



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2019**

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>1</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>2</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>3 – 4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>5</b>
<b>EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)</b>	<b>6 – 11</b>
<b>ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES</b>	<b>12 – 20</b>
<b>APPENDICES</b>	
<b>- FINANCIAL STATEMENTS TRANSLATED INTO RINGGIT MALAYSIA (FOR ILLUSTRATIVE PURPOSE ONLY)</b>	<b>21 – 26</b>



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.06.2019 <sup>(1)</sup> RMB'000	Quarter ended 30.06.2018 RMB'000	Financial period ended 30.06.2019 <sup>(1)</sup> RMB'000	Financial period ended 30.06.2018 RMB'000
Revenue	129,516	115,341	226,352	218,158
Cost of Sales	<u>(97,807)</u>	<u>(94,146)</u>	<u>(172,757)</u>	<u>(179,843)</u>
Gross Profit ("GP")	31,709	21,195	53,595	38,315
Other Income	810	548	1,583	1,341
Distribution Costs	(50)	(51)	(141)	(94)
Administrative and Other Expenses	(15,835)	(12,992)	(29,838)	(24,268)
Finance Costs	<u>(159)</u>	<u>(61)</u>	<u>(314)</u>	<u>(122)</u>
<b>Profit before Tax ("PBT")</b>	16,475	8,639	24,885	15,172
Tax Expense	<u>(8,566)</u>	<u>(2,822)</u>	<u>(12,015)</u>	<u>(4,806)</u>
<b>Profit For The Period ("PAT")</b>	<u>7,909</u>	<u>5,817</u>	<u>12,870</u>	<u>10,366</u>
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
<b>Total Comprehensive Income</b>	<u>7,909</u>	<u>5,817</u>	<u>12,870</u>	<u>10,366</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>7,909</u>	<u>5,817</u>	<u>12,870</u>	<u>10,366</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>7,909</u>	<u>5,817</u>	<u>12,870</u>	<u>10,366</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic <sup>(2)</sup> (RMB cent)	0.44	0.41	0.71	0.75
- Diluted <sup>(2)</sup> (RMB cent)	0.44	0.41	0.71	0.75

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 30.06.2019 <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	531,547	536,377
Land use rights	46,070	46,678
	577,617	583,055
<b>Current Assets</b>		
Inventories	3,012	1,520
Trade and other receivables (Note @)	170,269	150,807
Current tax assets	-	437
Cash and cash equivalents	814,409	805,983
	987,690	958,747
<b>TOTAL ASSETS</b>	<b>1,565,307</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	969,192	956,322
<b>TOTAL EQUITY</b>	1,421,726	1,408,856
<b>Non-current Liabilities</b>		
Deferred tax liabilities	22,998	22,274
<b>Current Liabilities</b>		
Trade and other payables (Note #)	103,274	98,272
Current tax liabilities	4,909	-
Bank borrowings	12,400	12,400
	120,583	110,672
<b>TOTAL LIABILITIES</b>	143,581	132,946
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,565,307</b>	<b>1,541,802</b>
<b>Net assets per share (RMB)<sup>(2)</sup></b>	0.79	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 30 June 2018 <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 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 <sup>^</sup>	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	10,366	10,366
<b>Transactions with owners</b>									
Ordinary shares issued pursuant to:									
- Exercise of warrants	80,163	72	-	-	-	-	-	-	80,235
- Bonus issue	176,080	(15,093)	(160,987)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	1,294	-	-	-	(1,294)	-
	256,243	(15,021)	(160,987)	1,294	-	-	-	(1,294)	80,235
Balance at 30 June 2018	414,152	66	417,231	41,368	(204,906)	33,401	(1)	655,319	1,356,630



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

Quarter and period ended 30 June 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	-	-	-	-	-	-	-	12,870	12,870
<b>Transactions with owners</b>									
Transfer to statutory surplus reserve	-	-	-	2,165	-	-	-	(2,165)	-
	-	-	-	2,165	-	-	-	(2,165)	-
Balance at 30 June 2019	452,534	2,290	417,225	45,138	(204,906)	33,401	(1)	676,045	1,421,726

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	
	30.06.2019 <sup>(1)</sup> RMB'000	30.06.2018 RMB'000
Profit before tax	24,885	15,172
Adjustments for non-operating cash flows:		
Non-cash items	8,460	7,632
Non-operating items	(1,269)	(1,121)
Operating profit before working capital changes	32,076	21,683
Changes in working capital		
Net change in current assets	(21,611)	15,797
Net change in current liabilities	5,002	(12,659)
Cash generated from operating activities	15,467	24,821
Income tax paid	(5,945)	(3,489)
Net cash from operating activities	9,522	21,332
Investing activities		
Interest received	1,583	1,243
Purchase of property, plant and equipment	(2,365)	(264)
Net cash (used in)/from investing activities	(782)	979
Financing activities		
Interest paid	(314)	(122)
Drawdown of borrowings	12,400	-
Repayment of borrowings	(12,400)	-
Proceeds from issuance of shares pursuant to exercise of warrants	-	80,235
Net cash (used in)/from financing activities	(314)	80,113
Net change in cash and cash equivalents	8,426	102,424
Cash and cash equivalents at beginning of financial period	805,983	619,239
Cash and cash equivalents at end of financial period	814,409	721,663
Cash and cash equivalents at end of financial period		
Cash and bank balances	814,409	721,663

*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 30 June 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:

	<b>Own-branding RMB'000</b>	<b>Original design manufacturer ("ODM") RMB'000</b>	<b>Total RMB'000</b>
<b>Quarter ended 30 June 2019</b>			
Revenue – Sport Shoes	49,006	80,510	129,516
<b>Quarter ended 30 June 2018</b>			
Revenue – Sport Shoes	65,446	49,895	115,341
	<b>Own-branding RMB'000</b>	<b>Original design manufacturer ("ODM") RMB'000</b>	<b>Total RMB'000</b>
<b>Financial period ended 30 June 2019</b>			
Revenue – Sport Shoes	87,888	138,464	226,352
<b>Financial period ended 30 June 2018</b>			
Revenue – Sport Shoes	126,235	91,923	218,158

## A8. SEGMENT INFORMATION (cont'd)

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

### *Revenue by region*

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.

	<b>Quarter ended 30.6.2019 RMB'000</b>	<b>Quarter ended 30.6.2018 RMB'000</b>	<b>Year to date ended 30.6.2019 RMB'000</b>	<b>Year to date ended 30.6.2018 RMB'000</b>
Within the PRC:				
- Eastern region	3,699	8,416	6,164	14,939
- Southern region	94,997	64,896	164,416	121,338
- Western region	17,206	23,258	30,662	45,092
- Northern region	13,614	18,771	25,110	36,789
	<b>129,516</b>	<b>115,341</b>	<b>226,352</b>	<b>218,158</b>

## 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 30 June 2019 is as follows:

	<b>As at 30.06.2019 RMB'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	<u>31,142</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 30 June 2018: Nil*).

**[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]**



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

### B1. ANALYSIS OF PERFORMANCE

	Quarter ended		Changes	
	30.6.2019 RMB'000	30.6.2018 RMB'000	RMB'000	%
Revenue	129,516	115,341	14,175	+12.3
Gross profit	31,709	21,195	10,514	+49.6
Profit before tax	16,475	8,639	7,836	+90.7
Profit after tax / Profit attributable to equity holders of the parent	7,909	5,817	2,092	+36.0
	Year to date ended		Changes	
	30.6.2019 RMB'000	30.6.2018 RMB'000	RMB'000	%
Revenue	226,352	218,158	8,194	+3.8
Gross profit	53,595	38,315	15,280	+39.9
Profit before tax	24,885	15,172	9,713	+64.0
Profit after tax / Profit attributable to equity holders of the parent	12,870	10,366	2,504	+24.2

#### Revenue

Our Group recorded total revenue of approximately RMB129.5 million and RMB226.4 million respectively during the current quarter and financial period under review, representing an increase of approximately 12.3% and 3.8% respectively as compared to the preceding year corresponding quarter and period; mainly due to improved performance of the ODM Production Division.

During the current quarter and financial period under review, our Group recorded lower revenue contribution from the Own-branding Division primarily due to lower quantities sold as illustrated below:

	Quarter ended		Year to date ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Volume sold ('000 pairs)	588	813	1,068	1,573
Movement	-27.7%		-32.1%	

The moderation was, however, partially mitigated by an overall increase in average selling price of our own-branding sport shoes.



## B1. ANALYSIS OF PERFORMANCE (cont'd)

During the current quarter and financial period under review, our Group recorded improved performance from the ODM Production Division mainly due to increase in sales volume as illustrated below:

	Quarter ended		Year to date ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Volume sold ('000 pairs)	1,147	757	2,011	1,410
Movement	+51.5%		+42.6%	

In addition to that, we also recorded overall increase in average selling price for our ODM production orders.

### Profitability

Our Group's gross profit stood at RMB31.7 million and RMB53.6 million respectively for the current quarter and financial period under review, improved by approximately 49.6% and 39.9% respectively as compared to preceding year corresponding period. This was attributable to improved gross profit margin recorded during the current quarter and financial period under review, arising from:

- (i) overall increase in average unit selling prices;
- (ii) production cost control initiatives; and
- (iii) lower amount of depreciation charges captured under "Cost of sales", whereby certain portion of the depreciation charges previously expensed off under "Cost of Sales" in prior year (Quarter 2, 2018: RMB2.1 million and 6-month, 2018: RMB4.1 million) are now expensed off under "Administrative and other expenses" during the financial period under review.

Backed by the improvement in gross profit, our Group's profit after tax increased to RMB7.9 million and RMB12.9 million respectively for the current quarter and financial period under review; representing an increase of 36.0% and 24.2% respectively as compared to preceding year corresponding period.

## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		Changes	
	30 June 2019	31 March 2019	RMB'000	%
	RMB'000	RMB'000		
Revenue	129,516	96,836	32,680	33.7
Gross profit	31,709	21,886	9,823	44.9
Profit before tax	16,475	8,410	8,065	95.9
Profit after tax / Profit attributable to equity holders of the parent	7,909	4,961	2,948	59.4



## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER (cont'd)

Revenue for the current quarter under review rose by approximately 33.7% as compared to the preceding quarter, mainly due to:

- (i) improved orders from the Own-branding Division as a result of increase in market activities (as compared to moderation of overall market activities in the preceding quarter in conjunction with the Chinese New Year long holidays); and
- (ii) improved orders from the ODM Production Division in line with our Group's strategic plans and efforts to expand the segment and establish relationship with more international brands.

Backed by the improved sales performance and gross profit, our Group's profit before tax and profit after tax for the current quarter under review improved by approximately 95.9% and 59.4% respectively, as compared to the preceding quarter.

### ADDITIONAL INFORMATION – TRADE RECEIVABLES

	Quarter ended	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade receivables – third party	171,897	150,878
Allowance for expected credit loss	(1,628)	(971)
	170,269	149,907

The normal credit terms granted by our Group is 120 days. As of 30 June 2019, our Group was not aware of any significant concern on the recoverability of the trade receivables.

## B3. TAX EXPENSES

	Quarter ended	Quarter ended	Year to date ended	Year to date ended
	30.6.2019 RMB'000	30.6.2018 RMB'000	30.6.2019 RMB'000	30.6.2018 RMB'000
Tax expenses	8,566	2,822	12,015	4,806
Effective tax rate	52.0%	32.7%	48.3%	31.7%



### **B3. TAX EXPENSES (cont'd)**

Our Group recorded higher tax expenses for the current quarter and financial period under review, in line with the improved profit before tax recorded by our Group and as a result of additional adjustment made to write-off current tax assets where the recoverability is uncertain.

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 52.0% and 48.3% respectively, 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;
- (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; and
- (iii) Additional adjustment made to write-off current tax assets where the recoverability is uncertain.

### **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 30 June 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	21,485	7,615	26.2 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	22,085	7,615		

(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	38,396	15,274	28.5 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
			54,777	39,503	15,274		

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 2020.*

# *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 30 June 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 30 June 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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	7,909	5,817	12,870	10,366
Weighted average number of ordinary shares in issue ('000)	1,804,882	1,416,130	1,804,882	1,384,218
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	0.44	0.41	0.71	0.75

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

As of 30 June 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').

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 30.06.2019 RMB'000</b>	<b>Period ended 30.06.2019 RMB'000</b>
Interest income	810	1,583
Interest expense	(159)	(314)
Depreciation and amortisation expenses	(3,919)	(7,789)
Allowance for expected credit loss	(367)	(657)
Property, plant and equipment written off	(14)	(14)
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 RM0.6020 at 30 June 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 30.06.2019 RM'000	Quarter ended 30.06.2018 RM'000	Financial period ended 30.06.2019 RM'000	Financial period ended 30.06.2019 RM'000
Revenue	77,969	69,435	136,264	131,331
Cost of Sales	<u>(58,880)</u>	<u>(56,676)</u>	<u>(104,000)</u>	<u>(108,265)</u>
Gross Profit ("GP")	19,089	12,759	32,264	23,066
Other Income	488	330	953	807
Distribution Costs	(30)	(31)	(85)	(57)
Administrative and Other Expenses	(9,533)	(7,821)	(17,962)	(14,609)
Finance Costs	<u>(96)</u>	<u>(37)</u>	<u>(189)</u>	<u>(73)</u>
<b>Profit before Tax ("PBT")</b>	9,918	5,200	14,981	9,134
Tax Expense	<u>(5,157)</u>	<u>(1,699)</u>	<u>(7,233)</u>	<u>(2,893)</u>
<b>Profit For The Period ("PAT")</b>	<u>4,761</u>	<u>3,501</u>	<u>7,748</u>	<u>6,241</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>4,761</u>	<u>3,501</u>	<u>7,748</u>	<u>6,241</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>4,761</u>	<u>3,501</u>	<u>7,748</u>	<u>6,241</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>4,761</u>	<u>3,501</u>	<u>7,748</u>	<u>6,241</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	0.26	0.25	0.43	0.45
- Diluted (sen)	0.26	0.25	0.43	0.45

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

	<b>As at 30.06.2019 RM'000</b>	<b>As at 31.12.2018 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	319,991	322,899
Land use rights	27,734	28,100
	<u>347,725</u>	<u>350,999</u>
<b>Current Assets</b>		
Inventories	1,813	915
Trade and other receivables	102,502	90,786
Current tax assets	-	263
Cash and cash equivalents	490,274	485,202
	<u>594,589</u>	<u>577,166</u>
<b>TOTAL ASSETS</b>	<b><u>942,314</u></b>	<b><u>928,165</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	272,425	272,425
Reserves	583,454	575,706
<b>TOTAL EQUITY</b>	<u>855,879</u>	<u>848,131</u>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	13,845	13,409
<b>Current Liabilities</b>		
Trade and other payables	62,170	59,160
Current tax liabilities	2,955	-
Bank borrowings	7,465	7,465
	<u>72,590</u>	<u>66,625</u>
<b>TOTAL LIABILITIES</b>	<u>86,435</u>	<u>80,034</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>942,314</u></b>	<b><u>928,165</u></b>
<b>Net assets per share (RM)</b>	<u>0.48</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	
30 June 2018									
Balance at 31 December 2017	95,062	9,082	348,088	24,125	(123,353)	20,107	(1)	389,734	762,844
Impact arising from adoption of MFRS 9 <sup>a</sup>	-	-	-	-	-	-	-	(695)	(695)
Balance at 1 January 2018	95,062	9,082	348,088	24,125	(123,353)	20,107	(1)	389,039	762,149
Total comprehensive income	-	-	-	-	-	-	-	6,241	6,241
<b>Transactions with owners</b>									
Ordinary shares issued pursuant to:									
- Exercise of warrants	48,258	43	-	-	-	-	-	-	48,301
- Bonus issue	106,000	(9,085)	(96,915)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	778	-	-	-	(778)	-
	154,258	(9,042)	(96,915)	778	-	-	-	(778)	48,301
Balance at 30 June 2018	249,320	40	251,173	24,903	(123,353)	20,107	(1)	394,502	816,691



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

Quarter and period ended 30 June 2019	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	272,425	1,378	251,169	25,870	(123,353)	20,108	(1)	400,535	848,131
Total comprehensive income	-	-	-	-	-	-	-	7,748	7,748
<b>Transactions with owners</b>									
Transfer to statutory surplus reserve	-	-	-	1,303	-	-	-	(1,303)	-
	-	-	-	1,303	-	-	-	(1,303)	-
Balance at 30 June 2019	272,425	1,378	251,169	27,173	(123,353)	20,108	(1)	406,980	855,879

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

	Financial year ended	
	30.06.2019 RM'000	30.06.2018 RM'000
Profit before tax	14,981	9,134
Adjustments for non-operating cash flows:		
Non-cash items	5,093	4,594
Non-operating items	(764)	(675)
Operating profit before working capital changes	<u>19,310</u>	<u>13,053</u>
Changes in working capital		
Net change in current assets	(13,010)	9,510
Net change in current liabilities	3,011	(7,621)
Cash generated from operating activities	9,311	14,942
Income tax paid	(3,579)	(2,100)
Net cash from operating activities	<u>5,732</u>	<u>12,842</u>
Investing activities		
Interest received	953	748
Purchase of property, plant and equipment	(1,424)	(159)
Net cash (used in)/from investing activities	<u>(471)</u>	<u>589</u>
Financing activities		
Interest paid	(189)	(73)
Drawdown of borrowings	7,465	-
Repayment of borrowings	(7,465)	-
Proceeds from issuance of shares pursuant to exercise of warrants	-	48,301
Net cash (used in)/from financing activities	<u>(189)</u>	<u>48,228</u>
Net change in cash and cash equivalents	5,072	61,659
Cash and cash equivalents at beginning of financial year	<u>485,202</u>	<u>372,782</u>
Cash and cash equivalents at end of financial year	<u>490,274</u>	<u>434,441</u>
Cash and cash equivalents at end of financial year		
Cash and bank balances	<u>490,274</u>	<u>434,441</u>