

Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 30 JUNE 2010
 Quarter : 2

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

PARTICULARS	NOTE	UNAUDITED AS AT 30-Jun-10 RMB'000	AUDITED AS AT 31-Dec-09 RMB'000	UNAUDITED AS AT 30-Jun-10 RM'000 (1)	AUDITED AS AT 31-Dec-09 RM'000 (1)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		182,924	126,545	87,200	60,324
Intangible assets		24,478	23,614	11,669	11,257
		<u>207,402</u>	<u>150,159</u>	<u>98,869</u>	<u>71,581</u>
Current assets					
Inventories		11,845	12,160	5,646	5,797
Trade receivables		60,540	63,374	28,859	30,210
Prepayment and other receivables		18,833	1,320	8,978	629
Cash and bank balances		185,872	160,706	88,605	76,609
Deposit pledged for bill payables		17,100	-	8,152	-
		<u>294,190</u>	<u>237,560</u>	<u>140,240</u>	<u>113,245</u>
Current liabilities					
Trade payables and bill payables		76,902	29,655	36,659	14,137
Accrued liabilities and other payables		17,939	20,920	8,552	9,972
Amount owing to a shareholder cum director		6,270	18,377	2,989	8,760
Income tax payable		6,319	11,388	3,012	5,429
Interest-bearing bank borrowings		15,700	-	7,484	-
		<u>123,130</u>	<u>80,340</u>	<u>58,696</u>	<u>38,298</u>
Net current assets		171,060	157,220	81,544	74,947
Net assets		<u>378,462</u>	<u>307,379</u>	<u>180,413</u>	<u>146,528</u>
EQUITY					
Share capital		123,178	123,178	58,719	58,719
Reserve		255,284	184,201	121,694	87,809
Total equity		<u>378,462</u>	<u>307,379</u>	<u>180,413</u>	<u>146,528</u>
Net Assets per share attributable to equity holders of the Group (sen in RMB / RM)	B12	105.13	94.87	50.11	45.22

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Notes :

- (1) The presentation currency of this unaudited and audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.4767 as at 30 June 2010.

Company Name : MULTI SPORTS HOLDINGS LTD
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 Financial Period Ended : 30 JUNE 2010
 Quarter : 2

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2010

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
		CURRENT QUARTER 30-Jun-10	PRECEDING YEAR CORRESPONDING QUARTER (1) 30-Jun-09	CURRENT QUARTER 30-Jun-10	PRECEDING YEAR CORRESPONDING QUARTER (1) 30-Jun-09
		RMB'000	RMB'000	RM'000 (2)	RM'000 (2)
Revenue		155,606	102,068	74,177	48,656
Cost of sales		(105,143)	(68,532)	(50,122)	(32,669)
Gross Profit		50,463	33,536	24,055	15,987
Other income		165	265	78	126
Selling and distribution expenses		(2,459)	(1,685)	(1,172)	(803)
Administrative expenses		(3,206)	(1,745)	(1,528)	(832)
Finance costs		(217)	(320)	(103)	(153)
Profit before taxation		44,746	30,051	21,330	14,325
Income tax expenses		(6,082)	(3,763)	(2,899)	(1,794)
Profit after taxation		38,664	26,288	18,431	12,531
Total comprehensive income for the period		38,664	26,288	18,431	12,531
Profit attributable to :					
- Equity holders of the Group		38,664	26,288	18,431	12,531
Total comprehensive income attributable to :					
- Equity holders of the Group		38,664	26,288	18,431	12,531

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		UNAUDITED CURRENT QUARTER 30-Jun-10 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING QUARTER (1) 30-Jun-09 RMB'000	UNAUDITED CURRENT QUARTER 30-Jun-10 RM'000 (2)	UNAUDITED PRECEDING YEAR CORRESPONDING QUARTER (1) 30-Jun-09 RM'000 (2)
Earnings per share attributable to equity holders of the Group :					
Basic (sen in RMB / RM)	B12	10.74	8.69	5.12	4.14
Diluted (sen in RMB / RM)	B12	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Notes :

- (1) *The condensed Combined Statement of Comprehensive Income are prepared in accordance with INT FRS 12 Consolidation - Special Purpose Entities and based on the combined results of Multi Sports Holdings Ltd ("MSPORTS") and its subsidiaries (MSPORTS GROUP). MSPORTS completed its restructuring only on 15 July 2009.*
- (2) *The presentation currency of this unaudited and audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.4767 as at 30 June 2010.*

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Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 30 JUNE 2010
 Quarter : 2

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2010

PARTICULARS	NOTE	CUMULATIVE QUARTER UNAUDITED		CUMULATIVE QUARTER UNAUDITED	
		CURRENT YEAR TO DATE 30-Jun-10 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD (1) 30-Jun-09 RMB'000	CURRENT YEAR TO DATE 30-Jun-10 RM'000 (2)	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD (1) 30-Jun-09 RM'000 (2)
Revenue		289,326	183,645	137,922	87,544
Cost of sales		(196,045)	(122,951)	(93,455)	(58,611)
Gross Profit		93,281	60,694	44,467	28,933
Other income		494	315	235	150
Selling and distribution expenses		(4,937)	(3,064)	(2,354)	(1,460)
Administrative expenses		(6,199)	(3,050)	(2,955)	(1,454)
Finance costs		(418)	(549)	(199)	(262)
Profit before taxation		82,221	54,346	39,194	25,907
Income tax expenses		(11,138)	(6,798)	(5,309)	(3,241)
Profit after taxation		71,083	47,548	33,885	22,666
Total comprehensive income for the year		71,083	47,548	33,885	22,666
Profit attributable to :					
- Equity holders of the Group		71,083	47,548	33,885	22,666
Total comprehensive income attributable to :					
- Equity holders of the Group		71,083	47,548	33,885	22,666

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PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
		CURRENT	PRECEDING	CURRENT	PRECEDING
		YEAR	YEAR	YEAR	YEAR
		TO DATE	CORRESPONDING	TO DATE	CORRESPONDING
		30-Jun-10	PERIOD (1)	30-Jun-10	PERIOD (1)
		RMB'000	30-Jun-09	RM'000 (2)	30-Jun-09
			RMB'000		RM'000 (2)
Earnings per share attributable to equity holders of the Group:					
Basic (sen in RMB / RM)	B12	19.75	15.72	9.41	7.50
Diluted (sen in RMB / RM)	B12	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Notes :

- (1) *The condensed Combined Statement of Comprehensive Income are prepared in accordance with INT FRS 12 Consolidation - Special Purpose Entities and based on the combined results of Multi Sports Holdings Ltd ("MSPORTS") and its subsidiaries (MSPORTS GROUP). MSPORTS completed its restructuring only on 15 July 2009.*
- (2) *The presentation currency of this unaudited and audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.4767 as at 30 June 2010.*

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Company Name : MULTI SPORTS HOLDINGS LTD
Stock Name : MSPORTS
Financial Period Ended : 30 JUNE 2010
Quarter : 2

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2010

	← Attributable to Equity Holders of The Group →					
	Share Capital	Share Premium	Statutory Reserve	Merger Deficit	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance At 1 January 2010	123,178	69,689	23,353	(54,916)	146,075	307,379
Net profit for the period	-	-	-	-	71,083	71,083
At 30 June 2010	123,178	69,689	23,353	(54,916)	217,158	378,462

	← Attributable to Equity Holders of The Group →					
	Share Capital	Share Premium	Statutory Reserve	Merger Deficit	Retained Earnings	Total Equity
	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)
Balance At 1 January 2010	58,719	33,221	11,132	(26,178)	69,634	146,528
Net profit for the period	-	-	-	-	33,885	33,885
At 30 June 2010	58,719	33,221	11,132	(26,178)	103,519	180,413

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Note :

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Company Name : MULTI SPORTS HOLDINGS LTD
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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2009

	← Attributable to Equity Holders of The Group →				
	Share Capital	Statutory Reserve	Currency Translation Reserve	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance At 1 January 2009	11	13,184	3	42,302	55,500
Currency translation reserve	-	-	(3)	3	-
Net (loss)/gain recognized directly in equity	-	-	(3)	3	-
Net profit for the period	-	-	-	47,548	47,548
Total recognized income for the period	-	-	(3)	47,551	47,548
At 30 June 2009	11	13,184	-	89,853	103,048

	← Attributable to Equity Holders of The Group →				
	Share Capital	Statutory Reserve	Currency Translation Reserve	Retained Earnings	Total Equity
	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)
Balance At 1 January 2009	5	6,285	2	20,165	26,457
Currency translation reserve	-	-	(2)	2	-
Net (loss)/gain recognized directly in equity	-	-	(2)	2	-
Net profit for the period	-	-	-	22,666	22,666
Total recognized income for the period	-	-	(2)	22,668	22,666
At 30 June 2009	5	6,285	-	42,833	49,123

The audited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Note :

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 Quarter : 2

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 JUNE 2010

	UNAUDITED CURRENT PERIOD 30-Jun-10 RMB'000	UNAUDITED PREDEDING YEAR CORRESPONDING PERIOD 30-Jun-09 RMB'000	UNAUDITED CURRENT PERIOD 30-Jun-10 RM'000 (1)	UNAUDITED PREDEDING YEAR CORRESPONDING PERIOD 30-Jun-09 RM'000 (1)
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation	82,221	54,346	39,195	25,907
Adjustments for :-				
Depreciation of property, plant and equipment	4,817	4,163	2,296	1,984
Amortisation of intangible assets	95	47	45	22
Loss on disposal of property, plant and equipment	2	-	1	-
Interest income	(320)	(108)	(152)	(51)
Interest expense	418	549	199	262
Operating profit before working capital changes	87,233	58,997	41,584	28,124
Decrease/ (increase) in inventories	315	(14)	150	(6)
Decrease/ (increase) in trade receivables	2,834	(2,631)	1,351	(1,254)
Increase in prepayments and other receivables	(17,512)	(8,921)	(8,348)	(4,253)
Increase/ (decrease) in trade payables	47,246	(7,719)	22,522	(3,680)
(Decrease)/ increase in accrued liabilities and other payables	(2,981)	14,177	(1,421)	6,758
Net cash generated from operations	117,135	53,889	55,838	25,689
Income tax paid	(16,206)	(7,196)	(7,725)	(3,430)
Interest received	320	108	152	51
Interest paid	(418)	(549)	(199)	(262)
Net cash generated from operating activities	100,831	46,252	48,066	22,048
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(61,225)	(1,702)	(29,186)	(811)
Acquisition of intangible asset	(960)	-	(458)	-
Proceed from disposal of property, plant and equipment	27	-	13	-
Net cash used in investing activities	(62,158)	(1,702)	(29,631)	(811)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceed from issue of redeemable convertible loan stock	-	48,511	-	23,125
Amount owing to a director	(12,107)	(9,433)	(5,771)	(4,497)
Bank loan obtained	15,700	20,000	7,484	9,534
Deposit pledged with bank	(17,100)	(4,740)	(8,152)	(2,259)
Net cash generated from financing activities	(13,507)	54,338	(6,439)	25,903

	UNAUDITED CURRENT PERIOD 30-Jun-10 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-09 RMB'000	UNAUDITED CURRENT PERIOD 30-Jun-10 RM'000 (1)	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-09 RM'000 (1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,166	98,888	11,996	47,140
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	160,706	29,943	76,609	14,273
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	185,872	128,831	88,605	61,413

Cash and cash equivalents comprise:

Cash and bank balances	202,972	128,831	96,757	61,413
Less: Deposit pledged with bank	(17,100)	-	(8,152)	-
	185,872	128,831	88,605	61,413

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Notes :

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A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2010

1. Basis of accounting and changes in accounting estimates

a) Basis of accounting

The interim financial reports are unaudited and have been prepared in accordance with the requirements of International Accounting Standard (“IAS”) 34 : Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2009, and the accompanying explanatory notes attached to this interim financial report.

b) Changes in accounting policies

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods after 1 January 2010 or later periods.

The management does not anticipate that the adoption of the above IFRSs (including consequential amendments) and interpretations will result in any material impact to the financial statements in the period of initial application.

2. Seasonality or cyclicity of operation

The business of the Group was not affected by any significant seasonal and cyclical factors during the period under review.

3. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

4. Changes in estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

5. Changes in share capital and debts

There were no issuances, cancellations, resale and repayments of debt and equity securities for the current financial year-to-date.

6. Dividends

No dividends were proposed by the Board of Directors for the current quarter and financial year-to-date.

7. Segment Information

Business Segments

	Financial period from 1 January 2010 to 30 June 2010 (Unaudited)				
	TPR	RB	MD1	MD2	TOTAL
	Shoe soles RMB'000	Shoe soles RMB'000	Shoe soles RMB'000	Shoe soles RMB'000	RMB'000
Revenue:					
- External sales	26,829	9,997	93,846	158,654	289,326
Results:					
Interest income	30	11	103	176	320
Interest expenses	(38)	(15)	(134)	(231)	(418)
Depreciation and amortisation	(451)	(171)	(1,579)	(2,711)	(4,912)
Segment profit	7,618	2,896	26,681	45,830	83,025

	Financial period ended 30 June 2010 (Unaudited)				
Assets:					
Additions to non-current assets *	5,706	2,169	19,984	34,326	62,185
Reportable segment assets	45,719	17,382	160,128	275,045	498,274
Reportable segment liabilities	10,100	3,840	35,376	60,763	110,079

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

	Second and cumulative quarter ended 30 June 2010 RMB'000 (Unaudited)
Profit or loss	
Total profit for reportable segments	83,025
Unallocated other expenses	(804)
Profit from operations	82,221

	As at 30 June 2010 RMB'000 (Unaudited)
Assets	
Total assets for reportable segments	498,274
Unallocated prepayment and other receivable	546
Unallocated cash at bank and on hand	2,772
Group assets	501,592

Liabilities	
Total liabilities for reportable segments	110,079
Unallocated amount owing to a shareholder	6,271
Unallocated income tax payable	6,319
Unallocated accruals and other payables	461
Group liabilities	123,130

Business Segments
**Financial period from 1 January 2010 to 30 June 2010
(Unaudited)**

	TPR Shoe soles RM'000	RB Shoe soles RM'000	MD1 Shoe soles RM'000	MD2 Shoe soles RM'000	TOTAL RM'000
Revenue:					
- External sales	12,789	4,766	44,737	75,630	137,922
Results:					
Interest income	14	5	49	84	152
Interest expenses	(18)	(7)	(64)	(110)	(199)
Depreciation and amortisation	(215)	(81)	(753)	(1,292)	(2,341)
Segment profit	3,631	1,381	12,719	21,847	39,578

**Financial period ended 30 June 2010
(Unaudited)**

Assets:					
Additions to non-current assets *	2,720	1,034	9,527	16,363	29,644
Reportable segment assets	21,794	8,286	76,333	131,114	237,527
Reportable segment liabilities	4,815	1,830	16,864	28,966	52,475

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

**Second and cumulative
quarter ended
30 June 2010
RM'000
(Unaudited)**
Profit or loss

Total profit for reportable segments	39,578
Unallocated other expenses	(384)
Profit from operations	39,194

**As at
30 June 2010
RM'000
(Unaudited)**
Assets

Total assets for reportable segments	237,527
Unallocated prepayment and other receivables	261
Unallocated cash at bank and on hand	1,321
Group assets	239,109

Liabilities

Total liabilities for reportable segments	52,475
Unallocated amount owing to a shareholder	2,989
Unallocated income tax payable	3,012
Unallocated accruals and other payables	220
Group liabilities	58,696

Business Segments
**Financial period from 1 January 2009 to 30 June 2009
(Unaudited)**

	TPR Shoe soles RMB'000	RB Shoe soles RMB'000	MD1 Shoe soles RMB'000	MD2 Shoe soles RMB'000	TOTAL RMB'000
Revenue:					
- External sales	20,537	3,864	82,221	77,023	183,645
Results:					
Interest income	10	2	40	37	89
Interest expenses	(60)	(11)	(247)	(231)	(549)
Depreciation and amortisation	(463)	(84)	(1,895)	(1,768)	(4,210)
Segment profit	5,982	1,088	24,474	22,842	54,386

**Financial year ended 31 December 2009
(Audited)**

Assets:					
Additions to non-current assets *	11,707	2,737	43,753	56,619	114,816
Reportable segment assets	39,081	9,136	146,056	189,001	383,274
Reportable segment liabilities	5,060	1,183	18,912	24,473	49,628

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

**Second and cumulative
Quarter ended
30 June 2009
RMB'000
(Unaudited)**

Profit or loss	
Total profit for reportable segments	54,386
Unallocated other incomes	76
Unallocated other expenses	(116)
Profit from operations	54,345

**As at
31 December 2009
RMB'000
(Audited)**

Assets	
Total assets for reportable segments	383,274
Unallocated prepayment and other receivables	68
Unallocated cash and cash balances	4,377
Group assets	387,719

Liabilities

Total liabilities for reportable segments	49,628
Unallocated amount owing to a shareholder cum director	18,377
Unallocated income tax payable	11,388
Unallocated other payables	947
Group liabilities	80,340

Business Segments
Financial period from 1 January 2009 to 30 June 2009

(Unaudited)

	TPR	RB	MD1	MD2	TOTAL
	Shoe soles	Shoe soles	Shoe soles	Shoe soles	
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:					
- External sales	9,790	1,842	39,195	36,717	87,544
Results:					
Interest income	5	1	19	17	42
Interest expenses	(29)	(5)	(118)	(110)	(262)
Depreciation and amortisation	(220)	(40)	(903)	(843)	(2,006)
Segment profit	2,852	519	11,667	10,888	25,926

Financial year ended 31 December 2009

(Audited)

Assets:					
Additions to non-current assets *	5,581	1,305	20,857	26,990	54,733
Reportable segment assets	18,630	4,355	69,625	90,097	182,707
Reportable segment liabilities	2,412	564	9,016	11,666	23,658

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

**Second and cumulative
quarter ended
30 June 2009
RM'000
(Unaudited)**

Profit or loss	
Total profit for reportable segments	25,926
Unallocated other income	36
Unallocated other expenses	(55)
Profit from operations	25,907

**As at
31 December 2009
RM'000
(Audited)**

Assets	
Total assets for reportable segments	182,707
Unallocated prepayment and other receivables	32
Unallocated cash and cash balances	2,087
Group assets	184,826

Liabilities

Total liabilities for reportable segments	23,658
Unallocated amount owing to a shareholder cum director	8,760
Unallocated income tax payable	5,429
Unallocated other payables	451
Group liabilities	38,298

8. Subsequent events

Renounceable Rights Issue of 90,000,000 new ordinary shares of USD 0.05 each of the Company at an issue price of RM 0.38 per Rights Share which has been completed following the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities on 6 August 2010.

Save as disclosed above, there were no material events subsequent to the end of the financial period under review that have not been reflected in this quarterly report as at the date of this report.

9. Changes in the composition of the Group

There were no significant changes in the composition of the Group during the current quarter.

10. Contingent liabilities or assets

No material contingent liabilities and assets, which upon becoming enforceable may have a material effect on the financial position of the Group since the last annual balance sheet date.

11. Property, plant and equipment

The Group acquired addition of property, plant and equipment as follow:

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
Property, plant and equipment	1,981	944	3,426	1,633
Construction in progress	46,704	22,264	57,799	27,553
Intangible asset	-	-	960	458
	<u>48,685</u>	<u>23,208</u>	<u>62,185</u>	<u>29,644</u>

The Group disposed of property, plant and equipment as follow:

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
Property, plant and equipment	<u>(24)</u>	<u>(12)</u>	<u>(56)</u>	<u>(27)</u>

12. Prepayment and other receivables

	FY2010		FY2009	
	Year-to-date		Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
Advance payments to suppliers	17,770	8,471	-	-
Prepayment and other receivables	1,063	507	1,320	629
	<u>18,833</u>	<u>8,978</u>	<u>1,320</u>	<u>629</u>

Advance payments to suppliers relate to purchase agreements entered into with suppliers to guarantee the purchase of raw materials at a pre-determined price range and to ensure the product quality for a period of six months. Under the terms of the agreements, the Company shall pay the suppliers in advance by means of bank bills. The bills are transferrable, secured by bank deposits pledged and have a maturity period of six months.

13. Capital commitments

Capital expenditure contracted for as at 30 June 2010 but not recognised in the interim financial report is as follow:

	RMB'000	RM'000
Capital commitments in respect of Property, plant and equipment	<u>65,234</u>	<u>31,097</u>

14. Significant related party transactions

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
Rental paid to a related party	<u>273</u>	<u>130</u>	<u>546</u>	<u>260</u>

B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

For current period performance, the Group recorded revenue of RMB 289.3 (RM 137.9) million and profit after taxation of RMB 71.1 (RM 33.9) million. The growth in revenue by 57.6% as compared to 1H 2009 was mainly contributed to the additional set-up of five (5) production lines each for RB and EVA MD II in Q3 2009 which enabled the Group to better fulfil the increased demand of shoe soles from our customers. In line with this expansion of production lines, our sales volume has increased from 10.4 million pairs in 1H 2009 to 15.3 million pairs in 1H 2010.

Despite a general increase in average selling price by approximately 6.8% as compared to 1H 2009, the gross profit margin decreased from 33.1% in 1H 2009 to 32.2% in 1H 2010 as this was mainly due to the increase in average unit cost of sale per pair as a result of the higher production cost arising from wages increment in Jan 2010. Our Group decided to revise our workers' wages upward in view of increasing orders being received by our Group.

In line with the drop in gross profit margin, the Group's profit after taxation decreased by 1.3% from 25.9% in 1H 2009 compared to 24.6% in 1H 2010.

2. Variation of results against immediate preceding quarter

	Current quarter 30-Jun-10 RMB'000	Preceding quarter 31-Mar-10 RMB'000	Current quarter 30-Jun-10 RM'000	Preceding quarter 31-Mar-10 RM'000
Revenue	155,606	133,720	74,177	63,744
Gross profit	50,463	42,818	24,055	20,411
Profit after taxation	38,664	32,419	18,431	15,454

For second quarter performance, the Group recorded revenue of RMB 155.6 (RM 74.2) million and profit after taxation of RMB 38.7 (RM 18.4) million.

As compared to Q1 2010, the increase in revenue and sale volume for the current quarter by 16.4% and 1.2 million pairs were mainly attributed to longer holiday break for Chinese New Year in Feb 2010. The gross profit margin increased by 0.4% to 32.4% as compared to 32.0% in the last corresponding quarter. The Group's profit after taxation improved to 24.9% as compared to 24.2% in the last corresponding period, which is consistent with the increase in gross profit margin.

3. Prospects for FYE 2010

We are optimistic that FYE 2010 will be a promising year for our Group, as the growth rate for China's sports-footwear market should continue to improve in tandem with the economic growth in China, which continues to be robust. As China's per capita disposable income continues to grow, we are optimistic that average consumption of sports shoes per person per annum will continue to grow with the increasing purchasing power of the average person in China. This will bode well for our Group, especially in view of the size of the domestic consumer market in China.

In view of promising market conditions for FYE 2010, we fast-tracked our expansion plans, and expect to complete construction of all factories and dormitories on our new production centre on Xibin Land by end 2010. Our operations are expected to grow significantly with the completion of our new production centre. The commencement of operations on Xibin Land after completion of the buildings on Xibin Land is anticipated to contribute positively to our growth in forthcoming years.

Our production capacity has increased in the first half of 2010 as compared to the first half of 2009. In line with the increase in production capacity, our Group recorded higher growth in revenue in the first half of 2010 as compared to the first half of 2009. In particular, demand for our EVA MD products continues to show growth – in response, we aim to continue to ramp up production capacity for EVA MD products in FYE 2010.

We expect the performance of the Group to further improve in FYE 2010, as we continue to increase our production capacity to fulfil customer demand, and increase our new range of design offerings to fulfil forecasted market trends. Apart from fashion trends, our R&D efforts are also focused on continuing to develop sport-shoe soles with improved ergonomics and functional features.

Whilst we are optimistic about demand conditions for our sports-shoe soles and sports shoes in China for FYE 2010, we continue to exercise discipline in managing our operating cost base. Despite promising conditions for continued growth in FYE 2010, we believe that prudent financial management will be fundamental to sustainable long-term growth for our Group, and will be essential to weathering any unexpected challenging conditions.

4. Profit forecast and guarantee

No profit forecast or guarantee were previously announced and disclosed by the Group in a public document.

5. Income tax charge

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
PRC income tax	6,082	2,899	11,138	5,309

The effective tax rate of the Group for the current quarter was 13.6% and for the financial year-to-date was 13.5% as compared to the current Enterprise Income Tax (EIT) rate of 25.0%. The lower effective tax rate is mainly due to Baixing enjoys an EIT rate of 12.5% up to 31 December 2010 under Regular Tax Reduction and Exemption Treatment" (二免三减半) and this has however partially offset by the provision for withholding tax on dividend.

6. Sales of unquoted investments and/or properties

No sales of unquoted investments and/or properties of the Group in the current quarter and financial year-to-date.

7. Purchase or disposal of quoted securities

No purchase or disposal of quoted securities by the Group in the current quarter and financial year-to-date.

8. Status of corporate proposals and utilisation of proceeds

(a) On 6 May 2010, the Company proposed to undertake the following corporate exercise:

(i) Proposed Renounceable Rights Issue of up to 90,000,000 new Ordinary Shares of USD0.05 each, at an issue price of RM 0.38 per right share on the basis of one (1) Rights Share for every four (4) existing Ordinary Shares of USD 0.05 each held in the Company.

(b) Utilisation of proceeds

The Public Issue raised gross proceeds of RM48.96 million and we have utilised the proceeds raised in the following manner: -

		Estimated timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation	Explanations
(i)	Expansion of production capacity	Within 24 months				
	- Production Centre		25,000	80,932	(55,932)	(1)
	- Production Line		5,000	4,944	56	(1), (2)
			<u>30,000</u>	<u>85,876</u>	<u>(55,876)</u>	
(ii)	Expansion of sales and marketing network in China	Within 18 months	3,960	-	3,960	(2)
(iii)	Advertising and branding	Within 24 months	3,000	657	2,343	(2)
(iv)	Enhancement of product development capabilities	Within 24 months	4,000	635	3,365	(2)
(v)	Working capital	Within 24 months	1,000	1,000	Nil	
(vi)	Estimated Listing expenses	Immediate	7,000	7,695	(695)	(3)
	Total proceeds		48,960	95,863		

Notes :

- (1) The new production centre is still in the course of construction and the total expansion cost of production centre increase up to period end was RM80.9 million, out of which RM25 million was financed via the IPO proceeds and the deviation of RM55.9 million was financed via funds generated internally by the Group. The total expansion cost of machinery and equipment amounting to RM4.9 million was financial via IPO proceeds.
- (2) IPO proceeds will be utilised within the estimated timeframe given and the Group does not expect any material deviation as at the date of this report.
- (3) The total listing expenses are RM7.7 million, out of which RM2.7 million was offset against share premium as these transaction costs were directly relating to the public initial offering and the issuance of equity instrument. The deviation of RM0.7 million was financed via the funds generated internally by the Group.

9. Group borrowings and debts securities

Our Group's borrowings and debts securities as at 30 June 2010 were as follow : -

<u>Short term borrowings and debts securities</u>	RMB'000	RM'000
Bank loans - secured	15,700	7,484

The bank loans were pledged by the Group's land use rights and guaranteed by a third party.

10. Off-balance sheet financial instruments risks

As at the date of this report, we do not have nor are we using any financial instruments.

11. Changes in material litigation

As at the date of this report, our Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of our Group, and our Directors are not aware of any proceedings pending or threatening or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

12. Net asset and earnings per share

The Company and the Group	Weighted average no. of shares	
	30 June 2010	31 December 2009
Consolidation and increase (20 ordinary shares for 12 months) ⁽¹⁾	20	20
Acquisition of Pak Sing (302,399,980 ordinary shares for 12 months) ⁽¹⁾	302,399,980	302,399,980
Subtotal	302,400,000	302,400,000
Public issue (57,600,000 ordinary shares for 4.5 months on 31 December 2009)	57,600,000	21,600,000
Total	360,000,000	324,000,000

(1) Ordinary shares arising from the Reorganisation exercise are assumed to be issued throughout the financial year 31 December 2009 as the Reorganisation exercise was accounted for under common control using the "pooling of interest" method of consolidation.

12. Net asset and earnings per share (Continued)

Net asset per share are calculated based on net asset attributable to equity holders of the Group and weighted average number of 360,000,000 and 324,000,000 ordinary shares in issue and for the financial year ended 30 June 2010 and 31 December 2009 respectively.

Basic earnings per share are calculated based on profit attributable to equity holders of the Group and the number of 360,000,000 ordinary shares fully in issue for the financial periods ended 30 June 2010 and the number of 302,400,000 ordinary shares in issue for the financial periods ended 30 June 2009 prior to the public issue of 57,600,000 ordinary shares.

There is no potential dilutive effect on earnings per share.

13. Audit report of the Group's preceding annual financial statements

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2009.