



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

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

	3 months period ended 31.12.2019⁽¹⁾ RMB'000	12 months period ended 31.12.2019⁽¹⁾ RMB'000
Revenue	126,301	474,039
Cost of Sales	<u>(94,365)</u>	<u>(358,155)</u>
Gross Profit ("GP")	31,936	115,884
Other Income	797	3,190
Distribution Costs	(209)	(401)
Administrative and Other Expenses	(19,418)	(65,254)
Finance Costs	<u>(157)</u>	<u>(629)</u>
Profit before Tax ("PBT")	12,949	52,790
Tax Expense	<u>(5,103)</u>	<u>(23,747)</u>
Profit for the Period ("PAT")	<u>7,846</u>	<u>29,043</u>
Other Comprehensive Income:		
Foreign currency translations	<u>-</u>	<u>-</u>
Other Comprehensive Income, net of tax	<u>-</u>	<u>-</u>
Total Comprehensive Income	<u>7,846</u>	<u>29,043</u>
Profit attributable to:		
Equity holders of the parent	<u>7,846</u>	<u>29,043</u>
Total Comprehensive Income attributable to:		
Equity holders of the parent	<u>7,846</u>	<u>29,043</u>
Earnings per share attributable to equity holders of the parent		
- Basic ⁽²⁾ (RMB cent)	0.43	1.61
- Diluted ⁽²⁾ (RMB cent)	0.43	1.61

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.*

Due to the change of financial year end from 31 December to 30 June, no comparative figures are available for the current financial period ended 31 December 2019 as it is not comparable with that of the fourth quarter of the previous financial year ended 31 December 2018.

(2) *Refer Note B9 for further details.*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

	As at 31.12.2019 ⁽¹⁾ RMB'000	As at 31.12.2018 RMB'000 (audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	525,917	536,377
Land use rights	45,461	46,678
	571,378	583,055
Current Assets		
Inventories	2,842	1,520
Trade and other receivables (Note @)	156,028	150,807
Current tax assets	-	437
Cash and cash equivalents	848,617	805,983
	1,007,487	958,747
TOTAL ASSETS	1,578,865	1,541,802
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	452,534	452,534
Reserves	985,365	956,322
TOTAL EQUITY	1,437,899	1,408,856
Non-current Liabilities		
Deferred tax liabilities	23,948	22,274
Current Liabilities		
Trade and other payables (Note #)	103,237	98,272
Current tax liabilities	1,381	-
Bank borrowings	12,400	12,400
	117,018	110,672
TOTAL LIABILITIES	140,966	132,946
TOTAL EQUITY AND LIABILITIES	1,578,865	1,541,802
Net assets per share (RMB)⁽²⁾	0.80	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)

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 December 2019 ⁽¹⁾									
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	-	-	-	-	-	-	-	29,043	29,043
Transactions with owners									
Transfer to statutory surplus reserve	-	-	-	4,911	-	-	-	(4,911)	-
	-	-	-	4,911	-	-	-	(4,911)	-
Balance at 31 December 2019	452,534	2,290	417,225	47,884	(204,906)	33,401	(1)	689,472	1,437,899

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.

Due to the change of financial year end from 31 December to 30 June, no comparative figures are available for the current financial period ended 31 December 2019 as it is not comparable with that of the fourth quarter of the previous financial year ended 31 December 2018.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Period ended 31.12.2019 ⁽¹⁾ RMB'000
Profit before tax	52,790
Adjustments for non-operating cash flows:	
Non-cash items	16,222
Non-operating items	<u>(2,561)</u>
Operating profit before working capital changes	66,451
Changes in working capital	
Net change in current assets	(7,063)
Net change in current liabilities	<u>4,965</u>
Cash generated from operating activities	64,353
Income tax paid	<u>(20,255)</u>
Net cash from operating activities	<u>44,098</u>
Investing activities	
Interest received	3,190
Purchase of property, plant and equipment	<u>(4,025)</u>
Net cash used in investing activities	<u>(835)</u>
Financing activities	
Interest paid	(629)
Drawdown of borrowings	12,400
Repayment of borrowings	<u>(12,400)</u>
Net cash used in financing activities	<u>(629)</u>
Net change in cash and cash equivalents	42,634
Cash and cash equivalents at beginning of financial period	<u>805,983</u>
Cash and cash equivalents at end of financial period	<u>848,617</u>
Cash and cash equivalents at end of financial period	
Cash and bank balances	<u>848,617</u>

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.*

Due to the change of financial year end from 31 December to 30 June, no comparative figures are available for the current financial period ended 31 December 2019 as it is not comparable with that of the fourth quarter of the previous financial year ended 31 December 2018.

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 References to the Conceptual Framework in MFRS Standards, as issued by MASB on 30 April 2018

Amendments to MFRS 3 Definition of a Business

Amendments to MFRS 101 and MFRS 108 Definition of Material

Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

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.

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.

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.



A8. SEGMENT INFORMATION (cont'd)

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

	Own-branding RMB'000	Original design manufacturer ("ODM") RMB'000	Total RMB'000
3 months ended 31 December 2019			
Revenue – Sport Shoes	42,053	84,248	126,301
12 months ended 31 December 2019			
Revenue – Sport Shoes	173,729	300,310	474,039

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.

	3 months ended 31.12.2019 RMB'000	12 months ended 31.12.2019 RMB'000
Within the PRC:		
- Eastern region	2,964	12,442
- Southern region	96,562	351,465
- Western region	14,764	60,967
- Northern region	12,011	49,165
	126,301	474,039



A9. MATERIAL EVENTS

Due to the abrupt resignation of the Company's external auditors as a result of the sanctions imposed on them by the Audit Oversight Board which, inter alia, prohibits them from auditing the financial statements of a public interest entity for 12 months with effect from 25 November 2019, the Board of Directors after due consideration decided to change the financial year end of the Company from 31 December to 30 June.

The change of financial year end is made to allow adequate time for the Company to finalise the appointment of new external auditors, and for the new external auditors to perform the necessary audit procedures in forming an audit opinion on the Group's financial statements.

Save for the above, there is no other material event subsequent to the end of the current quarter and financial period under review 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 December 2019 is as follows:

	As at 31.12.2019 RMB'000
Property, plant and equipment	
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.



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

B1. ANALYSIS OF PERFORMANCE

	3 months		Changes	
	31.12.2019 RMB'000	31.12.2018 RMB'000	RMB'000	%
Revenue	126,301	115,841	10,460	+9.0
Gross profit	31,936	24,268	7,668	+31.6
Profit before tax	12,949	7,563	5,386	+71.2
Profit after tax / Profit attributable to equity holders of the parent	7,846	4,457	3,389	+76.0

	12 months		Changes	
	31.12.2019 RMB'000	31.12.2018 RMB'000	RMB'000	%
Revenue	474,039	454,259	19,780	+4.4
Gross profit	115,884	86,807	29,077	+33.5
Profit before tax	52,790	32,494	20,296	+62.5
Profit after tax / Profit attributable to equity holders of the parent	29,043	20,802	8,241	+39.6

Revenue

Our Group recorded total revenue of approximately RMB126.3 million and RMB474.0 million respectively during the 3 months and 12 months period ended 31 December 2019, representing a growth of 9.0% and 4.4% respectively as compared to 3 months and 12 months period ended 31 December 2018.

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

	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Volume sold ('000 pairs)	505	593	2,098	2,889
Movement	-14.8%		-27.4%	



B1. ANALYSIS OF PERFORMANCE (cont'd)

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

	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Volume sold ('000 pairs)	1,188	1,007	4,296	3,337
Movement	+18.0%		+28.7%	

Profitability

Our Group's gross profit stood at RMB31.9 million and RMB115.9 million respectively for the 3 months and 12 months period ended 31 December 2019, improved by approximately 31.6% and 33.5% respectively as compared to 3 months and 12 months period ended 31 December 2018. This was mainly attributable to improved gross profit margin recorded during the current 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 (3 months ended 31 December 2018: RMB2.7 million and 12-month ended 31 December 2018: RMB9.1 million) are now expensed off under "Administrative and other expenses" during the current financial period under review.

Backed by the improvement in gross profit, our Group's profit after tax increased to RMB7.8 million and RMB29.0 million respectively for the 3 months and 12 months period ended 31 December 2019; representing an increase of 76.0% and 39.6% respectively as compared to 3 months and 12 months ended 31 December 2018.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months period ended		Changes	
	31.12.2019	30.09.2019	RMB'000	%
	RMB'000	RMB'000		
Revenue	126,301	121,386	4,915	+4.0
Gross profit	31,936	30,353	1,583	+5.2
Profit before tax	12,949	14,956	(2,007)	-13.4
Profit after tax / Profit attributable to equity holders of the parent	7,846	8,327	(481)	-5.8



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

Revenue for the 3 months ended 31 December 2019 was higher by 4.0% as compared to 3 months ended 30 September 2019, mainly due to higher sales volume recorded by the ODM Production Division in line with the increase in demand to cater for seasonal transition.

Our Group's profit before tax for the 3 months ended 31 December 2019 stood at RMB12.9 million, lower by 13.4% as compared to the 3 months ended 30 September 2019; mainly due to higher administrative expenses recorded for the current financial period under review as a result of additional accrual made for staff bonuses amounting to approximately RMB3.0 million.

ADDITIONAL INFORMATION – TRADE RECEIVABLES

	As at	
	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables – third party	157,519	150,878
Allowance for expected credit loss	(1,492)	(971)
	156,027	149,907

B3. TAX EXPENSES

	3 months ended		12 months ended	
	31.12.2019 RMB'000	31.12.2018 RMB'000	31.12.2019 RMB'000	31.12.2018 RMB'000
Tax expenses	5,103	3,106	23,747	11,692
Effective tax rate	39.41%	41.07%	45.0%	35.98%

Our Group recorded higher tax expenses for the current 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 financial period under review, the effective tax rate stood at 39.4% and 45.0% respectively, higher than the prevailing statutory tax rate 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) Additional adjustment made to write-off current tax assets where the recoverability is uncertain; and



B3. TAX EXPENSES (cont'd)

- (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 subsidiary of the Group. Further details are as follows:

	3 months ended 31.12.2019 RMB'000	12 months ended 31.12.2019 RMB'000
Tax expenses	5,103	23,747
Profit/(Loss) before tax:		
- HongPeng (Fujian) Shoes & Garments Co., Ltd.	18,390	71,184
- Other subsidiaries [^]	(3,784)	(16,094)
- Company level	(1,657)	(2,300)
Profit before tax – group level	12,949	52,790

[^] Primarily consist of depreciation and amortisation charges, mainly in relation to buildings and land use rights held under these subsidiaries, amounting to RMB3.1 million and RMB12.4 million respectively; as well as property taxes amounting to RMB0.7 million and RMB2.7 million respectively, for the 3 months and 12 months period ended 31 December 2019.

B4. OUTLOOK AND PROSPECTS

The trade dispute between China and the United States remained unresolved and continue to cast its shadow over the global economy. This is further complicated by the current outbreak of coronavirus disease (COVID-19), where the business environment in China are experiencing temporary disruption due to the containment measures enforced by the Chinese Government.

In view of that, the industry outlook for the near term is anticipated to experience certain degree of volatility and short-term adverse impact. Our Group's Management and Board of Directors will continue to closely monitor the development and necessary announcement will be made, where applicable.

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 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	22,172	6,928	23.8 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	22,772	6,928		

(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	39,562	14,108	26.3 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
			54,777	40,669	14,108		

N1 *In line with the Group's strategic re-positioning of business focus and due to the prevailing uncertainties in the economic environment, 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 2021.*

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 2019 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
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
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 2019, 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:

	3 months period ended 31.12.2019 RMB’000	12 months period ended 31.12.2019 RMB’000
Basic earnings per share		
Profit attributable to equity holders of the parent	7,846	29,043
Weighted average number of ordinary shares in issue (‘000)	1,804,882	1,804,882
	RMB cent	RMB cent
BEPS	0.43	1.61

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

As of 31 December 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:

	3 months period ended 31.12.2019 RMB'000	12 months period ended 31.12.2019 RMB'000
Interest income	797	3,190
Interest expense	(157)	(629)
Depreciation and amortisation expenses	(3,948)	(15,679)
Reversal of/(Allowance for) expected credit loss	(29)	(521)
Property, plant and equipment written off	(8)	(22)
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 RM0.5879 at 31 December 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)**

	3 months period ended 31.12.2019 RM'000	12 months period ended 31.12.2019 RM'000
Revenue	74,252	278,688
Cost of Sales	<u>(55,477)</u>	<u>(210,559)</u>
Gross Profit ("GP")	18,775	68,129
Other Income	469	1,875
Distribution Costs	(123)	(236)
Administrative and Other Expenses	(11,416)	(38,363)
Finance Costs	<u>(92)</u>	<u>(370)</u>
Profit before Tax ("PBT")	7,613	31,035
Tax Expense	<u>(3,000)</u>	<u>(13,961)</u>
Profit for the Period ("PAT")	<u>4,613</u>	<u>17,074</u>
Other Comprehensive Income:		
Foreign currency translations	<u>-</u>	<u>-</u>
Other Comprehensive Income, net of tax	<u>-</u>	<u>-</u>
Total Comprehensive Income	<u>4,613</u>	<u>17,074</u>
Profit attributable to:		
Equity holders of the parent	<u>4,613</u>	<u>17,074</u>
Total Comprehensive Income attributable to:		
Equity holders of the parent	<u>4,613</u>	<u>17,074</u>
Earnings per share attributable to equity holders of the parent		
- Basic (sen)	0.25	0.95
- Diluted (sen)	0.25	0.95

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

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	309,187	315,336
Land use rights	26,727	27,442
	335,914	342,778
Current Assets		
Inventories	1,671	894
Trade and other receivables	91,729	88,660
Current tax assets	-	257
Cash and cash equivalents	498,902	473,837
	592,302	563,648
TOTAL ASSETS	928,216	906,426
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	266,045	266,045
Reserves	579,296	562,222
TOTAL EQUITY	845,341	828,267
Non-current Liabilities		
Deferred tax liabilities	14,079	13,095
Current Liabilities		
Trade and other payables	60,694	57,774
Current tax liabilities	812	-
Bank borrowings	7,290	7,290
	68,796	65,064
TOTAL LIABILITIES	82,875	78,159
TOTAL EQUITY AND LIABILITIES	928,216	906,426
Net assets per share (RM)	0.47	0.46



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

Period ended 31 December 2019 ⁽¹⁾	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	266,045	1,346	245,287	25,264	(120,464)	19,636	(1)	391,154	828,267
Total comprehensive income	-	-	-	-	-	-	-	17,074	17,074
Transactions with owners									
Transfer to statutory surplus reserve	-	-	-	2,887	-	-	-	(2,887)	-
	-	-	-	2,887	-	-	-	(2,887)	-
Balance at 31 December 2019	266,045	1,346	245,287	28,151	(120,464)	19,636	(1)	405,341	845,341



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

	Period ended 31.12.2019⁽¹⁾ RM'000
Profit before tax	31,035
Adjustments for non-operating cash flows:	
Non-cash items	9,537
Non-operating items	(1,505)
Operating profit before working capital changes	<u>39,067</u>
Changes in working capital	
Net change in current assets	(4,152)
Net change in current liabilities	2,919
Cash generated from operating activities	<u>37,834</u>
Income tax paid	(11,908)
Net cash from operating activities	<u>25,926</u>
Investing activities	
Interest received	1,875
Purchase of property, plant and equipment	(2,366)
Net cash (used in)/from investing activities	<u>(491)</u>
Financing activities	
Interest paid	(370)
Drawdown of borrowings	7,290
Repayment of borrowings	(7,290)
Proceeds from issuance of shares pursuant to exercise of ESOS	-
Proceeds from issuance of shares pursuant to exercise of warrants	-
Net cash (used in)/from financing activities	<u>(370)</u>
Net change in cash and cash equivalents	25,065
Cash and cash equivalents at beginning of financial period	<u>473,837</u>
Cash and cash equivalents at end of financial period	<u>498,902</u>
Cash and cash equivalents at end of financial period	
Cash and bank balances	<u>498,902</u>