8% as compared to Quarter 1, 2018. This was attributable to improved gross profit margin recorded during the current quarter under review, arising from overall increase in average unit selling prices and production cost control initiatives.

Backed by the improvement in gross profit, our Group's profit after tax increased to RMB4.96 million for the current quarter under review representing an increase of 9.1% as compared to Quarter 1, 2018.



## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		Changes	
	31 March 2019 RMB'000	31 December 2018 RMB'000	RMB'000	%
Revenue	96,836	115,841	(19,005)	-16.4
Gross profit	21,886	24,268	(2,382)	-9.8
Profit before tax	8,410	7,563	847	+11.2
Profit after tax / Profit attributable to equity holders of the parent	4,961	4,457	504	+11.3

Revenue for the current quarter under review was lower by approximately 16.4% as compared to the preceding quarter, mainly due to moderation of overall market activities within China in conjunction with the long holidays for celebration of Chinese New Year during the current quarter under review.

Our Group's profit before tax and profit after tax improved by approximately 11.2% and 11.3% respectively for the current quarter under review, as compared to the preceding quarter. This was primarily due to lower administrative expenses incurred during the current quarter under review.

### ADDITIONAL INFORMATION – TRADE RECEIVABLES

	Quarter ended	
	31 March 2019 RMB'000	31 December 2018 RMB'000
Trade receivables – third party	133,078	150,878
Allowance for expected credit loss	(1,261)	(971)
	<u>131,817</u>	<u>149,907</u>

The normal credit terms granted by our Group is 120 days. As of 31 March 2019, our Group was not aware of any significant concern on the recoverability of the trade receivables.



### B3. TAX EXPENSES

	Quarter and period ended 31.03.2019 RMB'000	Quarter and period ended 31.03.2018 RMB'000
Tax expenses	3,449	1,984
Effective tax rate	41.0%	30.4%

In line with our Group's improved profit before tax during the current quarter and financial period under review, tax expenses increased to RMB3.45 million for the current quarter under review from RMB1.98 million for Quarter 1, 2018.

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 period under review, the effective tax rate stood at 41.0%, higher than the prevailing statutory tax rate of 25% in the PRC. This was primarily attributable to the following factors:

- (i) Additional deferred tax liabilities provided in relation to the expected withholding tax on undistributed profits of the PRC subsidiaries; and
- (ii) 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 subsidiary of the Group.



#### **B4. OUTLOOK AND PROSPECTS**

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.

Demands for sportswear within the domestic China market and the global markets are expected to be gradual growth momentum, backed by the following growth 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;
- (iv) Increasing awareness on healthy lifestyle and growing popularity of sports; and
- (v) Major sport events in the coming years such as Tokyo 2020 Summer Olympics, Beijing 2022 Winter Olympics and Qatar 2022 FIFA World Cup.

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 March 2019 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	20,176	8,924	30.7 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	20,776	8,924		

(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	36,222	17,448	32.5 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
			54,777	37,329	17,448		

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 March 2019 is as follows:

<b>(In RM)</b>			<b>Proposed</b>	<b>Actual</b>	<b>Deviation</b>		
	<b>Purpose</b>	<b>Intended Timeframe</b>	<b>Utilisation RM'000</b>	<b>Utilisation RM'000</b>	<b>Amount RM'000</b>	<b>%</b>	
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		

<b>(In RMB)</b>			<b>Proposed</b>	<b>Actual</b>	<b>Deviation</b>		
	<b>Purpose</b>	<b>Intended Timeframe</b>	<b>Utilisation RMB'000</b>	<b>Utilisation RMB'000</b>	<b>Amount RMB'000</b>	<b>%</b>	
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 March 2019, the Group's outstanding borrowing are as follows:

	Secured RMB'000	Unsecured RMB'000	Total RMB'000
<b>Current (<i>within 12 months</i>)</b>			
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 period ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	4,961	4,549	4,961	4,549
Weighted average number of ordinary shares in issue ('000)	1,804,882	1,351,952	1,804,882	1,351,952
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	0.27	0.34	0.27	0.34

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

As of 31 March 2019, the Group has 902,441,557 Warrants D in issue, which entitles the holders the rights for conversion into 1 ordinary share for every 1 warrant at an exercise price of RM0.18 each (or RM equivalent of the par value of the ordinary share, whichever is higher) respectively.

The warrants in issue give rise to potential ordinary shares which, upon conversion, could result in dilution to earnings per share in future financial periods. In accordance with MFRS 133, options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options and warrants (i.e. they are ‘in-the-money’). During the financial period under review, the

The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the period end. Relevant disclosure and information, where applicable, would be made in future interim financial reports and annual financial statements.

## 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:

	<b>Quarter ended 31.03.2019 RMB'000</b>	<b>Period ended 31.03.2019 RMB'000</b>
Interest income	773	773
Interest expense	(155)	(155)
Depreciation and amortisation expenses	(3,870)	(3,870)
Allowance for expected credit loss	(290)	(290)
Foreign exchange gain/(loss)	N/A	N/A
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 RM0.6082 at 31 March 2019. 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 31.03.2019 RM'000	Quarter ended 31.03.2018 RM'000	Financial period ended 31.03.2019 RM'000	Financial period ended 31.03.2019 RM'000
Revenue	58,896	62,533	58,896	62,533
Cost of Sales	<u>(45,585)</u>	<u>(52,121)</u>	<u>(45,585)</u>	<u>(52,121)</u>
Gross Profit ("GP")	13,311	10,412	13,311	10,412
Other Income	470	482	470	482
Distribution Costs	(55)	(26)	(55)	(26)
Administrative and Other Expenses	(8,517)	(6,858)	(8,517)	(6,858)
Finance Costs	<u>(94)</u>	<u>(37)</u>	<u>(94)</u>	<u>(37)</u>
<b>Profit before Tax ("PBT")</b>	5,115	3,973	5,115	3,973
Tax Expense	<u>(2,098)</u>	<u>(1,207)</u>	<u>(2,098)</u>	<u>(1,207)</u>
<b>Profit For The Period ("PAT")</b>	<u>3,017</u>	<u>2,766</u>	<u>3,017</u>	<u>2,766</u>
<b>Other Comprehensive Income:</b>				
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>
<b>Total Comprehensive Income</b>	<u>3,017</u>	<u>2,766</u>	<u>3,017</u>	<u>2,766</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>3,017</u>	<u>2,766</u>	<u>3,017</u>	<u>2,766</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>3,017</u>	<u>2,766</u>	<u>3,017</u>	<u>2,766</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	0.16	0.21	0.16	0.21
- Diluted (sen)	0.16	0.21	0.16	0.21

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

	<b>As at 31.03.2019 RM'000</b>	<b>As at 31.12.2018 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	324,167	326,224
Land use rights	28,205	28,390
	<u>352,372</u>	<u>354,614</u>
<b>Current Assets</b>		
Inventories	1,750	924
Trade and other receivables	80,718	91,721
Current tax assets	40	266
Cash and cash equivalents	493,354	490,199
	<u>575,862</u>	<u>583,110</u>
<b>TOTAL ASSETS</b>	<b><u>928,234</u></b>	<b><u>937,724</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	275,231	275,231
Reserves	584,652	581,635
<b>TOTAL EQUITY</b>	<u>859,883</u>	<u>856,866</u>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	13,724	13,547
<b>Current Liabilities</b>		
Trade and other payables	47,085	59,769
Bank borrowings	7,542	7,542
	<u>54,627</u>	<u>67,311</u>
<b>TOTAL LIABILITIES</b>	<u>68,351</u>	<u>80,858</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>928,234</u></b>	<b><u>937,724</u></b>
<b>Net assets per share (RM)</b>	<u>0.47</u>	<u>0.47</u>





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

Quarter and period ended	Non-distributable						Distributable		Total equity RM'000
	Share capital RM'000	Share premium 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	
31 March 2018									
Balance at 31 December 2017	96,040	9,176	351,672	24,373	(124,623)	20,314	(1)	393,749	770,700
Impact arising from adoption of MFRS 9	-	-	-	-	-	-	-	(701)	(701)
Balance at 1 January 2018	96,040	9,176	351,672	24,373	(124,623)	20,314	(1)	393,048	769,999
Total comprehensive income	-	-	-	-	-	-	-	2,766	2,766
<b>Transactions with owners</b>									
Ordinary shares issued pursuant to:									
- Exercise of warrants	361	4	-	-	-	-	-	-	365
- Bonus issue	107,092	(9,180)	(97,912)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	339	-	-	-	(339)	-
	107,453	(9,176)	(97,912)	339	-	-	-	(339)	365
Balance at 31 March 2018	203,493	-	253,760	24,712	(124,623)	20,314	(1)	395,475	773,130



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

Quarter and period ended 31 March 2019 <sup>(1)</sup>	Non-distributable						Distributable		Total equity RM'000
	Share capital RM'000	Share premium 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 1 January 2019	275,231	1,393	253,756	26,136	(124,623)	20,314	(1)	404,660	856,866
Total comprehensive income	-	-	-	-	-	-	-	3,017	3,017
<b>Transactions with owners</b>									
Transfer to statutory surplus reserve	-	-	-	559	-	-	-	(559)	-
	-	-	-	559	-	-	-	(559)	-
Balance at 31 March 2019	275,231	1,393	253,756	26,695	(124,623)	20,314	(1)	407,118	859,883



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

	Financial year ended	
	31.03.2019 RM'000	31.03.2018 RM'000
Profit before tax	5,115	3,973
Adjustments for non-operating cash flows:		
Non-cash items	2,530	2,227
Non-operating items	(376)	(328)
Operating profit before working capital changes	7,269	5,872
Changes in working capital		
Net change in current assets	10,000	19,668
Net change in current liabilities	(12,684)	(16,314)
Cash generated from operating activities	4,585	9,226
Income tax paid	(1,694)	(1,033)
Net cash from operating activities	2,891	8,193
Investing activities		
Interest received	470	365
Purchase of property, plant and equipment	(112)	(161)
Net cash from investing activities	358	204
Financing activities		
Interest paid	(94)	(37)
Proceeds from issuance of new ordinary shares	-	364
Net cash (used in)/from financing activities	(94)	327
Net change in cash and cash equivalents	3,155	8,724
Cash and cash equivalents at beginning of financial year	490,199	376,621
Cash and cash equivalents at end of financial year	493,354	385,345
Cash and cash equivalents at end of financial year		
Cash and bank balances	493,354	385,345