

Company Name : MULTI SPORTS HOLDINGS LTD  
 Stock Name : MSPORTS  
 Financial Period Ended : 30 JUNE 2013  
 Quarter : 2

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**

PARTICULARS	NOTE	UNAUDITED AS AT 30-Jun-13 RMB'000	AUDITED AS AT 31-Dec-12 RMB'000	UNAUDITED AS AT 30-Jun-13 RM'000 (1)	AUDITED AS AT 31-Dec-12 RM'000 (1)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		277,732	285,167	141,977	145,777
Intangible assets		34,979	36,254	17,881	18,533
		<u>312,711</u>	<u>321,421</u>	<u>159,858</u>	<u>164,310</u>
<b>Current assets</b>					
Inventories		13,828	14,647	7,069	7,488
Trade receivables		141,992	77,441	72,586	39,588
Prepayment and other receivables		562	1,235	287	631
Cash and bank balances		501,230	488,782	256,229	249,865
		<u>657,612</u>	<u>582,105</u>	<u>336,171</u>	<u>297,572</u>
<b>Total assets</b>		<u>970,323</u>	<u>903,526</u>	<u>496,029</u>	<u>461,882</u>
<b>EQUITY AND LIABILITY</b>					
<b>Capital and Reserves</b>					
Share capital		175,361	175,361	89,644	89,645
Reserve		659,443	621,118	337,108	317,515
<b>Total equity</b>		<u>834,804</u>	<u>796,479</u>	<u>426,752</u>	<u>407,160</u>
<b>Current liabilities</b>					
Trade payables		71,632	39,610	36,618	20,249
Accrued liabilities and other payables		25,844	29,709	13,211	15,187
Amount owing to a shareholder cum director		-	-	-	-
Income tax payable		10,543	10,228	5,390	5,228
Interest-bearing bank borrowings		27,500	27,500	14,058	14,058
		<u>135,519</u>	<u>107,047</u>	<u>69,277</u>	<u>54,722</u>
<b>Total equity and liabilities</b>		<u>970,323</u>	<u>903,526</u>	<u>496,029</u>	<u>461,882</u>
Net Assets per share attributable to equity holders of the Group (sen in RMB / RM)	B13	161.31	153.91	82.46	78.68

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.

**Note :**

(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 RM0.5112 as at 30 June 2013.

Company Name : MULTI SPORTS HOLDINGS LTD  
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 Financial Period Ended : 30 JUNE 2013  
 Quarter : 2

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2013**

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		UNAUDITED	UNAUDITED PRECEDING YEAR	UNAUDITED	UNAUDITED PRECEDING YEAR
		CURRENT QUARTER 30-Jun-13 RMB'000	CORRESPONDING QUARTER 30-Jun-12 RMB'000	CURRENT QUARTER 30-Jun-13 RM'000 (1)	CORRESPONDING QUARTER 30-Jun-12 RM'000 (1)
Revenue		187,129	190,739	95,660	97,506
Cost of sales		(135,554)	(138,989)	(69,295)	(71,051)
Gross Profit		51,575	51,750	26,365	26,455
Other income		476	563	243	288
Selling and distribution expenses		(2,996)	(3,013)	(1,531)	(1,540)
Administrative expenses		(14,458)	(6,076)	(7,391)	(3,106)
Finance costs		(445)	(362)	(227)	(185)
Profit before taxation		34,152	42,862	17,459	21,912
Income tax expenses		(10,543)	(11,069)	(5,390)	(5,659)
Profit after taxation		23,609	31,793	12,069	16,253
Total comprehensive income for the period		23,609	31,793	12,069	16,253
Profit attributable to :					
- Equity holders of the Group		23,609	31,793	12,069	16,253
Total comprehensive income attributable to :					
- Equity holders of the Group		23,609	31,793	12,069	16,253

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
		CURRENT QUARTER 30-Jun-13  RMB'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-12  RMB'000	CURRENT QUARTER 30-Jun-13  RM'000 (1)	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-12  RM'000 (1)
Earnings per share attributable to equity holders of the Group :					
Basic (sen in RMB / RM)	B13	4.56	6.14	2.33	3.14
Diluted (sen in RMB / RM)	B13	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 2012 and the accompanying explanatory notes attached to the financial statements.

**Note :**

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Company Name : MULTI SPORTS HOLDINGS LTD  
 Stock Name : MSPORTS  
 Financial Period Ended : 30 JUNE 2013  
 Quarter : 2

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2013**

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		UNAUDITED CURRENT YEAR TO-DATE 30-Jun-13 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-12 RMB'000	UNAUDITED CURRENT YEAR TO-DATE 30-Jun-13 RM'000 (1)	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-12 RM'000 (1)
Revenue		334,562	385,695	171,028	197,167
Cost of sales		(245,381)	(278,756)	(125,439)	(142,500)
Gross Profit		89,181	106,939	45,589	54,667
Other income		929	1,099	475	562
Selling and distribution expenses		(5,565)	(6,004)	(2,845)	(3,069)
Administrative expenses		(27,468)	(12,231)	(14,041)	(6,252)
Finance costs		(896)	(823)	(458)	(421)
Profit before taxation		56,181	88,980	28,720	45,487
Income tax expenses		(17,856)	(22,902)	(9,129)	(11,708)
Profit after taxation		38,325	66,078	19,591	33,779
Total comprehensive income for the period		38,325	66,078	19,591	33,779
Profit attributable to :					
- Equity holders of the Group		38,325	66,078	19,591	33,779
Total comprehensive income attributable to :					
- Equity holders of the Group		38,325	66,078	19,591	33,779

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		UNAUDITED CURRENT YEAR TO-DATE 30-Jun-13 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-12 RMB'000	UNAUDITED CURRENT YEAR TO-DATE 30-Jun-13 RM'000 (1)	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-12 RM'000 (1)
Earnings per share attributable to equity holders of the Group :					
Basic (sen in RMB / RM)	B13	7.41	12.77	3.79	6.53
Diluted (sen in RMB / RM)	B13	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 2012 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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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2013**

	← 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 2013	175,361	137,426	23,353	(54,916)	515,255	796,479
Net profit for the period	-	-	-	-	38,325	38,325
At 30 June 2013	175,361	137,426	23,353	(54,916)	553,580	834,804

	← 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 2013	89,645	70,252	11,938	(28,073)	263,399	407,161
Net profit for the period	-	-	-	-	19,591	19,591
At 30 June 2013	89,645	70,252	11,938	(28,073)	282,990	426,752

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 2012 and the accompanying explanatory notes attached to the financial statements.

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Company Name : MULTI SPORTS HOLDINGS LTD  
 Stock Name : MSPORTS  
 Financial Period Ended : 30 JUNE 2013  
 Quarter : 2

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2012**

	← 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 2012	175,361	137,426	23,353	(54,916)	422,669	703,893
Net profit for the period	-	-	-	-	66,078	66,078
At 30 June 2012	175,361	137,426	23,353	(54,916)	488,747	769,971

	← 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 2012	89,645	70,252	11,938	(28,073)	216,068	359,830
Net profit for the period	-	-	-	-	33,779	33,779
At 30 June 2012	89,645	70,252	11,938	(28,073)	249,847	393,609

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 2012 and the accompanying explanatory notes attached to the financial statements.

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**Company Name** : MULTI SPORTS HOLDINGS LTD  
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**Financial Period Ended** : 30 JUNE 2013  
**Quarter** : 2

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2013**

	UNAUDITED CURRENT PERIOD 30-Jun-13 RMB'000	UNAUDITED PRECEDING PERIOD 30-Jun-12 RMB'000	UNAUDITED CURRENT PERIOD 30-Jun-13 RM'000 (1)	UNAUDITED PRECEDING PERIOD 30-Jun-12 RM'000 (1)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before taxation	56,181	88,980	28,720	45,487
Adjustments for :-				
Depreciation of property, plant and equipment	10,271	9,958	5,251	5,091
Amortisation of intangible assets	1,681	249	860	127
Amortisation of land use rights	-	-	-	-
Loss on disposal of property, plant & equipment and intangible asset	-	-	-	-
Gain on disposal of land use rights	-	-	-	-
Interest income	(724)	(1,087)	(370)	(556)
Interest expense	896	823	458	421
Operating profit before working capital changes	68,305	98,923	34,919	50,570
Increase in inventories	818	(31)	418	(16)
Decrease/ (increase) in trade receivables	(64,551)	20,851	(32,998)	10,659
(Increase)/ decrease in prepayments and other receivables	674	(506)	344	(259)
Decrease in trade payables	32,023	(11,576)	16,370	(5,918)
Decrease in accrued liabilities and other payables	(3,865)	(7,581)	(1,976)	(3,875)
Net cash generated from operations	33,404	100,080	17,077	51,161
Income tax paid	(17,541)	(28,399)	(8,967)	(14,518)
Interest received	724	1,087	370	556
Interest paid	(896)	(823)	(458)	(421)
Net cash generated from operating activities	15,691	71,945	8,022	36,778
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(2,835)	(3,112)	(1,449)	(1,591)
Acquisition of trademark	(408)	-	(209)	-
Proceed from disposal of property, plant & equipment and intangible asset	-	-	-	-
Net cash (used in)/ from investing activities	(3,243)	(3,112)	(1,658)	(1,591)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceed from issue of shares	-	-	-	-
Share issue expenses written off against share premium account	-	-	-	-
Repayment to a director	-	(245)	-	(125)
Repayment of bank loan	-	(27,500)	-	(14,058)
Obtained of bank loan	-	27,500	-	14,058
Ex difference arising from shareholder's loan	-	-	-	-
Deposit refunded from bank	-	-	-	-
Dividends paid	-	-	-	-
Net cash (used in)/ from financing activities	-	(245)	-	(125)



	UNAUDITED CURRENT PERIOD 30-Jun-13 RMB'000	UNAUDITED PRECEDING PERIOD 30-Jun-12 RMB'000	UNAUDITED CURRENT PERIOD 30-Jun-13 RM'000 (1)	UNAUDITED PRECEDING PERIOD 30-Jun-12 RM'000 (1)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	12,448	68,588	6,364	35,062
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	488,782	462,356	249,865	236,356
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>501,230</b>	<b>530,944</b>	<b>256,229</b>	<b>271,418</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and bank balances	501,230	530,944	256,229	271,418
Less: Deposit pledged with bank	-	-	-	-
	<b>501,230</b>	<b>530,944</b>	<b>256,229</b>	<b>271,418</b>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements. .

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## A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

### 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 2012, and the accompanying explanatory notes attached to this interim financial report.

#### b) Changes in accounting policies

On 1 January 2012, the Group adopted the new or revised Financial Reporting Standard (“IFRS”) and interpretations that are mandatory for application on that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

#### (i) IFRS and IFRIC Interpretations that are issued, not yet effective and have not been adopted early

The Group has not adopted the following revised IFRS, amendments to IFRS, new IFRS and IFRIC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:-

Reference	Description	Effective for financial periods beginning on or after
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	01.07.2011
IFRS 9	Financial Instruments – Clarification and Measurement	01.01.2013
IFRS 10	Consolidated Financial Statements	01.01.2013
IFRS 12	Disclosure of interests in Other Entities	01.01.2013
IFRS 13	Fair value measurement	01.01.2013
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	01.07.2012
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets	01.01.2012
IAS 19 (as revised in 2011)	Employee Benefits – Amended Standard resulting from the Post- Employment Benefits and Termination Benefits projects	01.01.2013

The management does not anticipate that the adoption of the above those IFRSs that have been issued but not yet effective (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 Group experienced lower level of production activities due to fewer working days as a result of Lunar New Year holidays in the first quarter of the year. Other than the mentioned factor, the business of the Group was not affected by any significant seasonal and cyclical factors.

**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 paid**

There were no dividends paid during the period under review.

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## 7. Segment Information

### Business Segments

	Financial period ended 30 June 2013 (Unaudited)				
	TPR Shoe soles RMB'000	RB Shoe soles RMB'000	MD1 Shoe soles RMB'000	MD2 Shoe soles RMB'000	TOTAL RMB'000
<b>Segment revenue</b>					
- External sales	12,801	7,980	59,719	254,062	334,562
<b>Segment results</b>	2,692	1,672	12,590	53,609	70,563
Unallocated interest income					(61)
Unallocated other expenses					(14,321)
Profit from operations					56,181
<b>Other information:</b>					
Interest income	28	17	129	550	724
Interest expenses	34	21	160	681	896
Additions to non-current assets *	123	77	579	2,464	3,243
Depreciation and amortisation	456	283	2,132	9,081	11,952

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

	Financial period ended 30 June 2013 (Unaudited)				
<b>Segment assets</b>	34,666	21,530	162,135	690,398	908,729
<b>Segment liabilities</b>	4,581	2,845	21,423	91,224	120,073

	As at 30 June 2013 RMB'000 (Unaudited)
<b>Segment assets are reconciled to total assets as follows:</b>	
Segment assets	908,729
Unallocated prepayment and other receivable	505
Unallocated cash at bank and on hand	44,016
Unallocated property, plant and equipment	300
Unallocated intangible assets	16,773
Total assets	970,323
<b>Segment liabilities are reconciled to total liabilities as follows:</b>	
Segment liabilities	120,073
Unallocated income tax payable	10,543
Unallocated accruals and other payables	4,903
Total liabilities	135,519

**Business Segments**

	Financial period ended 30 June 2013 (Unaudited)				
	TPR	RB	MD1	MD2	TOTAL
	Shoe soles RM'000	Shoe soles RM'000	Shoe soles RM'000	Shoe soles RM'000	RM'000
<b>Segment revenue</b>					
- External sales	6,544	4,080	30,528	129,876	171,028
<b>Segment results</b>	1,376	854	6,436	27,405	36,071
Unallocated interest income					(31)
Unallocated other expenses					(7,320)
Profit from operations					28,720
<b>Other information:</b>					
Interest income	14	9	66	281	370
Interest expenses	(17)	(11)	(82)	(348)	(458)
Additions to non-current assets *	63	39	296	1,260	1,658
Depreciation and amortization	(233)	(145)	(1,090)	(4,643)	(6,111)

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

	Financial period ended 30 June 2013 (Unaudited)				
<b>Segment assets</b>	17,721	11,006	82,884	352,932	464,543
<b>Segment liabilities</b>	2,342	1,454	10,952	46,634	61,382

**Segment assets are reconciled to total assets as follows:**

	As at 30 June 2013 RM'000 (Unaudited)
Segment assets	464,543
Unallocated prepayment and other receivable	258
Unallocated cash at bank and on hand	22,501
Unallocated property, plant and equipment	153
Unallocated intangible assets	8,574
<b>Total assets</b>	<b>496,029</b>

**Segment liabilities are reconciled to total liabilities as follows:**

Segment liabilities	61,382
Unallocated income tax payable	5,390
Unallocated accruals and other payables	2,505
<b>Total liabilities</b>	<b>69,277</b>

**Business Segments**

	Financial period ended 30 June 2012 (Unaudited)				
	TPR	RB	MD1	MD2	TOTAL
	Shoe soles RMB'000	Shoe soles RMB'000	Shoe soles RMB'000	Shoe soles RMB'000	RMB'000
<b>Segment revenue</b>					
- External sales	21,732	10,470	71,748	281,745	385,695
<b>Segment results</b>	5,230	2,455	16,747	66,384	90,816
Unallocated interest income					-
Unallocated other expenses					(1,836)
<b>Profit from operations</b>					<b>88,980</b>
<b>Other information:</b>					
Interest income	63	29	201	794	1,087
Interest expenses	(47)	(22)	(152)	(602)	(823)
Additions to non-current assets *	179	84	574	2,275	3,112
Depreciation and amortisation	(588)	(276)	(1,882)	(7,461)	(10,207)

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

	Financial year ended 31 December 2012 (Audited)				
<b>Segment assets</b>	41,190	21,656	154,019	623,733	840,598
<b>Segment liabilities</b>	4,675	2,458	17,482	70,797	95,412

**As at  
31 December 2012  
RMB'000  
(Audited)**

**Segment assets are reconciled to total assets as follows:**

Segment assets	840,598
Unallocated prepayment and other receivables	1,181
Unallocated cash at bank and on hand	43,949
Unallocated intangible assets	17,798
<b>Total assets</b>	<b>903,526</b>

**Segment liabilities are reconciled to total liabilities as follows:**

Segment liabilities	95,412
Unallocated income tax payable	10,228
Unallocated accruals and other payables	1,407
<b>Total liabilities</b>	<b>107,047</b>

**Business Segments**

	Financial period ended 30 June 2012				
	(Unaudited)				
	TPR	RB	MD1	MD2	TOTAL
	Shoe soles	Shoe soles	Shoe soles	Shoe soles	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment revenue:</b>					
- External sales	11,109	5,352	36,678	144,028	197,167
<b>Segment results</b>	2,674	1,255	8,561	33,936	46,426
Unallocated interest income					-
Unallocated other expenses					(939)
Profit from operations					45,487
<b>Other information:</b>					
Interest income	32	15	103	406	556
Interest expenses	(24)	(11)	(78)	(308)	(421)
Additions to non-current assets *	92	43	293	1,163	1,591
Depreciation and amortisation	(301)	(141)	(962)	(3,814)	(5,218)

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

	Financial year ended 31 December 2012				
	(Audited)				
Segment assets	21,056	11,071	78,735	318,852	429,714
Segment liabilities	2,390	1,257	8,937	36,191	48,775

	As at 31 December 2012 RM'000 (Audited)
<b>Segment assets are reconciled to total assets as follows:</b>	
Segment assets	429,714
Unallocated prepayment and other receivables	604
Unallocated cash at bank and on hand	22,466
Unallocated intangible assets	9,098
Total assets	461,882
<b>Segment liabilities are reconciled to total liabilities as follows:</b>	
Segment liabilities	48,775
Unallocated income tax payable	5,228
Unallocated accruals and other payables	719
Total liabilities	54,722

**8. Subsequent events**

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 & equipment and intangible asset**

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

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
Property, plant and equipment	2,135	1,091	2,835	1,449
Intangible asset	-	-	408	209
	<u>2,135</u>	<u>1,091</u>	<u>3,243</u>	<u>1,658</u>

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

### 1. Review of the performance of the Group

	Financial period ended		Change
	Unaudited 30-Jun-2013 RMB' 000	Unaudited 30-Jun-2012 RMB' 000	
<b>Revenue</b>			
TPR shoe soles	12,801	21,732	-41.1%
RB shoe soles	7,980	10,470	-23.8%
MD1 shoe soles	59,719	71,748	-16.8%
MD2 shoe soles	254,062	281,745	-9.8%
Total	334,562	385,695	-13.3%

	Financial period ended		Change
	Unaudited 30-Jun-2013 Pair ('000)	Unaudited 30-Jun-2012 Pair ('000)	
<b>Sale volume</b>			
TPR shoe soles	1,093	1,857	-41.1%
RB shoe soles	546	727	-24.9%
MD1 shoe soles	2,523	2,993	-15.7%
MD2 shoe soles	11,145	12,362	-9.8%
Total	15,307	17,939	-14.7%

For current period performance, the Group recorded revenue of RMB334.6 (RM171.0) million and profit after taxation of RMB38.3 (RM19.6) million. The revenue dropped by 13.3% compared with Q2 2012. Sales volume for TPR, RB, MD1 and MD2 declined by 41.1%, 24.9%, 15.7% and 9.8% respectively. The changed in sales mix was mainly due to the market trend and demand. Our production capacity has currently reached 45.0 million pairs annually. The production utilisation rate maintains at a moderate level of 75.9% in the current quarter.

Gross profit margin for six months ended 30 June 2013 has decreased to 26.7% from 27.7% for last year corresponding period as this was mainly due to the higher production costs arising from rises in labour and overhead costs.

In line with the decreased in gross profit margin, the Group's profit after taxation declined by 5.6% from 17.1% in the last year corresponding period compared to 11.5% in the current quarter. The decrease was also due to higher administrative expenses attributable to preliminary start-up expenses incurred by newly incorporated subsidiary, product development expenditure and depreciation expenses.

## 2. Variation of results against immediate preceding quarter

	Current quarter 30-Jun-13	Preceding quarter 31-Mar-13	Current quarter 30 Jun-13	Preceding quarter 31-Mar -13
	RMB'000	RMB'000	RM'000	RM'000
Revenue	187,129	147,433	95,660	75,368
Gross profit	51,575	37,606	26,365	19,224
Profit after taxation	23,609	14,931	12,069	7,633

For second quarter performance, the Group recorded revenue of RMB187.1 (RM95.7) million and profit after taxation of RMB23.6 (RM12.1) million.

As compared with Q1 2013, revenue for the current quarter increased by 26.9%. The gross profit margin increased by 2.1% to 27.6% as compared with 25.5% in the preceding quarter. In line with the increase in gross profit margin, the Group's profit after taxation increased to 12.6% as compared with 10.1% in the immediate preceding quarter.

## 3. Prospects for FYE 2013

Our Company believes that the demand for sports-shoe soles and sports shoes in China will increase in the future. However, in the near term, the Group expects challenging market conditions to persist, plagued by de-stocking of inventories and continued discounting by several market players. Instead of focusing on closing book orders which might not be too profitable to the Group, the Group would undertake necessary reforms and adjustments, focus on higher margin orders, manage its overheads and other operating costs in order to improve its operating performance. Barring any unforeseen circumstances, the results for FYE 2013 would still be profitable.

## 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

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
PRC income tax	10,543	5,390	17,856	9,129

The effective tax rate of the Group for the current quarter was 31.8% as compared to the current Enterprise Income Tax (EIT) rate of 25.0%. The higher effective tax rate in the current quarter was mainly due to 1) higher operating expenses incurred by the holding company; and 2) preliminary start-up expenses incurred by newly incorporated subsidiary.

## 6. Retained earnings

	Current Quarter Ended		Preceding Quarter Ended	
	RMB'000	RM'000	RMB'000	RM'000
Realised	552,891	282,637	529,677	270,771
Unrealised	(825)	(421)	(1,005)	(514)
	552,066	282,216	528,672	270,257
Consolidation adjustments	1,514	774	1,514	774
Total Group retained profits as per Consolidated accounts	553,580	282,990	530,186	271,031

## 7. Profit before taxation

The Group's profit before taxation is arrived after charging/ (crediting):

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
Interest income	(271)	(138)	(724)	(370)
Other income	(205)	(105)	(205)	(105)
Interest expenses	439	224	896	458
Depreciation and amortisation	5,986	3,061	11,952	6,111
Foreign exchange (gain)/ loss	628	321	853	436

## 8. Status of corporate proposals and utilisation of proceeds

### (a) Utilisation of IPO 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 RM'000	Explanations	
(i)	Expansion of production capacity	Within 24 months				
	- Production Centre	25,000	89,807	(64,807)	(1)	
	- Production Line	5,000	5,600	(600)	(1)	
		30,000	95,407	(65,407)		
(ii)	Expansion of sales and marketing network in China	Within 18 months	3,960	712	3,248	(2)
(iii)	Advertising and branding	Within 24 months	3,000	3,000	Nil	
(iv)	Enhancement of product development capabilities	Within 24 months	4,000	2,971	1,029	(2)
(v)	Working capital	Within 24 months	1,000	1,000	Nil	
(vi)	Estimated Listing expenses	Immediate	7,000	7,695	(695)	(3)
	<b>Total proceeds</b>		<b>48,960</b>	<b>110,785</b>		

## Notes :

- (1) The construction of a new production centre has been completed and the total cost of production centre was RM89.8 million, out of which RM25 million was financed via the IPO proceeds and the deviation of RM64.8 million was financed via funds generated internally by the Group. The total expansion cost of machinery and equipment amounting to RM5 million was financed via IPO proceeds and the deviation of RM0.6 million was financed via internal generated funds.
- (2) IPO proceeds will be utilised by the end of 2013 and the Group does not expect any material deviation as at the date of this report.
- (3) The total listing expenses were 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.

**(b) Utilisation of Rights Share proceeds**

The Rights Share Issue raised gross proceeds of RM34.20 million and we have utilised the proceeds raised in the following manner: -

	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Explanations
(i) Expansion of production capacity				
- Production Centre & Production line	33,200	33,296	(96)	(1)
(ii) Estimated issuance expenses	1,000	1,000	-	(2)
<b>Total proceeds</b>	<b>34,200</b>	<b>34,296</b>		

## Note :

- (1) The total expansion cost of machinery and equipment amounting to RM33.2 million was financed via rights share issue proceeds and the deviation of RM0.10 million was financed via internal generated funds.
- (2) The total Rights Share expenses amounting to RM0.94 million were offset against share premium as these transaction costs were directly relating to the issuance of Rights Share. The deviation of RM0.06 million has been utilized as working capital by the Group.

**(C) Utilisation of TDR proceeds**

The TDR Issue raised gross proceeds of TWD236.25 (RM24.768) million and we have utilised the proceeds raised in the following manner: -

	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Explanations
(i) Expansion of production capacity				
- Production line	14,595	928	13,667	(1)
(ii) Working capital	7,873	-	7,873	(2)
(iii) Estimated issuance expenses	2,300	2,653	(353)	(3)
<b>Total proceeds</b>	<b>24,768</b>	<b>3,581</b>		

## Note :

- (1) The Company has completed its TDR issuance and listing on 30 December 2011.
- (2) TDR proceeds have been deposited into a bank in Hong Kong. Due to exchange controls, the Company is currently in the midst of converting the proceeds into share capital of its subsidiary for utilization as working capital.

- (3) The total listing expenses were RM2.653 million, out of which RM0.94 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 RM0.353 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 2013 were as follow: -

<u>Short term borrowings and debts securities</u>	RMB'000	RM'000
Bank loans - secured	27,500	14,058

The bank loans were pledged by the Group's land use rights.

## 10. Off-balance sheet financial instruments risks

As at the date of this report, neither do we 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 either 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, our Directors are also 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. Proposed dividend

The Board of Directors does not recommend any dividends for the current financial quarter under review.

## 13. Net asset and earnings per share

<b>The Company and the Group</b>	<b>Weighted average no. of shares</b>	
	<b>30 June 2013</b>	<b>31 December 2012</b>
At beginning of year	517,500,000	517,500,000
Underlying shares for TDR issue	-	-
<b>Total</b>	<b>517,500,000</b>	<b>517,500,000</b>

Net asset per share are calculated based on net asset attributable to equity holders of the Group and weighted average number of 517,500,000 ordinary shares in issue for the financial period/ year ended 30 June 2013 and 31 December 2012 respectively.

Basic earnings per share are calculated based on profit attributable to equity holders of the Group and weighted average number of 517,500,000 ordinary shares fully in issue for the financial period ended 30 June 2013 and 30 June 2012 respectively.

There is no potential dilutive effect on earnings per share.

**14. 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 2012.