

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

If you have sold or transferred all your Xingquan Shares, you should at once hand this Abridged Prospectus, and the accompanying NPA and RSF to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants should be addressed to our Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJJ 1A/46, 47301 Petaling Jaya, Selangor, Malaysia.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, and the accompanying NPA and RSF have also been lodged with the Registrar of Companies in Malaysia who takes no responsibility for the contents of these documents.

The approval from our shareholders for the Rights Issue with Warrants was obtained at our SGM held on 5 February 2016. The approval from Bursa Securities has also been obtained on 8 January 2016 for the admission of the Warrants B to the Official List and the listing of and quotation for the Rights Shares and the Warrants B as well as the Xingquan Shares to be issued arising from the exercise of the Warrants B on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. The admission of the Warrants B to the Official List and the listing of and quotation for all the said new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. The admission of the Warrants B to the Official List and the listing of and quotation for all the said new securities will commence after the receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/or their renouncee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Neither the SC nor Bursa Securities takes any responsibility for the correctness of statements made or opinions expressed in this Abridged Prospectus.

Our Board has seen and approved all the documentation relating to this Rights Issue with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This Abridged Prospectus, and the accompanying NPA and RSF are only despatched to our Entitled Shareholders whose names appear on our Record of Depositors and Register of Members who have provided our Share Registrar with a registered address in Malaysia not later than 5.00 p.m. on 8 March 2016. This Abridged Prospectus, and the accompanying NPA and RSF are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and/or their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/or other professional advisers as to whether the acceptance and/or renunciation (as the case may be) of all or any part of their entitlements to the Rights Shares and the Warrants B would result in a contravention of any laws of such countries or jurisdictions. Neither we, RHB Investment Bank nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance and/or renunciation (as the case may be) of the entitlements to the Rights Shares and the Warrants B made by the Entitled Shareholders and/or their renouncee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

RHB Investment Bank, being our Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 6 OF THIS ABRIDGED PROSPECTUS.



XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda (Registration No. 42756))
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia (Company No. 995177-V))

RENOUNCEABLE RIGHTS ISSUE OF UP TO 253,547,250 NEW ORDINARY SHARES OF US\$0.01 EACH IN XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED ("XINGQUAN") ("XINGQUAN SHARE(S)") ("RIGHTS SHARE(S)") AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING XINGQUAN SHARES HELD, TOGETHER WITH UP TO 84,515,750 FREE DETACHABLE NEW WARRANTS ("WARRANT(S) B") ON THE BASIS OF ONE (1) WARRANT B FOR EVERY THREE (3) RIGHTS SHARES SUBSCRIBED, AS AT 5.00 P.M. ON 8 MARCH 2016

Principal Adviser



RHB Investment Bank Berhad

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:

Entitlement Date	: Tuesday, 8 March 2016 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	: Tuesday, 15 March 2016 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	: Friday, 18 March 2016 at 4.00 p.m.
Last date and time for acceptance and payment	: Wednesday, 23 March 2016 at 5.00 p.m.*
Last date and time for excess application and payment	: Wednesday, 23 March 2016 at 5.00 p.m.*

* or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time.

This Abridged Prospectus is dated 8 March 2016

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN THE RIGHTS SHARES AND THE WARRANTS. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus, the NPA and the RSF:

- “Abridged Prospectus” : This abridged prospectus is dated 8 March 2016
- “Additional Warrants A” : Additional new Warrant(s) A to be issued pursuant to the adjustments made in accordance with the provisions of the Deed Poll 2014 as a result of the Rights Issue with Warrants, if any
- “Bermuda Companies Act” : Companies Act, 1981 of Bermuda
- “BNM” : Bank Negara Malaysia, being the central bank of Malaysia
- “Board” : The Board of Directors of Xingquan
- “Bursa Depository” or “Depository” : Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
- “Bursa Securities” : Bursa Malaysia Securities Berhad (Company No. 635998-W)
- “Capital Reorganisation” : Reorganisation of the share capital (including the Par Value Reduction) of the Company which was completed on 10 February 2016, involving:
- (i) the Par Value Reduction;
 - (ii) the cancellation of all the authorised but unissued shares of US\$0.10 each and the diminution of the authorised share capital of the Company of US\$100,000,000 by US\$96,619,370 and forthwith upon such cancellation and diminution, the increase of the authorised share capital of the Company to US\$100,000,000 by the creation of 9,661,937,000 Shares (representing the difference between 10,000,000,000 Shares and the number of Shares in issue after the Par Value Reduction); and
 - (iii) the transfer of the credit amount arising from the Par Value Reduction to the contributed surplus account of the Company to be utilised in such manner as may be determined by the Board and permitted by applicable law
- “CDS” : Central Depository System
- “CDS Account” : A securities account established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor
- “China” or the “PRC” : The People’s Republic of China
- “CMSA” : Capital Markets and Services Act 2007
- “Code” : Malaysian Code on Take-Overs and Mergers 2010
- “Corporate Exercises” : The Capital Reorganisation and the Rights Issue with Warrants, collectively
- “Deed Poll 2014” : The deed poll dated 10 June 2014 constituting the Warrants A
- “Deed Poll 2016” : The deed poll dated 23 February 2016 constituting the Warrants B
- “Depository Rules” : The Rules of the Bursa Depository and any of its appendices for the time being

DEFINITIONS (Cont'd)

“Director(s)”	: The directors of Xingquan and shall have the meaning given in Section 2(1) of the CMSA
“Entitled Shareholder(s)”	: Our shareholders whose names appear in the Record of Depositors and Register of Members of our Company on the Entitlement Date
“Entitlement Date”	: 5.00 p.m. on 8 March 2016, being the time and date on which the names of our shareholders must appear in the Record of Depositors and Register of Members of our Company in order to participate in the Rights Issue with Warrants
“Entitlement Undertaking”	: The irrevocable undertaking from TZX dated 25 September 2015 where TZX has irrevocably and unconditionally undertaken to subscribe in full for its Rights Shares entitlement under the Rights Issue with Warrants
“EPS”	: Earnings per Share
“Excess Rights Shares with Warrants B”	: Rights Shares with Warrants B which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s) (if applicable) prior to excess application
“FPE”	: Financial period ended
“FYE”	: Financial year ended/ ending
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities
“LPD”	: 10 February 2016, being the latest practicable date prior to the registration of this Abridged Prospectus with the SC
“Market Day(s)”	: Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
“Maximum Scenario 1”	: Assuming none of the Outstanding Warrants A are exercised prior to the Entitlement Date and all Entitled Shareholders subscribe for their respective Rights Shares entitlement
“Maximum Scenario 2”	: Assuming all of the Outstanding Warrants A are exercised prior to the Entitlement Date and all Entitled Shareholders subscribe for their respective Rights Shares entitlement
“Minimum Scenario”	: Assuming none of the Outstanding Warrants A are exercised prior to the Entitlement Date and, other than TZX, none of the Entitled Shareholders subscribe for their respective Rights Shares entitlement. Under this scenario, TZX will subscribe for the Rights Shares based on the Minimum Subscription Basis
“NA”	: Net assets
“NPA”	: Notice of Provisional Allotment
“OEM”	: Original equipment manufacturer
“Official List”	: A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed

DEFINITIONS (Cont'd)

“Outstanding Warrant(s) A”	: 169,031,500 outstanding Warrants A that have yet to be exercised as at the LPD
“Par Value Reduction”	: Reduction of the issued and paid-up share capital of Xingquan via the cancellation of US\$0.09 on each of the existing ordinary issued and paid-up share of US\$0.10 in Xingquan pursuant to Section 46 of the Bermuda Companies Act which took effect on 10 February 2016
“PAT”	: Profit after taxation
“PBT”	: Profit before taxation
“POS”	: Point-of-sale
“Price Fixing Date”	: 23 February 2016, being the date on which the issue price of the Rights Shares and the exercise price of the Warrants B have been fixed at RM0.30 per Rights Share and RM0.40 per Warrant B, respectively
“Provisional Allotment”	: Rights Shares with Warrants B provisionally allotted to the Entitled Shareholders and/or their renounce(s)/transferee(s) (if applicable) pursuant to the Rights Issue with Warrants
“Record of Depositors”	: A record consisting of names of depositors established by Bursa Depository under the Rules of Depository
“RHB Banking Group”	: RHB Capital Berhad and/or its related companies
“RHB Investment Bank” or the “Principal Adviser”	: RHB Investment Bank Berhad (Company No. 19663-P)
“Rights Issue with Warrants”	: Renounceable rights issue of up to 253,547,250 Rights Shares at an issue price of RM0.30 each, on the basis of one (1) Rights Share for every two (2) Xingquan Shares held, together with up to 84,515,750 Warrants B on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed, as at the Entitlement Date
“Rights Share(s)”	: Xingquan Shares to be issued pursuant to the Rights Issue with Warrants
“RSF”	: Rights subscription form issued by Xingquan, which is to be used by the Entitled Shareholders, renouncee(s)/transferee(s) and other permitted investors to subscribe or accept the Provisional Allotment
“SC”	: Securities Commission Malaysia
“SGM”	: Special General Meeting
“Share Registrar”	: Symphony Share Registrars Sdn Bhd (Company No. 378993-D)
“SICDA”	: Securities Industry (Central Depositories) Act, 1991 of Malaysia
“TERP”	: Theoretical ex-rights price, adjusted for the effects of the issuance of the Rights Shares
“TZX”	: Tai Zhen Xiang Holdings Limited (Company No. 1455863)

DEFINITIONS (Cont'd)

“VWAP”	:	Volume-weighted average market price
“Warrant(s) A”	:	Warrants 2014/2019 as constituted by the Deed Poll 2014 at an exercise price of RM1.00, which will expire on 24 June 2019 and where the context so requires, includes the Additional Warrants A
“Warrant(s) B”	:	Up to 84,515,750 free detachable warrants to be issued pursuant to the Rights Issue with Warrants and to be constituted under Deed Poll 2016
“Xingquan” or the “Company”	:	Xingquan International Sports Holdings Limited (Bermuda Company No. 42756) (Malaysian Company No. 995177-V)
“Xingquan Group” or the “Group”	:	Xingquan and its subsidiaries
“Xingquan Share(s)” or “Share(s)”	:	Ordinary share(s) of par value US\$0.01 each in the share capital of Xingquan after the Par Value Reduction

CURRENCIES

“AUD”	:	Australian Dollar
“HKD”	:	Hong Kong Dollar
“HUF”	:	Hungarian Forint
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RMB” or “yuan”	:	Renminbi, the official currency of China
“US\$”	:	United States Dollar

All references to “our Company” and “Xingquan” in this Abridged Prospectus are made to Xingquan International Sports Holdings Limited and references to “our Group” or “Xingquan Group” are made to our Company and our subsidiary companies. All references to “we”, “us”, “our” and “ourselves” are made to our Company, or where the context requires, our Group or any of our subsidiary companies. All references to “you” in this Abridged Prospectus are made to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Nationality	Occupation
Dato' Wu Qingquan (Executive Chairman/Chief Executive Officer)	1 Yongan Road Yanshang Village Chendai Town Jinjiang City Fujian Province PRC	PRC	Executive Chairman cum Chief Executive Officer
Wu Lianfa (Executive Director)	1 Yongan Road Yanshang Village Chendai Town Jinjiang City Fujian Province PRC	PRC	Director
Ng Sio Peng (Non-Independent Non-Executive Director)	192, Rua Do Canal Novo 5th Floor, Block 12 Gamhoisan Garden Macau	PRC	Director
Dato' Haji Ramly bin Haji Zahari (Independent Non-Executive Director)	No. 29, Taman Kenari Jalan Sultan Iskandar Shah 33000 Kuala Kangsar Perak Darul Ridzuan Malaysia	Malaysian	Businessman
Zhou Liyi (Senior Independent Non-Executive Director)	Room 406, No. 816 Lian Qian Dong Road Xiamen, China 361009	PRC	Director
Tan Eng Choon (Independent Non-Executive Director)	No. 3 Jalan USJ 9/3E UEP Subang Jaya 47601 Selangor Darul Ehsan Malaysia	Malaysian	Director

AUDIT COMMITTEE

Name	Designation	Directorship
Tan Eng Choon	Chairman	Independent Non-Executive Director
Zhou Liyi	Member	Senior Independent Non-Executive Director
Dato' Haji Ramly bin Haji Zahari	Member	Independent Non-Executive Director

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CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARIES** : Kang Shew Meng (MAICSA 0778565)
23 Jalan Tiara Kemensah 1
Tiara Kemensah
Saujana Melawati
53100 Kuala Lumpur
Malaysia
- Seow Fei San (MAICSA 7009732)
A-17-16, Block A
Kondominium Sterling
No. 3, Jalan SS7/19
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
- PRINCIPAL OFFICE** : South China Industrial Zone
Huian, Quanzhou City
Fujian Province
PRC
Postal Code: 362100
- Tel: (86) 595 8508 8999
Fax: (86) 595 8516 6111
Email: addnice@addnicechina.com
Website: www.xingquan-international.com
- REGISTERED OFFICE IN BERMUDA** : Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
- Tel: (441) 295 1422
Fax: (441) 299 4983
- REGISTERED OFFICE IN MALAYSIA** : 802, 8th Floor
Block C, Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
- Tel: (603) 7803 1126
Fax: (603) 7806 1387
- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
- Tel: (603) 7849 0777
Fax: (603) 7841 8151 / 8152

CORPORATE DIRECTORY (Cont'd)

- AUDITORS AND REPORTING ACCOUNTANTS** : Messrs SJ Grant Thornton (AF 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
- PRINCIPAL BANKERS** : China Construction Bank Corporation Quanzhou
Branch
China Construction Bank Building
Fengze Street
Quanzhou City
Fujian Province PRC
- : Industrial Bank Co., Ltd
Crossing of Qiyi Road Sijing
Chendai Town
Jinjiang City
Fujian Province PRC
- DUE DILIGENCE SOLICITORS AND LEGAL ADVISERS TO THE COMPANY ON MALAYSIA LAW FOR THE RIGHTS ISSUE WITH WARRANTS** : Messrs Wong Beh & Toh
Level 19, West Block
Wisma Selangor Dredging
142-C Jalan Ampang
50450 Kuala Lumpur
Malaysia
- LEGAL ADVISERS TO THE COMPANY ON BERMUDA LAW FOR THE RIGHTS ISSUE WITH WARRANTS** : Conyers Dill & Pearman Pte. Ltd.
9 Battery Road
#20-01 Straits Trading Building
Singapore 049910
- PRINCIPAL ADVISER** : RHB Investment Bank Berhad (19663-P)
Level 10, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
- STOCK EXCHANGE LISTED AND LISTING SOUGHT** : Main Market of Bursa Securities

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XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda (Registration No. 42756))
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia (Company No. 995177-V))

Registered Office in Malaysia:

802, 8th Floor
Block C, Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor
Malaysia

8 March 2016

Board of Directors

Dato' Wu Qingquan (*Executive Chairman/Chief Executive Officer*)
Wu Lianfa (*Executive Director*)
Ng Sio Peng (*Non-Independent Non-Executive Director*)
Dato' Haji Ramly bin Haji Zahari (*Independent Non-Executive Director*)
Zhou Liyi (*Senior Independent Non-Executive Director*)
Tan Eng Choon (*Independent Non-Executive Director*)

To: Our Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 253,547,250 NEW XINGQUAN SHARES AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING XINGQUAN SHARES HELD, TOGETHER WITH UP TO 84,515,750 FREE DETACHABLE WARRANTS B ON THE BASIS OF ONE (1) WARRANT B FOR EVERY THREE (3) RIGHTS SHARES SUBSCRIBED AS AT 5.00 P.M. ON 8 MARCH 2016

1. INTRODUCTION

On 25 September 2015, RHB Investment Bank had, on behalf of our Board, announced that our Company proposes to undertake the Capital Reorganisation and the Rights Issue with Warrants.

Subsequently, on 8 January 2016, RHB Investment Bank had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 8 January 2016, approved the following:-

- (i) Admission to the Official List and the initial listing of and quotation for up to 84,515,750 Warrants B to be issued pursuant to the Rights Issue with Warrants;
- (ii) Listing of and quotation for up to 253,547,250 Rights Shares to be issued pursuant to the Rights Issue with Warrants;

- (iii) Listing of and quotation for up to 84,515,750 new Xingquan Shares arising from the exercise of the Warrants B;
- (iv) Listing of and quotation for up to 26,004,846 Additional Warrants A to be issued pursuant to the Rights Issue with Warrants; and
- (v) Listing of and quotation for up to 26,004,846 new Xingquan Shares arising from the exercise of the Additional Warrants A.

The aforesaid approval is subjected to, *inter-alia*, the following conditions:-

No.	Conditions	Status of compliance
(i)	Xingquan and RHB Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue With Warrants;	Noted and to be complied with
(ii)	Xingquan and RHB Investment Bank to inform Bursa Securities upon the completion of the Rights Issue With Warrants	To be complied
(iii)	Xingquan to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed; and	To be complied
(iv)	Xingquan is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the Warrants B as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

On 5 February 2016, our shareholders had approved, amongst others, the Rights Issue with Warrants at our SGM. A certified true extract of the resolutions pertaining to the Rights Issue with Warrants which was passed at the said SGM, is set out in **Appendix I** of this Abridged Prospectus.

On 11 February 2016, RHB Investment Bank had, on behalf of our Board, announced that the Par Value Reduction has taken effect on 10 February 2016, being the Par Value Reduction Effective Date. As such, the Capital Reorganisation is deemed completed on 10 February 2016.

On 23 February 2016, RHB Investment Bank had, on behalf of our Board, announced that the issue price of the Rights Shares has been fixed at RM0.30 per Rights Share and the exercise price of the Warrants B has been fixed at RM0.40 per Warrant B. RHB Investment Bank had on even date, on behalf of our Board, announced that the Entitlement Date has been fixed on 8 March 2016 at 5.00 p.m., along with other relevant dates pertaining to the Rights Issue with Warrants.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or RHB Investment Bank.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Particulars of the Rights Issue with Warrants

The Rights Issue with Warrants entails an issuance of up to 253,547,250 Rights Shares at an issue price of RM0.30 per Rights Share on the basis of one (1) Rights Share for every two (2) Xingquan Shares held on the Entitlement Date, together with up to 84,515,750 free Warrants B on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed. The basis for the Rights Shares was arrived at after taking into consideration the quantum of funds intended to be raised by us (as set out in **Section 4** of this Abridged Prospectus). The basis for the Warrants B was arrived at after taking into consideration Paragraph 6.50 of the Listing Requirements where the number of new shares which will arise from all outstanding warrants, when exercised, should not exceed 50% of the issued and paid-up capital of the listed issuer (excluding treasury shares and before the exercise of the warrants) at all times.

The Warrants B will be immediately detached from the Rights Shares upon issuance and will be separately traded. The Warrants B will be issued in registered form and constituted by the Deed Poll 2016.

The free Warrants B shall only be issued to the Entitled Shareholders, who subscribe for the Rights Shares pursuant to the Rights Issue with Warrants. Although the Rights Shares with Warrants B are renounceable in full or in part, the Rights Shares and the Warrants B are not separately renounceable. Accordingly, the Entitled Shareholders can only renounce or subscribe for their entitlements to the Rights Shares with Warrants B in full or in part in the proportion allocated.

Any unsubscribed Rights Shares with Warrants B shall be made available for excess application by the other Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable). It is the Board's intention to allocate the excess Rights Shares with Warrants B in a fair and equitable manner and on such basis as set out in **Section 10.6** of this Abridged Prospectus.

In determining shareholders' entitlements under the Rights Issue with Warrants, any fractional entitlements to the Rights Shares arising from the Rights Issue with Warrants will be dealt with in such manner (including but not limited to disregarding the fractional entitlements in their entirety) as our Board, in its absolute discretion, deems fit and expedient and in the best interests of our Company and to minimise the incidence of odd lots.

As you are an Entitled Shareholder and the Xingquan Shares and Warrants B are prescribed securities, your CDS Account will be duly credited with the number of Provisional Allotment which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed within this Abridged Prospectus, the NPA notifying you of the crediting of such securities into your CDS Account and the RSF to enable you to subscribe for the Provisional Allotment, as well as to apply for excess Rights Shares with Warrants B if you choose to do so.

Any dealing in our securities will be subject to, *inter-alia*, the provisions of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights Shares with Warrants B will be credited directly into the respective CDS Accounts of the successful applicants. No physical share or warrant certificates will be issued but notices of allotment will be despatched to the successful applicants.

The notice of allotment will be despatched to you or your renounee(s)/transferee(s) within eight (8) Market Days from the last date of acceptance and payment for the Rights Shares with Warrants B. The Rights Shares and Warrants B will then be quoted on the Main Market of Bursa Securities two (2) Market Days after the application for quotation is made to Bursa Securities.

2.2 Basis and justification of determining the issue price of the Rights Shares

On 23 February 2016, RHB Investment Bank had, on behalf of our Board, announced that the issue price of the Rights Shares has been fixed at RM0.30 each. This represents a discount of 26.83% or RM0.11 to the TERP of RM0.41 based on the five (5)-day VWAP of Xingquan Shares up to and including 22 February 2016, being the last Market Day immediately preceding the Price Fixing Date of RM0.46. The issue price for the Rights Shares was determined by our Board after taking into consideration of the following:-

- (i) the new par value of Xingquan Shares after the Par Value Reduction;
- (ii) the minimum amount to be raised as set out in **Section 4** of this Abridged Prospectus; and
- (iii) the TERP of Xingquan Shares of RM0.41, based on the five (5)-day VWAP of Xingquan Shares up to and including 22 February 2016, being the last Market Day immediately preceding the Price Fixing Date of RM0.46.

2.3 Basis and justification of determining the exercise price of the Warrants B

On 23 February 2016, RHB Investment Bank had, on behalf of our Board, announced that the exercise price of the Warrants has been fixed at RM0.40 each, which represents a discount of approximately 2.44% or RM0.01 to the TERP of RM0.41 based on the five (5)-day VWAP of Xingquan Shares up to and including 22 February 2016, being the last Market Day immediately preceding the Price Fixing Date of RM0.46. The exercise price of the Warrants was determined by our Board after taking into consideration the following:-

- (i) the historical price movement of the Xingquan Shares;
- (ii) the potential future earnings of Xingquan Group; and
- (iii) the theoretical fair value of RM0.25 per Warrant B as at the LPD computed using the Black-Scholes Option Pricing Model.

For avoidance of doubt, the Warrants B will be issued free to the Entitled Shareholders who subscribe for the Rights Shares on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed.

2.4 Ranking of the Rights Shares, Warrants B and Xingquan Shares to be issued arising from the exercise of the Warrants B

The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares.

The holders of the Warrants B will not be entitled to any voting rights or participation in any forms of distribution and/or offer of further securities in our Company until and unless such holders of the Warrants B exercise their Warrants B into Xingquan Shares and his name is entered into the Record of Depositors and the Register of Members of Xingquan as the holder of those new Shares.

The new Shares arising from the exercise of the Warrants B will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up Shares, save and except that the new Shares will not be entitled to any dividends, rights, allotment and/or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the said new Shares.

2.5 Salient terms of the Warrants B

The principal terms of the Warrants B are set out below:

- | | | |
|-----------------------------------|---|---|
| Issue size | : | Up to 84,515,750 new Warrants B to be issued to the Entitled Shareholders on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed. |
| Form and denomination | : | The Warrants B will be separately traded on the Main Market of Bursa Securities and will be issued in registered form and constituted by the Deed Poll 2016. |
| Exercise Rights | : | Each Warrant B entitles the registered holder, at any time during the Exercise Period, to subscribe for one (1) new Share at the Exercise Price, subject to adjustments in accordance with the terms and provisions of the Deed Poll 2016. |
| Exercise Period | : | The Warrants B may be exercised any time during the tenure of the Warrants B of five (5) years commencing on and including the date of issuance of the Warrants B and shall end at 5.00 p.m. (Malaysia time) on the date preceding the fifth (5 th) anniversary of the date of issuance, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day. All Warrants B not exercised during the Exercise Period will thereafter lapse and cease to be valid. |
| Exercise Price | : | The exercise price of the Warrants B has been fixed by the Board at RM0.40 per Warrant B. |
| Mode of exercise | : | A registered holder of Warrants B is required to complete and sign the exercise notice and deliver the duly executed exercise notice to Xingquan's share registrar as specified in the exercise notice together with a remittance by way of bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance with the Deed Poll 2016. |
| Mode of transfer | : | The Warrants B are transferable in accordance with the provisions of the Deed Poll 2016, the SICDA and the Rules of Bursa Depository. |
| Board lot | : | For the purpose of trading on Bursa Securities, a board lot of Warrants B shall comprise 100 Warrants B (or such other multiple thereof as determined or prescribed from time to time by any relevant authorities) carrying the right to subscribe for 100 new Shares at any time during the Exercise Period. |
| Listing status | : | Bursa Securities had, vide its letter dated 8 January 2016, approved the admission of the Warrants B to the Official List of Bursa Securities, and for the listing of and quotation for the Warrants B and the new Shares to be issued pursuant to the exercise of the Warrants B on the Main Market of Bursa Securities. |
| Ranking of new Shares | : | The new Shares to be issued pursuant to the exercise of the Warrants B, shall upon allotment and issue, rank <i>pari passu</i> in all respects with the then issued and fully paid-up Shares, save and except that the new Shares will not be entitled to any dividends, rights, allotments, and/or other forms of distribution, the entitlement date of which is prior to the date of allotment and issuance of the said new Shares. |
| Rights of holder(s) of Warrants B | : | Holder(s) of Warrants B are not entitled to vote at any general meeting of Xingquan or to participate in any distribution and/or offer of further securities in Xingquan in respect of their Warrants B unless and until the holder of Warrants B has exercised his Warrants B into new Shares and his name is entered into the Record of Depositors and the Register of Members of Xingquan as the holder of those new Shares. |

- Adjustments in the Exercise Price and/or number of Warrants B : The Exercise Price and/or number of unexercised Warrants B may be adjusted by the Board, in consultation with an approved investment bank and certified by the auditors, in the event of an alteration to the share capital of Xingquan, a capital distribution or an issue of Shares or any other events in accordance with the terms and provisions of the Deed Poll 2016.
- Rights in the event of winding-up, compromise, consolidation, arrangement, amalgamation and merger : In the event a notice is given by Xingquan to its members to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up Xingquan or to approve a compromise or arrangement, or to approve an amalgamation of Xingquan, subject always to the terms and provisions of the Deed Poll 2016, Xingquan shall on the same date or soon after it despatches such notice to each of its members, give notice thereof to all the holders of Warrants B. Every holder of Warrants B shall thereupon be entitled to elect to exercise his Warrants B at any time not less than fourteen (14) days prior to the proposed general meeting of Xingquan, whereupon Xingquan shall as soon as possible and, in any event, prior to the date of the proposed general meeting referred to above, allot the relevant new Shares to the said holder of Warrants B credited as fully paid subject to the prevailing laws.
- Modification : Subject to the terms and provisions of the Deed Poll 2016, all of the rights attached to the Warrants B may be altered or abrogated by Xingquan from time to time (whether or not Xingquan is being wound up) and the sanction of a special resolution passed at a meeting of the holders of Warrants B shall be sufficient to effect such alteration or abrogation.
- Xingquan, may without the consent of the holders of Warrants B but in accordance with the terms of the Deed Poll 2016, effect any modification to the Warrants B or the Deed Poll 2016 which, in the opinion of the Board, is to correct a manifest error or to comply with mandatory provisions of Malaysian law, or is not materially prejudicial to the interest of the holders of Warrants B, provided always that Xingquan may appoint an adviser to advise them whether the proposed modification to the Warrants B or the Deed Poll 2016 is materially prejudicial to the interest of the holders of Warrants B and Xingquan may rely on such advice of the adviser.
- Any modification to the Deed Poll 2016 (including, the form and content of the warrant certificate) may be effected by way of a deed poll, executed by Xingquan and expressed to be supplemental to the Deed Poll 2016 and subject to the requirements of Schedule 5 of the Deed Poll 2016 being complied with. Any such modification shall however be subject to the approval of Bursa Securities and/or any other relevant authorities where required.
- Governing law : The Warrants B and the Deed Poll 2016 shall be governed by and construed in accordance with the laws of Malaysia.

2.6 Details of other corporate exercises

As at the LPD, save for the Rights Issue with Warrants (which is the subject matter of this Abridged Prospectus), our Board confirms that there is no other outstanding corporate exercises which we intend to undertake which have been announced but pending completion.

3. IRREVOCABLE UNDERTAKING

On 25 September 2015, Xingquan has procured a written irrevocable undertaking from TZX, the major shareholder of Xingquan to subscribe in full for its Rights Shares entitlement under the Rights Issue with Warrants based on its shareholding in Xingquan as at the LPD.

The details of the Entitlement Undertaking are set out below:-

	As at the LPD		Entitlement under the Rights Issue with Warrants		Entitlement Undertaking
	No. of Shares	%	No. of Shares	⁽¹⁾ %	No. of Shares
TZX	179,608,411	53.13	89,804,205	53.13	89,804,205

Note:-

⁽¹⁾ Computed based on 169,031,500 Rights Shares available for subscription under Maximum Scenario 1 assuming all the outstanding Warrants A are not exercised prior to the implementation of the Rights Issue with Warrants.

For illustrative purposes only, based on the issue price of RM0.30 per Rights Share, the funding requirement for TZX pursuant to its Entitlement Undertaking is approximately RM26.94 million. TZX also had in its letter dated 25 September 2015 provided confirmation that it has sufficient financial resources to subscribe for its entitlement. RHB Investment Bank has verified the sufficiency of financial resources of TZX for the purpose of subscribing for the Rights Shares pursuant to the Entitlement Undertaking.

Based on the above Entitlement Undertaking, there will be no take-over implications pursuant to Part III of the Code.

As the Rights Issue with Warrants will be implemented based on Minimum Subscription Basis, no underwriting arrangement will be made for the remaining Rights Shares not subscribed by TZX.

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4. UTILISATION OF PROCEEDS

Based on the issue price of RM0.30, the minimum gross proceeds to be raised from the Rights Issue with Warrants pursuant to the Entitlement Undertaking is approximately RM26.94 million ("**Minimum Gross Proceeds**"). Assuming the Rights Issue with Warrants is fully subscribed under the Maximum Scenario 1, the total estimated gross proceeds to be raised is approximately RM50.71 million ("**Maximum Gross Proceeds**"). In the event all the outstanding Warrants A are exercised prior to the Entitlement Date, the Rights Issue with Warrants under Maximum Scenario 2 is expected to raise approximately RM76.06 million. However, the Board does not envisage any Warrants A being exercised prior to the Entitlement Date as the Warrants A carries an exercise price of RM1.00 and is currently "out-of-the-money" and hence, the possibility of Maximum Scenario 2 occurring is remote.

Xingquan intends to use the Minimum Gross Proceeds and the Maximum Gross Proceeds as follows:-

Details of utilisation	Minimum Gross Proceeds (RM)	Maximum Gross Proceeds (RM)	Timeframe for the utilisation of proceeds
Purchase of machineries	25,941,262	49,709,450	Within twelve (12) months
Estimated expenses for the Rights Issue with Warrants and the Capital Reorganisation ⁽¹⁾	1,000,000	1,000,000	Within one (1) month
	26,941,262	50,709,450	

Note:-

⁽¹⁾ Proceeds earmarked for estimated expenses related to the Rights Issue with Warrants and the Capital Reorganisation comprise professional fees (i.e. principal adviser, reporting accountant and solicitors), regulatory fees and other related expenses. Any deficit of such proceeds will be funded from internally generated funds whilst any excess will be used as working capital of our Group.

The actual proceeds to be raised from the Rights Issue with Warrants are dependent on the actual number of Rights Shares to be issued.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short term money market instruments will be used as additional working capital of our Group.

Any proceeds arising from any exercise of the Warrants B in the future are dependent on the total number of Warrants B exercised during the tenure of the Warrants B as well as the exercise price of the Warrants B. Based on the exercise price of RM0.40 per Warrant B, the proceeds expected to be raised from the exercise of Warrants B is up to approximately RM33.81 million based on the Maximum Scenario 2. Such proceeds will be utilised for the working capital requirements of our Group, including amongst others, payment to suppliers, purchase of raw materials and other general expenses.

For information purposes, Xingquan had completed a 10% private placement on 16 May 2014. Following the completion of the private placement, Xingquan had raised gross proceeds of approximately RM30.73 million ("**Placement Proceeds**") based on the issue price of RM1.00 per placement share. As at 30 June 2015, we have fully utilised the Placement Proceeds for the set-up of 53 additional self-operated POS in departmental stores across China which include the Northern, North Eastern, Eastern, South Western and the Southern region of China. The increase in self-operated POS is in line with the expansion of our Group's sales and distribution network. The self-operated POS is a concession counter/ concept store located in departmental stores which is set-up and operated by our Group. As at 31 December 2015, our Group has 103 self-operated POS in mid to high end departmental store chains across China.

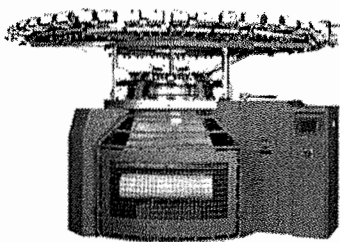
Details of the purchase of machineries

Our Group is principally involved in the manufacturing of shoe soles and shoes as well as the sales of an array of products ranging from shoe soles, shoes, apparels to accessories.

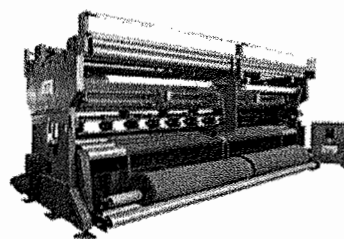
In order to keep up with rapid changes in the sports shoes segment as well as the ever evolving fashion trend, it is vital that we continue to react promptly with new designs and incorporate materials that appeal to our target markets. As such, the proceeds of up to approximately RM49.71 million will be applied to further expand our Group's manufacturing capabilities. In particular, we intend to expand our existing upstream activities by producing knit fabric, which is one of the common raw materials used in the production of our shoes and apparels.

Our Group plans to acquire 60 units of new circular knitting machines and 20 units of new warp knitting machines which are able to handle complex knitting patterns. For illustration purposes only, the two (2) types of knitting machines are shown below:-

a) Circular Knitting machine



b) Warp knitting machines



(Note: The knitting machines as depicted above do not belong to our Group)

The estimated cost for each unit of circular knitting machine and warp knitting machine are approximately RMB450,000 and RMB2,800,000, respectively (equivalent to RM281,925 and RM1,754,200, respectively, based on BNM's exchange rate of RMB1.00: RM0.6265 as at the LPD). The total estimated cost for the knitting machines is approximately RM52.00 million or RMB83.00 million, of which RM25.94 million (under Minimum Gross Proceeds) and RM49.71 million (under Maximum Gross Proceeds) will be financed via the proceeds from the Rights Issue with Warrants with the balance funded through internally generated funds. Strictly for information purposes only, Xingquan also estimates that it will require additional working capital of approximately RM125.30 million or RMB200.00 million for a period of twelve (12) months to operate the knitting machines which includes, amongst others, the cost of commissioning the new production line, purchase of raw materials (i.e. yarn) and labour cost. Such working capital will be entirely funded by our Group's internally generated funds.

The new knitting machines are expected to be purchased and fully installed at our existing factory in Huian in the Fujian Province, PRC by the third quarter of calendar year 2016 which will take up approximately 10,000 square meters of the floor area. The capacity for each knit machine is approximately 400 yards of fabric per day. This would provide up to a total production capacity of 32,000 yards of fabric per day and annual production capacity of approximately 10.2 million yards assuming we operate the machines for approximately 320 days after deducting public holidays and maintenance of machineries. Based on our sales volume and product mix for FPE 31 December 2015, approximately 5.2 million yards or 51% of the knit fabric is expected to be used for our apparels and in-house production of our shoes whilst the remaining fabrics are targeted to be sold to other apparels and shoe manufacturers in the PRC.

Presently, we purchase the knit fabric required for the production of our shoes and apparels from external suppliers. By manufacturing the knit fabric ourselves, we are able to lower our costs of procuring raw materials, have better control over the quality of our products as well as have the flexibility and capability to design and produce different types of knit fabric in-house. Further, the purchase of the new knitting machines will expand our product range and increase our revenue stream.

Under the Minimum Scenario, the shortfall will be funded through internally generated funds. Under the Maximum Scenario 1, in the event that the actual expenses are higher than budgeted, the deficit will be funded from internally generated funds. Conversely, if the actual expenses are lower than budgeted, the excess will be utilised as working capital of our Group.

5. RATIONALE AND JUSTIFICATION FOR THE RIGHTS ISSUE WITH WARRANTS

The Board believes that the Rights Issue with Warrants is the most appropriate avenue of raising funds for Xingquan's capital expenditure requirements as set out in **Section 4** of this Abridged Prospectus.

The Rights Issue with Warrants also achieves the following:-

- (i) provide all existing shareholders of Xingquan with an equal opportunity to further increase their equity participation in Xingquan;
- (ii) increase the size and strength of Xingquan's balance sheet as well as to potentially increase the market capitalisation of Xingquan;
- (iii) the Warrants B are expected to provide the shareholders of Xingquan with an incentive to subscribe for the Rights Shares as well as an option to further increase their equity participation in Xingquan, upon exercising the Warrants B at a pre-determined price over the tenure of the Warrants B; and
- (iv) enhance the future cash flow of Xingquan with the proceeds of up to approximately RM33.81 million as and when the Warrants B are exercised.

As at 31 December 2015, Xingquan Group recorded cash and cash equivalents of approximately RMB1,234.74 million (equivalent to RM773.57 million based on BNM's exchange rate of RMB1.00:RM0.6265 as at the LPD). Despite our Group's strong cash flow, the Rights Issue with Warrants is undertaken after taking into consideration the following:-

Working capital requirements

Xingquan Group is principally involved in the manufacturing of shoe soles and shoes as well as the sales of an array of products ranging from shoe soles, shoes, apparels to accessories. Xingquan's shoe soles are sold to various established sports brands in the PRC whilst Xingquan's shoe, apparels and accessories are marketed under the brand GERTOP which is one of the popular outdoor casual wear brands in the PRC that is sold at more than 1,011 outlets via 22 distributors in 22 provinces in China and 103 self-operated POS as at 31 December 2015. Our Group's annual production capacity for shoe at the Huian factory is approximately 5 million pairs while the production capacity for shoe soles at Chendai Town, Jinjiang City in Fujian Province is approximately 30 million pairs. We outsource the production of our apparels and accessories to our OEM suppliers. For FYE 30 June 2015, our shoe soles segment, shoes segment and apparels and accessories segment contributed 18.1%, 30.3% and 51.6% of our total revenue respectively.

Given the scale of its business in the fast moving fashion industry, Xingquan requires high level of working capital and liquidity to fund its day-to-day operations. Xingquan has to commence the production of next season's collection before the end of the current season (there are two (2) seasons a year and each season lasts for six (6) months). Further, in the event of fluctuations in consumer spending caused by the changes to China's business and economic conditions, Xingquan may extend longer credit period to our distributors and retailers. We generally grant credit terms ranging from 30 days to 120 days. On the other hand, we have short payment period as our OEM suppliers (mainly for our apparels and accessories) generally request for substantial payment in advance, where a 40% deposit is required upon placement of order, 50% prior to the delivery of order and the balance to be settled after the receipt of the order by Xingquan. This could potentially put a strain on our cash flow. Xingquan only outsources the manufacture of its apparels and accessories to a

few reputable OEM suppliers (who generally manufacture for international brands) to ensure timely delivery of products whilst maintaining high level of quality. As at 30 June 2015, the receivable and payable turnover days of Xingquan is approximately 86 and 28 days respectively based on our audited financial statements for FYE 30 June 2015. Therefore, it is crucial for us to maintain a significant level of cash for its working capital cycles to prevent any disruptions to the operations of our Group in the event of liquidity crisis.

Further, taking into consideration the highly challenging business conditions caused by increasing competition and the difficulty for small-to-medium sized enterprises (non-state owned) to secure trade lines/working capital facilities in China, the management is of the view that it will be prudent to maintain strong cash balances to grow the business and to fulfill its operating cash flow requirements. In the event of economic downturn in China, Xingquan's cash positions will enable our Group to sustain its existing business and to undertake any planned expansion which will put Xingquan in stronger position compared to its competitors.

The Board believes that it would be common practice for those prudent and sustainable sports/casual footwear companies to have a large cash balances. In this regard, some of the Hong Kong listed Chinese sports/casual footwear companies have cash balances ranging between RMB1.33 billion to RMB4.11 billion (equivalent to RM0.83 billion to RM2.57 billion based on BNM's exchange rate of RMB1.00:RM0.6265 as at the LPD) based on their respective audited financial statements as at 30 June 2015.

The available cash balance is mainly reserved for daily working capital purposes. Moving forward, our Group envisages the working capital requirements to be as follows:-

- (i) Working capital for the shoe soles segment ranging from RMB250 million to RMB350 million (equivalent to RM156.63 million to RM219.28 million based on BNM's exchange rate of RMB1.00:RM0.6265 as at the LPD) per year;
- (ii) Working capital for the apparels and sports/casual footwear segment ranging from RMB600 million to RMB850 million (equivalent to RM375.90 million to RM532.53 million based on BNM's exchange rate of RMB1.00:RM0.6265 as at the LPD) per year; and
- (iii) Selling and distribution expenses including the renovation and refurbishment costs for image enhancement of our outlets and self-operated POS ranging from RMB100 million to RMB150 million (equivalent to RM62.65 million to RM93.98 million based on BNM's exchange rate of RMB1.00:RM0.6265 as at the LPD) per year.

In addition, the available cash balances is also reserved for additional working capital of approximately RMB200 million (equivalent to RM125.30 million based on BNM's exchange rate of RMB1.00:RM0.6265 as at the LPD) for a period of twelve (12) months for Xingquan's future knitting business and any future business expansion such as increase in POS and acquisition of foreign brand(s), if the opportunity arises.

Despite having a cash balance of RMB1,234.74 million or RM773.57 million, the reported interest income received is only RMB4.62 million as at 31 December 2015. In this regard, we have placed our cash balances in savings accounts with licensed banks in China, namely, China Construction Bank and Industrial Bank Co. Ltd at an interest rate of approximately 0.35% per annum. It is pertinent to note that the cash placed in the above savings accounts are not idle and is required to fund Xingquan's day-to-day operations.

Entitlement Undertaking

In addition, the proceeds to be raised from the Rights Issue with Warrants will be partially funded by a major shareholder, TZX, which has provided an irrevocable undertaking to subscribe in full for its Rights Shares entitlement. Pursuant to the Entitlement Undertaking, Xingquan will be able to raise gross proceeds of approximately RM26.94 million which will be utilised towards the purchase of the knit fabric machines and the expenses pertaining to the Rights Issue with Warrants. The Entitlement Undertaking provided by TZX demonstrates its commitment and confidence in the long term prospects of Xingquan.

6. RISK FACTORS

You and/or your renounee(s) (if applicable) should consider carefully, in addition to other information contained elsewhere in this Abridged Prospectus, the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group before subscribing for or investing in the Rights Shares and the Warrants B.

6.1 Risks relating to our business and operations

6.1.1 We operate in a competitive sports and outdoor casual footwear apparels and accessories industry

We believe the sports and outdoor casual footwear, apparels and accessories industry is competitive in the PRC and globally. We also manufacture and sell shoe soles to various established sports brands in the PRC. Hence, we compete with other manufacturers of shoe soles and outdoor casual wear brand owners in the PRC in terms of amongst others, pricing, branding as well as product quality, variety and designs. Since, there is a low high barrier to entry for new competitors in the outdoor casual footwear, apparels and accessories industry, there can be no assurance that our business growth and financial performance will be sustainable in the future as it depends on our ability to react promptly and effectively to introduce new product designs to satisfy the ever changing consumer preferences and consumer demand.

We endeavour to remain competitive by ensuring high quality and timely delivery of our products, implementing careful production planning and marketing strategies as well as keeping abreast with the latest fashion trends and market development.

6.1.2 We are susceptible to the uncertainties in the general economic conditions in the global and PRC market

Our business is subject to the general economic conditions in PRC market which may have an impact on the consumers' demand for our outdoor casual footwear, apparels and accessories. Any changes in spending patterns and purchasing power of consumers as a result of unfavourable economic conditions in PRC market may have an adverse impact on the overall demand for our products, which can, in turn, adversely affect our profitability. Any major changes in the global economic conditions may directly or indirectly affect the PRC market and demand for our products, which may adversely affect our profitability.

There is no assurance that the factors which have contributed to the success of our Group in past will occur in the future. Our business performance, future plans and operations will inevitably be adversely affected if the general economic conditions deteriorate in the future.

6.1.3 We are reliant on our “GERTOP” brand and the image and quality associated with our brand

We believe that brand image and recognition is one of the key considerations that would affect consumers' purchasing decisions. Our shoes, apparels and accessories are marketed under the brand “GERTOP”. Future sales of our products depends on, amongst others, brand awareness and recognition for our products among consumers and our ability to protect our “GERTOP” brand from third party usage or counterfeit which may adversely affect the reputation and goodwill associated with our “GERTOP” brand.

Any negative publicity or perception of our brand or image, whether in PRC or internationally, or failure to effectively protect or promote and maintain the image of, and quality associated with, our “GERTOP” brand may affect our sales performance and may materially and adversely affect our profitability and business growth.

6.1.4 We face increasing competition and threats from online retailers of apparels and footwear

In recent years, we face increasing competition and threats from online retailers as consumers are gradually developing an appetite for online shopping due to the variety of products sold online, ease of price comparison of products offered by different retailers, enhanced payment security features and convenience as the products are delivered to the consumers' doorstep.

In order to compete with other retailers of outdoor casual footwear, apparels and accessories, we may need to incur more marketing and advertising costs and reduce the prices of our products in order to increase the brand image and appeal of our products to the consumers. Further, our profit margin may be materially affected by the competitive pricing by online retailers who have better advantage as their operational costs are generally lower than traditional brick-and-mortar stores.

Such competition is expected to continue in the future. If we are unable to compete effectively via the expansion of our online sales presence and network, additionally, if we are unable to offer competitively priced products whilst ensuring the quality of our GERTOP products, our business and financial performance may be materially and adversely affected.

6.1.5 We require high level of working capital and liquidity to fund our day-to-day operations

Our financial position and profitability are dependent on the creditworthiness of our customers, being our distributors and retailers of GERTOP products as well as our OEM customers for shoe soles. Currently, we grant credit terms ranging from 30 days to 120 days, depending on the past payment history and the length of business relationship with the relevant customers. On the other hand, we have short payment period as we only deal with selected reputable OEM suppliers who generally request for substantial payment in advance.

Given the scale of our business in the fast moving fashion industry, our Group requires high level of working capital and liquidity to fund our day-to-day operations. We have to commence the production of next season's collection before the end of the current season (there are two (2) seasons a year and each season lasts for six (6) months). Should we experience any unexpected delay or difficulty in collecting receivables from our customers, our cash flows, financial condition and results of operations may be materially and adversely affected.

6.1.6 Any loss of our Directors and/or key management personnel without suitable and timely replacement, may adversely impact our business and growth prospects

Our Group believes that our continued success is to a certain extent, dependent on the abilities and continued efforts of our Directors and key management personnel, who have valuable knowledge and experience in the industry we currently operate in, and are equipped with good leadership skills and market foresight. To ensure smooth succession planning, efforts have been made by our Company to promote long-term commitment amongst our key management personnel through incentives and opportunities for career development within our Group.

However, there can be no assurance that the loss of any of our Directors and/or key management personnel without suitable and timely replacement will not adversely and materially affect our business and growth prospects.

6.1.7 We depend on a stable and adequate supply of quality raw materials which are subject to price volatility and other risks

Our profitability may be affected by the price fluctuations of raw materials, which are beyond our control. Any increase in raw material prices may reduce our profit margin in the event we are unable to pass on the increased costs to our customers. Further, we purchase all our raw materials on an order-by-order basis and have no long-term contracts with any of our suppliers. Hence, any shortage of raw materials in the market may materially disrupt our production planning and schedules, resulting in potential delays in product deliveries and recognition of revenues.

We are also dependent on our key suppliers. Our purchases from our top five suppliers (who include certain OEM suppliers for our apparels and accessories) collectively accounted for approximately 32% of our total purchases for the FYE 30 June 2015. There is no assurance that we will be able to reduce our dependence on these suppliers over time, or be able to source for alternative suppliers who can supply the required products to us with the same level of quality on a timely basis. As such, any shortage or increase in the costs of raw materials will materially and adversely affect our business operations and financial performance.

6.1.8 We may face labour shortages and rising labour costs in the PRC

The shoe industry is labour intensive. Labour costs in the PRC have been experiencing an upward trend in the past few years and there is no assurance that the cost of labour in the PRC will not continue to increase in the future or that we will be able to offset such increase in labour cost against the corresponding increase in the prices of our products.

We are dependent on our production workers and as such, a general shortage of production workers in PRC may have a bearing on our business and growth prospects. While efforts have been made to attract new production workers and to retain our existing production workers, there can be no assurance that we will not encounter any loss of existing production workers in the future and that we will be able to recruit sufficient production workers on a timely basis. Any material shortage of production workers may disrupt our business operations and adversely affect our financial performance.

6.1.9 We may be subject to claims for infringement of third parties' intellectual property rights

As at the LPD, we are not aware of any violations or infringements of intellectual property rights of third parties by our Group. We have in-house designers for our shoes and shoe sole products and rely on third party external designers to assist us in designing our apparels and accessories. We run the risk that our in-house designers may inadvertently infringe on third party intellectual property rights. In addition, when we accept a design from our external designer, such design may have infringed on third party intellectual property rights. While it is not the intention of the management of the Group to violate or infringe on any third party intellectual property rights, we cannot give any assurance that our products do not and will not infringe other registered trademarks or intellectual property rights belonging to third parties in the future, with such risk increasing as we continue to expand and diversify our product mix.

In the event of any inadvertent infringement of third party's intellectual property rights, we may be subject to legal proceedings relating to such infringement which may cause a diversion of our management's time and resources. If a third party successfully establishes that we have infringed its intellectual property, our business operations and profitability may be materially affected as we may be subject to substantial monetary liabilities, bad reputation and/or be prevented from selling our products.

6.1.10 We may face disruptions to our manufacturing and business operations

Presently, our operations are relatively labour intensive despite advances in workplace practices as well as the full/semi automation of certain parts of our production facilities in Fujian Province of the PRC. Therefore, any labour shortages, fire outbreaks, disruptions of electricity and/or water supply, machinery breakdown, system malfunction, natural disasters and other causes may disrupt or halt the production activities and business operations of our Group. However, we have not experienced any of the abovementioned disruptions that had materially and adversely affected our manufacturing and business operations. Nevertheless, there is no assurance that any of the disruptions will not materially affect our Group's business in the future.

6.1.11 We may require additional funding to finance our operations, which may not be available on terms acceptable to us, or at all.

Despite having a cash balance of RMB1,234.74 million or RM773.57 million as at 31 December 2015, we may, however, require additional cash resources to finance our continued growth and expansion, including investments or acquisitions that we may decide to pursue.

To the extent that our funding requirements exceed our financial resources, we may need to seek additional financing or to defer our planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to: (i) our future financial conditions, results of operations and cash flows; (ii) general market conditions for capital raising and debt financing activities; and (iii) economic, political and other conditions in China.

6.1.12 We may not be successful in expanding our operations or managing our growth effectively

Presently, we purchase the knit fabric required for the production of our shoes and apparels from external suppliers. We intend to expand our operations by directly manufacturing the knit fabric used for our apparels and in-house production of our shoes. Part of the proceeds from the Rights Issue with Warrants has been earmarked to purchase new knitting machines for this expansion. Although we expect the in-house manufacturing of knit fabric to lower our costs as well as provide an additional revenue stream through the sale of excess knit fabric to third parties, there can be no assurance that such plans will eventuate immediately or at all as we may encounter complications, such as, without limitation, recruiting sufficient labour and identifying suppliers for the raw materials to produce the knit fabric.

We may undertake other future expansion projects based on future business opportunities and requirements, which may result in amongst others, increased integration costs, strained production capacity, delays in delivery of orders and decreased production efficiency. If we are unable to manage our investment and business growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures which could have a material adverse effect on our results of operation and prospects.

6.1.13 We face possible infringements of our intellectual property rights such as the counterfeiting of our “GERTOP” brand in the market

Our primary intellectual property rights include the trademark of our “GERTOP” brand. Although we have registered “GERTOP” as a trademark in the PRC where we principally market and sell our products, third parties may nevertheless unlawfully pass off their products as ours or imitate or use our trademark without authorisation from us, which may affect our sales volume, damage our brand recognition and reputation. The effective enforcement of our intellectual property rights is subject to the applicable PRC laws as well as the laws in the various jurisdictions which we obtain registration or are applying for registration of our trademarks. We may face considerable difficulties and costly litigation in such enforcements in the event we encounter any third parties infringements, which may adversely affect our reputation, business and financial performance.

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6.2 Risks relating to the Rights Issue with Warrants

6.2.1 Market risks

The market price of our Shares is influenced by, amongst others, the prevailing market sentiment, the volatility of the stock market, movements in interest rates and the outlook of the industry which we operate and our financial performance. In view of this, there can be no assurance that our Shares will trade at or above the issue price of the Rights Shares or the theoretical ex-rights price of our Shares upon or subsequent to the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

The value of the Warrants B is dependent upon, amongst others, the market price of our Shares, remaining exercise period of the Warrants B, volatility of our share price and potential future payments of dividend. If the market price of our Shares is higher than the exercise price of the Warrants B, the Warrants B are deemed to be "*in-the-money*" during their exercise period.

Furthermore, you are reminded that should the Warrants B expire at the end of its tenure, it will lapse and cease to be valid and hence, will no longer have any value.

6.2.2 Delay in or abortion of the implementation of Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any material adverse change of events/ circumstances such as changes in inflation rates, interest rates, political leadership and unfavourable changes in the governments' policies such as taxation and licensing regulations as well as other force majeure events, which are beyond the control of our Company and RHB Investment Bank, arising prior to or during the implementation of the Rights Issue with Warrants.

There is no assurance that the abovementioned events will not occur or cause a delay in or abortion of the Rights Issue with Warrants. In the event the Rights Issue with Warrants is aborted, our Group will repay without interest all monies received in respect of the accepted application for the subscription of the Rights Shares and the Warrants B pursuant to the Rights Issue with Warrants and if such monies are not repaid within 14 days after it becomes liable, we will repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event that the Rights Shares with Warrants is aborted/ terminated, and Rights Shares have been allotted to the Entitled Shareholders, a return of the monies to all holders of the Rights Shares could only be achieved by way of reduction of share capital as provided under the Bermuda Companies Act or by way of a buy-back of those Shares by the Company. A capital reduction or a share buy-back would require the prior approval of our shareholders and a notice of the proposed reduction to be published in Bermuda not less than 15 days and not more than 30 days before the date on which the reduction of the share capital is to have effect. The statutory requirement for the publication of the notice cannot be waived nor can the period be shortened. There can be no assurance that such monies can be returned within a short period of time or at all in such circumstances.

6.3 Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information which may not be reflective of the future results, whilst others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this Abridged Prospectus are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable as at the LPD, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, the risk factors as set out in this section. In view of these uncertainties, the inclusion of any forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company on the achievability of our future plans and objectives.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

7.1 Overview and outlook of the China economy

According to the preliminary estimation, the gross domestic product (GDP) of China was 67,670.8 billion yuan in 2015, an increase of 6.9 percent at comparable prices. Specifically, the year-on-year growth of the first quarter was 7.0 percent, the second quarter 7.0 percent, the third quarter 6.9 percent, and the fourth quarter 6.8 percent. The value added of the primary industry was 6,086.3 billion yuan, up by 3.9 percent; the secondary industry 27,427.8 billion yuan, up by 6.0 percent; and the tertiary industry 34,156.7 billion yuan, up by 8.3 percent. The gross domestic product of the fourth quarter of 2015 went up by 1.6 percent on a quarter-on-quarter basis.

In 2015, the national per capita disposable income of residents was 21,966 yuan, a nominal growth of 8.9 percent over last year, or a real increase of 7.4 percent after deducting price factors. In terms of permanent residence, the per capita disposable income of urban households was 31,195 yuan, a nominal growth of 8.2 percent, or a real growth of 6.6 percent after deducting price factors. The per capita disposable income of rural residents was 11,422 yuan, up by 8.9 percent, or 7.5 percent in real terms. The per capita income of urban households was 2.73 times of the rural households, 0.02 less than last year. The median of the national disposal income was 19,281 yuan, a nominal increase of 9.7 percent. Taking the per capita disposable income of nationwide households by income quintiles, that of the low-income group reached 5,221 yuan, the lower-middle-income group 11,894 yuan, the middle-income group 19,320 yuan, the upper-middle-income group 29,438 yuan, and the high-income group 54,544 yuan. The Gini Coefficient for national income in 2015 was 0.462. The number of rural migrant workers in 2015 totaled 277.47 million, which was 3.52 million more than that in last year, or up by 1.3 percent. Specifically, the numbers of local and outside migrant workers were 108.63 million and 168.84 million respectively, up by 2.7 and 0.4 percent. The average monthly income of migrant workers was 3,072 yuan, up by 7.2 percent.

(Source: China's Economy Realized a Moderate but Stable and Sound Growth in 2015, quoted from the website of the National Bureau Statistics of China (www.stats.gov.cn))

7.2 Overview and outlook of China's retail sector

In 2015, the total retail sales of consumer goods reached 30,093.1 billion yuan, a nominal annual rise of 10.7 percent (a real growth of 10.6 percent after deducting price factors). Specifically, the retail sales of consumer goods by enterprises above the designated size stood at 14,255.8 billion yuan, up by 7.8 percent over the last year. Analyzed by different areas, the retail sales in urban areas reached 25,899.9 billion yuan, up by 10.5 percent, and the retail sales in rural areas stood at 4,193.2 billion yuan, up by 11.8 percent. The retail sales of goods were 26,862.1 billion yuan, up by 10.6 percent. In particular, the retail sales of the enterprises above the designated size reached 13,389.1 billion yuan, an increase of 7.9 percent. In December, the nominal growth of total retail sales of consumer goods was 11.1 percent over last year (a real growth of 10.7 percent after deducting price factors), or 0.82 percent month-on-month.

In 2015, the online retail sales reached 3,877.3 billion yuan, an increase of 33.3 percent compared with last year, among which the retail sales of physical goods was 3,242.4 billion yuan, an increase of 31.6 percent, accounting for 10.8 percent of the total retail sales of consumer goods; the retail sales of non-physical goods was 634.9 billion yuan, an increase of 42.4 percent.

(Source: China's Economy Realized a Moderate but Stable and Sound Growth in 2015 quoted from the website of the National Bureau Statistics of China (www.stats.gov.cn))

7.3 Overview and outlook of China's textile, footwear and apparels sector

According to the Customs statistics, China's total import and export in 2015 reached RMB24.58 trillion, down 7% year on year. Among them, the export was RMB14.14 trillion, down 1.8% year on year, and the import was RMB10.45 trillion, down 13.2% year on year. Export of seven kinds of labor intensive products reached US\$ 472 billion, down 2.7% year on year, accounting for 20.7% of the total export, with those of textile, clothing and shoes down 2.3%, 6.4% and 4.8% respectively.

In addition, by the end of 2015, Chinese enterprises were advancing 75 cooperation zones, over half of which are processing and manufacturing parks that are closely related to production capacity. These enterprises made a cumulative investment of USD7.05 billion; 1,209 enterprises entered the zones; the cooperation zones registered gross product of USD42.09 billion, and contributed USD1.42 billion taxes and fees to host countries. They also drove part of the overseas relocation of classical competitive industries such as textile, clothing, light industry, and home appliances.

(Source: The Regular Press Conference of the Ministry of Commerce (January 20, 2016), quoted from the website of the Ministry of Commerce of the PRC (www.mofcom.gov.cn))

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7.4 Prospects of Xingquan Group

We are aware that the economic uncertainties in China may impact the spending pattern of the Chinese consumers which may inevitably affect the demand for shoes and apparels in the domestic market, create a more competitive environment and put pressure on our gross margins. As such, we will continue to monitor changes in the economic conditions and react promptly to competition.

Our Group will continue to adopt a prudent business approach, undertake cost control measures and focus on enhancing/expanding our production capacity in order to improve our level of efficiency. We have developed a vertically integrated business model that combines our shoe soles production process with our shoes manufacturing process. By manufacturing a major portion of our own shoe soles for our shoes, we are able to lower production costs through our integrated business model and ensure that the quality of our products is consistent, in accordance with our stringent quality control standards. In addition, having a vertically integrated business model also allows our Group to reduce the lead time for the development and production of our shoe products, thereby giving us an advantage over our competitors in the introduction of new shoe products into the market.

Additionally, the acquisition of the knit fabric production line as detailed in **Section 4** of this Abridged Prospectus is expected to reduce our Group's cost in procuring raw materials and reduce dependence on external suppliers for knit fabric. This also provides greater control over the quality of raw materials as well as greater flexibility over the design of the knit fabric and potential reduction of lead time in the development and production of our merchandise. Further, any excess knit fabric can be sold to other textile and garment manufacturers in the PRC, thus providing us with an additional income stream.

As at 31 December 2015, our Group has set-up 103 self-operated POS in mid to high end departmental store chains across China, aiming to increase our revenue and profitability. The self-operated POS strengthens our Group's branding and market presence as it improves the visibility of the GERTOP brand and provides our retail customers with greater convenience and access to our products.

Despite market challenges, the Board believes that we will be able to maintain a satisfactory performance in the future as market recognition grows for our GERTOP outdoor casual footwear, apparels and accessories and our shoe sole business.

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8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

The effects of the Rights Issue with Warrants on Xingquan's issued and paid-up share capital, NA per share and gearing, substantial shareholders' shareholdings, EPS and existing convertible securities are illustrated based on the Minimum Scenario, Maximum Scenario 1 and Maximum Scenario 2.

8.1 Issued and paid-up share capital

The pro forma effects of the Rights Issue with Warrants on the issued and paid-up share capital of Xingquan are set out below:

	Par Value US\$	Minimum Scenario		Maximum Scenario 1		Maximum Scenario 2	
		No. of Shares	US\$	No. of Shares	US\$	No. of Shares	US\$
Existing as at LPD	0.01	338,063,000	3,380,630	338,063,000	3,380,630	338,063,000	3,380,630
<i>Assuming full exercise of Warrants A</i>	0.01	-	-	-	-	169,031,500	1,690,315
<i>To be issued pursuant to the Rights Issue with Warrants</i>	0.01	338,063,000	3,380,630	338,063,000	3,380,630	507,094,500	5,070,945
<i>To be issued assuming full exercise of the Warrants B</i>	0.01	89,804,205	898,042	169,031,500	1,690,315	253,547,250	2,535,473
Enlarged issued and paid-up share capital	0.01	427,867,205	4,278,672	507,094,500	5,070,945	760,641,750	7,606,418
		29,934,735	299,347	56,343,833	563,438	84,515,750	845,158
		457,801,940	4,578,019	563,438,333	5,634,383	845,157,500	8,451,576

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8.2 NA per share and gearing

The pro forma effects of the Rights Issue with Warrants on the NA per share and gearing based on the audited consolidated statement of financial position of Xingquan for the FYE 30 June 2015 are set out below:

Minimum Scenario

	Audited as at 30 June 2015 (⁽¹⁾) RM'000	Pro forma I After the Capital Reorganisation RM'000	Pro forma II After Pro forma I and the Rights Issue with Warrants RM'000	Pro forma III After Pro forma II and assuming full exercise of the Warrants B RM'000
Share capital	140,494	12,755	16,143	17,272
Share premium	166,638	166,638	(⁽²⁾) 189,191	200,036
Contributed surplus account	-	127,739	127,739	127,739
Foreign currency translation reserves	(10,430)	(10,430)	(10,430)	(10,430)
Warrant reserves	43,765	43,765	(⁽³⁾) 51,249	43,765
Merger deficit	(49,534)	(49,534)	(49,534)	(49,534)
Statutory reserve	89,290	89,290	89,290	89,290
Discount on Shares	(43,765)	(43,765)	(⁽³⁾) (51,249)	(43,765)
Retained earnings	832,719	832,719	832,719	832,719
Shareholders' equity / NA	1,169,177	1,169,177	1,195,118	1,207,092
No. of shares ('000)	338,063	338,063	427,867	457,802
NA per share (RM)	3.46	3.46	2.79	2.64
Total borrowings	10,953	10,953	10,953	10,953
Gearing (times)⁽⁴⁾	0.01	0.01	0.01	0.01

Notes:-

- (1) Translation exchange rate for illustrative purposes is based on BNM's exchange rate of RMB1.00:RM0.6085 as at 30 June 2015.
- (2) Based on the issue price of RM0.30 and after deducting the estimated expenses of RM1,000,000 relating to the Rights Issue with Warrants.
- (3) Computed based on the theoretical fair value of RM0.25 per Warrant B, which was arrived at using the Black-Scholes option pricing model.
- (4) Gearing was computed based on total borrowings divided by shareholders' equity.

Maximum Scenario 1

	Audited as at 30 June 2015 (1) RM'000	Pro forma I After the Capital Reorganisation RM'000	Pro forma II After Pro forma I and the Rights Issue with Warrants RM'000	Pro forma III After Pro forma II and assuming full exercise of the Warrants B RM'000
Share capital	140,494	12,755	19,133	21,259
Share premium	166,638	166,638	(2) 209,969	230,381
Contributed surplus account	-	127,739	127,739	127,739
Foreign currency translation reserves	(10,430)	(10,430)	(10,430)	(10,430)
Warrant reserves	43,765	43,765	(3) 57,851	43,765
Merger deficit	(49,534)	(49,534)	(49,534)	(49,534)
Statutory Reserve	89,290	89,290	89,290	89,290
Discount on Shares	(43,765)	(43,765)	(3) (57,851)	(43,765)
Retained earnings	832,719	832,719	832,719	832,719
Shareholders' equity / NA	1,169,177	1,169,177	1,218,886	1,241,424
No. of shares ('000)	338,063	338,063	507,095	563,439
NA per share (RM)	3.46	3.46	2.40	2.20
Total borrowings	10,953	10,953	10,953	10,953
Gearing (times) (4)	0.01	0.01	0.01	0.01

Notes:-

- (1) Translation exchange rate for illustrative purposes is based on BNM's exchange rate of RM1.00:RM0.6085 as at 30 June 2015.
- (2) Based on the issue price of RM0.30 and after deducting the estimated expenses of RM1,000,000 relating to the Rights Issue with Warrants.
- (3) Computed based on the theoretical fair value of RM0.25 per Warrant B, which was arrived at using the Black-Scholes option pricing model.
- (4) Gearing was computed based on total borrowings divided by shareholders' equity.

Maximum Scenario 2

	Audited as at 30 June 2015 (1) RM'000	Pro forma I Assuming all of the outstanding Warrants A are exercised RM'000	Pro forma II After Pro forma I and the Capital Reorganisation RM'000	Pro forma III After Pro forma II, the Rights Issue with Warrants RM'000	Pro forma IV After Pro forma III and assuming full exercise of the Warrants B RM'000
Share capital	140,494	204,270	19,133	28,699	31,888
Share premium	166,638	271,894	271,894	(2) 337,392	368,009
Contributed surplus account	-	-	185,137	185,137	185,137
Foreign currency translation reserves	(10,430)	(10,430)	(10,430)	(10,430)	(10,430)
Warrant reserves	43,765	-	-	(3) 21,129	-
Merger deficit	(49,534)	(49,534)	(49,534)	(49,534)	(49,534)
Statutory Reserve	89,290	89,290	89,290	89,290	89,290
Discount on Shares	(43,765)	-	-	(3) (21,129)	-
Retained earnings	832,719	832,719	832,719	832,719	832,719
Shareholders' equity / NA	1,169,177	1,338,209	1,338,209	1,413,273	1,447,079
No. of shares ('000)	338,063	507,095	507,095	760,642	845,158
NA per share (RM)	3.46	2.64	2.64	1.86	1.71
Total borrowings	10,953	10,953	10,953	10,953	10,953
Gearing (times) (4)	0.01	0.01	0.01	0.01	0.01

Notes:-

- (1) Translation exchange rate for illustrative purposes is based on BNM's exchange rate of RMB1.00:RM0.6085 as at 30 June 2015.
- (2) Based on the issue price of RM0.30 and after deducting the estimated expenses of RM1,000,000 relating to the Rights Issue with Warrants.
- (3) Computed based on the theoretical fair value of RM0.25 per Warrant B, which was arrived at using the Black-Scholes option pricing model.
- (4) Gearing was computed based on total borrowings divided by shareholders' equity.

8.3 SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The pro forma effects of the Rights Issue with Warrants on the substantial shareholders' shareholding of Xingquan as at the LPD are set out below:

Minimum Scenario

Substantial shareholders	Shareholdings as at LPD			Pro forma I			Pro forma II		
	Direct		Indirect	After the Rights Issue with Warrants		%	After Pro forma I and assuming full exercise of the Warrants B		%
	No. of Shares	%	No. of Shares	No. of Shares	%		No. of Shares	%	
TZX	179,608,411	53.13	-	269,412,617	62.97	-	299,347,352	65.39	-
Ng Sio Peng	-	-	(1) 179,608,411	-	-	(1) 269,412,617	-	-	(1) 299,347,352
lao leok Chon	-	-	(2) 179,608,411	-	-	(2) 269,412,617	-	-	(2) 299,347,352

Maximum Scenario 1

Substantial shareholders	Shareholdings as at LPD			Pro forma I			Pro forma II		
	Direct		Indirect	After the Rights Issue with Warrants		%	After Pro forma I and assuming full exercise of the Warrants B		%
	No. of Shares	%	No. of Shares	No. of Shares	%		No. of Shares	%	
TZX	179,608,411	53.13	-	269,412,617	53.13	-	299,347,352	53.13	-
Ng Sio Peng	-	-	(1) 179,608,411	-	-	(1) 269,412,617	-	-	(1) 299,347,352
lao leok Chon	-	-	(2) 179,608,411	-	-	(2) 269,412,617	-	-	(2) 299,347,352

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Maximum Scenario 2

Substantial shareholders	Shareholdings as at LPD				Pro forma I Assuming all of the outstanding Warrants A are exercised				Pro forma II After Pro forma I and the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TZX	179,608,411	53.13	-	-	179,706,016	35.44	-	-	269,559,024	35.44	-	-
Ng Sio Peng	-	-	⁽¹⁾ 179,608,411	53.13	-	-	⁽¹⁾ 179,706,016	35.44	-	-	⁽¹⁾ 269,559,024	35.44
lao leok Chon	-	-	⁽²⁾ 179,608,411	53.13	-	-	⁽²⁾ 179,706,016	35.44	-	-	⁽²⁾ 269,559,024	35.44

Substantial shareholders	Pro forma III After Pro forma II and assuming full exercise of the Warrants B			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
TZX	299,510,027	35.44	-	-
Ng Sio Peng	-	-	⁽¹⁾ 299,510,027	35.44
lao leok Chon	-	-	⁽²⁾ 299,510,027	35.44

Notes:-

⁽¹⁾ Deemed interested by virtue of her interest in TZX.

⁽²⁾ Deemed interested by virtue of his interest in TZX.

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8.4 Earnings and EPS

The Rights Issue with Warrants is not expected to have any material effect on the consolidated earnings of our Group for the FYE 30 June 2016 but there may be a corresponding dilution in our Group's EPS as a result of the increase in the number of Xingquan Shares in issue pursuant to the Rights Issue with Warrants and as and when the Warrants B are exercised. Nevertheless, barring any unforeseen circumstances, the Rights Issue with Warrants is expected to contribute positively to the future earnings of our Group when the benefits of the utilisation of proceeds from the Rights Issue with Warrants are realised.

For illustrative purposes only, based on the consolidated financial statements of Xingquan for the FYE 30 June 2015, the pro forma effects of the Rights Issue with Warrants on the earnings and EPS of our Group are as follows:-

Minimum Scenario

	Audited as at 30 June 2015	Pro forma I After the Rights Issue with Warrants	Pro forma II After Pro forma I and assuming full exercise of Warrants B
Profit attributable to owners of Xingquan (RM'000)	⁽¹⁾ 140,585	140,585	140,585
No. of Xingquan Shares ('000) ⁽²⁾	338,063	427,867	457,802
Basic EPS (sen) ⁽³⁾	0.42	0.33	0.31
Diluted EPS (sen) ⁽⁴⁾	-	-	-

Maximum Scenario 1

	Audited as at 30 June 2015	Pro forma I After the Rights Issue with Warrants	Pro forma II After Pro forma I and assuming full exercise of Warrants B
Profit attributable to owners of Xingquan (RM'000)	⁽¹⁾ 140,585	140,585	140,585
No. of Xingquan Shares ('000) ⁽²⁾	338,063	507,095	563,439
Basic EPS (sen) ⁽³⁾	0.42	0.28	0.25
Diluted EPS (sen) ⁽⁴⁾	-	-	-

Maximum Scenario 2

	Audited as at 30 June 2015	Pro forma I Assuming full exercise of Warrants A	Pro forma II After Pro forma I and the Rights Issue with Warrants	Pro forma III After Pro forma II and assuming full exercise of Warrants B
Profit attributable to owners of Xingquan (RM'000)	⁽¹⁾ 140,585	140,585	140,585	140,585
No. of Xingquan Shares ('000) ⁽²⁾	338,063	507,095	760,642	845,158
Basic EPS (sen) ⁽³⁾	0.42	0.28	0.18	0.17
Diluted EPS (sen) ⁽⁴⁾	-	-	-	-

Notes:-

- (1) Based on the exchange rate of RMB1.00 to RM0.5611 which was referenced in our annual report 2015.
- (2) Assuming the Par Value Reduction has been effected at the beginning of the financial year.
- (3) Calculated based on the profit attributable to owners of Xingquan for the FYE 30 June 2015 divided by the total number of Xingquan Shares in issue.
- (4) There is no effect to the diluted EPS as our Board does not envisage any Outstanding Warrants A to be exercised at the current exercise price of RM1.00 which is currently "out-of-the-money".

8.5 Convertible securities

As at the LPD, save for the existing Warrants A, Xingquan does not have any other outstanding convertible securities.

Pursuant to the Deed Poll 2014, the Capital Reorganisation will not give rise to any adjustment to the exercise price and number of outstanding Warrants A.

However, the Rights Issue with Warrants may give rise to adjustments to the exercise price and/or the number of existing Warrants A (if applicable) in accordance with the provisions of the Deed Poll 2014. This is to ensure that the status of the holders of the existing Warrants A is not prejudiced due to the Rights Issue with Warrants.

The rights and obligations of the holders of the existing Warrants A will remain unchanged, save for the aforesaid adjustments to the exercise price and/or the number of existing Warrants A (if applicable). Any necessary adjustments arising from the Rights Issue with Warrants will be finalised by the Board after the Entitlement Date. The details of the actual adjustments to the existing Warrants A shall be announced at a later date and shall be set out in a notice of adjustments to the holders of Warrants A, if any, which shall be despatched within twenty-one (21) Market Days of such adjustments.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that, after taking into consideration the cash flow position of our Group, banking facilities available and the proceeds to be received from the Rights Issue with Warrants, our Group will have sufficient working capital for the next twelve (12) months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RMB18.0 million (equivalent to RM11.28 million based on BNM's exchange rate of RMB1.00:RM0.6265 as at the LPD), all of which are short term (repayable within one year), secured, interest-bearing and denominated in RMB.

There has been no default on payments of either interest and/or principal sums in respect of any borrowings during the FYE 30 June 2015 and the subsequent financial period up to the LPD.

For information purposes, although we currently holds a significant amount of cash, we still maintain certain level of borrowings to cater for our Group's working capital requirements as well as to maintain close rapport with financial institutions in the event the need for future financing arises.

9.3 Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results/position of our Group.

9.4 Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE WITH WARRANTS

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotment which you are entitled to subscribe, in full or in part, in accordance with the terms and conditions of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Allotment into your CDS Account and the RSF to enable you to subscribe for such Provisional Allotment allotted to you, as well as to apply for the Excess Rights Shares with Warrants B, if you wish to do so.

This Abridged Prospectus and the RSF can be obtained from our Share Registrar or from Bursa Securities' website at <http://www.bursamalaysia.com>.

10.1 NPA

The Provisional Allotment are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in such Provisional Allotment will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making applications.

10.2 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Allotment must be made in accordance with the RSF enclosed with this Abridged Prospectus. The RSF must be completed strictly in accordance with the notes and instructions contained in the RSF. Acceptances and/or payments which do not conform strictly to the terms of this Abridged Prospectus, the RSF and the notes and instructions contained in the RSF or which are illegible may not be accepted at the absolute discretion of our Board.

If you wish to accept the Provisional Allotment, either in full or in part, please complete **Parts I(A) and II** of the RSF strictly in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by **ORDINARY POST, COURIER or DELIVERED BY HAND** (at your own risk) to our Share Registrar at the following address:-

FOR DELIVERY BY HAND AND/OR COURIER:-

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

FOR ORDINARY POST:-

Symphony Share Registrars Sdn Bhd
Peti Surat 9150
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Helpdesk Telephone No: 603-7849 0777
Facsimile No: 603-7841 8151/8152

and should reach our Share Registrar not later than **5.00 p.m. on 23 March 2016**, being the last time and date for the acceptance of and payment for the Provisional Allotment or any such later time and date as our Board may, at their absolute discretion, decide and announce, but not less than two (2) Market Days before such stipulated time and date.

You must use one (1) RSF for the subscription of the Provisional Allotment standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of the Provisional Allotment standing to the credit of more than one (1) CDS Account. The Rights Shares with Warrants B accepted by you in accordance with the notes and instructions contained in the RSF will be credited into the respective CDS Accounts where the Provisional Allotment is standing to the credit.

The minimum number of Rights Shares that can be accepted is one (1) Rights Share. Successful applicants of the Rights Shares will be given Warrants B on the basis of one (1) Warrant B for every three (3) Rights Shares successfully subscribed for. However, you should take note that a trading board lot comprises 100 Xingquan Shares. Fractions of a Rights Share (if any) shall be disregarded and will be dealt with in such manner as our Board, at its absolute discretion, deems fit and expedient, and in the best interest of our Company.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbroker, our Share Registrar or Bursa Securities' website at <http://www.bursamalaysia.com>.

Each completed RSF must be accompanied by the appropriate remittance made in RM for the FULL and EXACT amount payable for the Rights Shares with Warrants B accepted, in the form of Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and made payable to "**XINGQUAN RIGHTS SHARES ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name and address in block letters and CDS Account number to be received by our Share Registrar by the Closing Date. The payment must be made for the FULL and EXACT amount payable for the Rights Shares accepted.

Applications accompanied by payment other than in the manner stated above or with excess or insufficient payment may be rejected at the absolute discretion of our Board. **Details of the remittances must be filled in the appropriate boxes provided in the RSF.**

OUR SHARE REGISTRAR WILL NOT CONTACT YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) FOR ACCEPTANCES WHICH DO NOT STRICTLY CONFORM TO THE TERMS AND CONDITIONS OF THIS ABRIDGED PROSPECTUS OR THE RSF OR THE NOTES AND INSTRUCTIONS CONTAINED IN THESE DOCUMENTS, OR WHICH ARE ILLEGIBLE.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENT, APPLICATION FOR THE EXCESS RIGHTS SHARES WITH WARRANTS B AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENT, ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF CAREFULLY. IN ACCORDANCE WITH THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR THE APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS SHARES. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, YOU WILL BE ALLOTTED WITH YOUR RIGHTS SHARES, AND A NOTICE OF ALLOTMENT WILL BE ISSUED AND DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AND REGISTER OF MEMBERS (AT YOUR OWN RISK) OR TO THE ADDRESS IN MALAYSIA WHICH WAS PROVIDED BY YOU TO THE SHARE REGISTRAR FOR THE RECEIPT OF THE DOCUMENTS, WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE, OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED OR ALLOWED BY BURSA SECURITIES. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

SUBSCRIPTION OF THE PROVISIONAL ALLOTMENT SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

WHERE THE SUBSCRIPTION OF THE PROVISIONAL ALLOTMENT IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AND REGISTER OF MEMBERS (AT YOUR OWN RISK) OR TO THE ADDRESS IN MALAYSIA WHICH WAS PROVIDED BY YOU TO THE SHARE REGISTRAR FOR THE RECEIPT OF THE DOCUMENTS, WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

If the acceptance of and payment for the Provisional Allotment allotted to you (whether in full or in part) are not received by our Share Registrar by the **5.00 p.m. on 23 March 2016** or any such later time and date as our Board may, at their absolute discretion, decide and announce, your Provisional Allotment or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled.

Our Board will then have the right to allot such Rights Shares with Warrants B not taken up or cannot be taken up or not validly taken up to applicants applying for the Excess Rights Shares with Warrants B in the manner as set out in **Section 10.6** of this Abridged Prospectus.

10.3 Last time and date for acceptance and payment

The last time and date for acceptance and payment for the Provisional Allotment is at **5.00 p.m. on 23 March 2016**, or such later time and date as our Board may, at their absolute discretion, decide and announce, but not less than two (2) Market Days before such stipulated time and date.

10.4 Procedures for part acceptance

You are always entitled to accept part of your entitlement to the Provisional Allotment PROVIDED ALWAYS that the minimum number of Rights Shares that may be accepted is one (1) Rights Share.

You must complete both **Part I(A)** of the RSF by specifying the number of Provisional Allotment which you are accepting and **Part II** of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the same manner as set out in **Section 10.2** of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE STRICTLY TO THIS ABRIDGED PROSPECTUS AND THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

10.5 Procedures for the sale or transfer of the Provisional Allotment

As the Provisional Allotment are prescribed securities, should you wish to sell or transfer, all or part of your entitlement to the Provisional Allotment to one (1) or more persons, you may do so through your stockbroker without first having to request for a split of the Provisional Allotment standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Allotment, you may sell such entitlement in the open market or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository.

In selling or transferring all or part of your Provisional Allotment, you are not required to deliver any document, including the RSF, to any stockbroker. You are however advised to ensure that you have sufficient number of Provisional Allotment standing to the credit of your CDS Account before selling or transferring.

If you have sold or transferred only part of the Provisional Allotment, you may still accept the balance of the Provisional Allotment not sold or transferred by completing **Parts I(A) and II** of the RSF and forwarding the RSF together with the appropriate remittance in RM for the FULL and EXACT amount payable for the balance of the Provisional Allotment accepted, to our Share Registrar in accordance with the instructions as set out in **Section 10.2** of this Abridged Prospectus.

A purchaser or transferee of the Provisional Allotment may obtain a copy of this Abridged Prospectus and the RSF from his stockbroker, our Share Registrar or Bursa Securities' website at <http://www.bursamalaysia.com>.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

10.6 Procedures for application for the Excess Rights Shares with Warrants B

If you are an Entitled Shareholder, you and/or your renounee(s) /transferee(s) (if applicable) may apply for the Excess Rights Shares with Warrants B in addition to your Provisional Allotment. If you wish to do so, please complete **Part I(B)** of the RSF (in addition to **Parts I(A) and II**) and forward it (together with a separate remittance made in RM for the FULL and EXACT amount payable in respect of the Excess Rights Shares with Warrants B applied for) using the envelope provided (at your own risk) to our Share Registrar at the address as set out in **Section 10.2** of this Abridged Prospectus, so as to **arrive not later than 5.00 p.m. on 23 March 2016**, being the last time and date for the acceptance of and payment or any such later time and date as our Board may, at their absolute discretion, decide and announce, but not less than two (2) Market Days before such stipulated time and date.

Payment for the Excess Rights Shares with Warrants B applied for should be made in the same manner described in **Section 10.2** of this Abridged Prospectus, except that the Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia be made payable to "**XINGQUAN EXCESS RIGHTS SHARES ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name and address in block letters and CDS Account number to be received by our Share Registrar by the Closing Date. The payment must be made for the FULL and EXACT amount payable for the Excess Rights Shares with Warrants B applied for. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Details of the remittances must be filled in the appropriate boxes provided in the RSF.

It is the intention of our Board to allot the Excess Rights Shares with Warrants B, if any, in a fair and equitable manner to the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who have applied for the Excess Rights Shares with Warrants B in the following order of priority:-

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, on a pro-rata basis and in board lot to our Entitled Shareholders who have applied for the Excess Rights Shares with Warrants B, taking into consideration their respective shareholdings as at the Entitlement Date;
- (iii) thirdly, on a pro-rata basis and in board lot to our Entitled Shareholders who have applied for the Excess Rights Shares with Warrants B, taking into consideration the quantum of their respective Excess Rights Shares with Warrants B applied for; and
- (iv) lastly, on a pro-rata basis and in board lot to the renounee(s)/transferee(s) (if applicable) who have applied for the Excess Rights Shares with Warrants B, taking into consideration the quantum of their respective Excess Rights Shares with Warrants B applied for.

In the event there is any balance Excess Rights Shares with Warrants B after the manner of allocation above, the balance will be allocated in the processes set out in **Section 10.6(ii) to (iv)** above.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares with Warrants B applied for in such manner as it deems fit and expedient, and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in **Section 10.6(i) to (iv)** above is achieved. Our Board also reserves the right to accept any application for the Excess Rights Shares with Warrants B, in full or in part, without assigning any reason thereof.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR THE APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS B. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, YOU WILL BE ALLOTTED WITH THE EXCESS RIGHTS SHARES WITH WARRANTS B, AND A NOTICE OF ALLOTMENT WILL BE ISSUED AND DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AND REGISTER OF MEMBERS (AT YOUR OWN RISK) OR TO THE ADDRESS IN MALAYSIA WHICH WAS PROVIDED BY YOU TO THE SHARE REGISTRAR FOR THE RECEIPT OF THE DOCUMENTS, WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE, OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED OR ALLOWED BY BURSA SECURITIES. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR.

APPLICATIONS FOR THE EXCESS RIGHTS SHARES WITH WARRANTS B SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL APPLICATIONS FOR THE EXCESS RIGHTS SHARES WITH WARRANTS B, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AND REGISTER OF MEMBERS (AT THE APPLICANT'S OWN RISK) OR TO THE ADDRESS IN MALAYSIA WHICH WAS PROVIDED BY YOU TO THE SHARE REGISTRAR FOR THE RECEIPT OF THE DOCUMENTS, WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

10.7 Procedures for acceptance by renouncee(s)/transferee(s)

The procedures applicable to renouncee(s)/transferee(s) for acceptance, selling and/or transferring of the Provisional Allotment, applying for the Excess Rights Shares with Warrants B and/or, payment are the same as those which are applicable to the Entitled Shareholders as described in **Sections 10.2, 10.4, 10.5 and 10.6** of this Abridged Prospectus and in the RSF. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this Abridged Prospectus and/or accompanying RSF, you may obtain for the same from your stockbroker, our Share Registrar or Bursa Securities' website at <http://www.bursamalaysia.com>.

RENOUNCEE(S)/TRANSFEREE(S) ARE ADVISED TO READ AND ADHERE STRICTLY TO THIS ABRIDGED PROSPECTUS AND THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

10.8 Form of issuance

Bursa Securities has already prescribed our Xingquan Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, all dealings in the Rights Shares will be by book entry through a CDS Account and shall be governed by the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares. Failure to comply with these specific instructions for application or inaccuracy in the CDS Account number may result in your application being rejected.

Your subscription for the Rights Shares with Warrants B shall constitute consent to receive such Rights Shares with Warrants B as prescribed securities which will be credited directly into your CDS Account. No physical share certificates will be issued to you.

Any person who intends to subscribe for the Rights Shares with Warrants B as a renounee by purchasing the Provisional Allotment from an Entitled Shareholder will have his Rights Shares with Warrants B credited directly as prescribed securities into his/her CDS Account.

All Excess Rights Shares with Warrants B, if allotted to the successful applicants who apply for the Excess Rights Shares with Warrants B, will be credited directly into the CDS Accounts of the successful applicants.

If you have multiple CDS Accounts into which the Provisional Allotment have been credited, you cannot use a single RSF to apply for all these Provisional Allotment. Separate RSFs must be used for separate CDS Accounts. If successful, the Rights Shares with Warrants B that you applied for will be credited into the respective CDS Accounts into which the Provisional Allotment has been credited.

10.9 Laws of foreign countries or jurisdictions

The Abridged Prospectus, and the accompanying NPA and RSF (“Documents”) have not been, and will not be made to, comply with the laws of any country or jurisdiction other than Malaysia, and have not been, and will not be, lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The Documents are not intended to be, and will not be, issued, circulated or distributed, and the Rights Issue with Warrants will not be made or offered or deemed made or offered, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue with Warrants to which this Abridged Prospectus relates is only available to persons receiving the Documents within Malaysia.

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Accordingly, the Documents will not be despatched to the Entitled Shareholders who do not have a registered address in Malaysia as stated in the Record of Depositors and Register of Members as at **5.00 p.m. on 8 March 2016** or who have not provided the Share Registrar with an address in Malaysia for despatch of Documents by **5.00 p.m. on 8 March 2016**. Persons receiving the Documents (including without limitation, custodians, nominees and trustees) must not, in connection with the Rights Issue with Warrants distribute or send the Documents outside of Malaysia. Entitled Shareholders or renounee(s) (if applicable) who have not provided to the Company a registered address or an address for service in Malaysia, may collect the Documents from our Share Registrar, Symphony Share Registrars Sdn Bhd, at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia, who is entitled to request such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the Documents.

Our Company will not make or be bound to make any enquiry as to whether you have an address or address for service in Malaysia other than as stated in our Record of Depositors and in our Register of Members on the Entitlement Date or who have provided the Share Registrar with an address in Malaysia for the despatch of Documents as at **5.00 p.m. on 8 March 2016** and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. We will assume that the Rights Issue with Warrants and the acceptance by the Entitled Shareholders thereof would not be in breach of the laws of any jurisdiction. We will further assume that the Entitled Shareholders have accepted the Rights Issue with Warrants in Malaysia and will at all applicable times be subject to the laws of Malaysia.

To the extent you accept your Provisional Allotment and/or apply for the Excess Rights Shares with Warrants B, your acceptance of the terms thereof will be deemed to be in compliance with the Rights Issue with Warrants and not in breach of the laws of any country or jurisdiction. To the extent you accept your Provisional Allotment and/or apply for the Excess Rights Shares with Warrants B, you will be deemed to have accepted the Rights Issue with Warrants in Malaysia and be subject to the laws of Malaysia with respect thereto.

All Entitled Shareholders and/or their renounee(s) (if applicable) shall be solely responsible to seek advice from their legal and/or professional advisers as to the laws of the countries or jurisdictions to which they are or might be subject. Neither we, our Board, RHB Investment Bank, nor any other adviser to the Rights Issue with Warrants ("**Parties**") shall accept any responsibility or liability whatsoever in the event any acceptance or renunciation made by any Entitled Shareholder and/or his renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction. Such Entitled Shareholders and/or their renounee(s) (if applicable) will also have no claims whatsoever against us in respect of their entitlements or to any proceeds thereof.

We reserve the right, at our absolute discretion, to treat any acceptance as invalid, if we believe or have reason to believe that such acceptance may violate applicable legal or regulatory requirements in any country or jurisdiction outside Malaysia. The Provisional Allotment relating to any acceptance which is treated as invalid will be included in the pool of the Excess Rights Shares with Warrants B available for excess application by other Entitled Shareholders and/or their renounee(s) (if applicable).

11. TERMS AND CONDITIONS

The issuance of the Rights Shares and the Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions set out in this Abridged Prospectus, and the accompanying NPA and RSF.

12. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,

For and on behalf of the Board

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED



DATO' WU QINGQUAN

Executive Chairman/Chief Executive Officer

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT OUR SGM HELD ON 5 FEBRUARY 2016

Annexure A

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(An exempted company incorporated in Bermuda under the Companies Act 1981 of Bermuda with Company Registration No. 42756)

EXTRACT OF MINUTES OF THE SPECIAL GENERAL MEETING HELD ON 5 FEBRUARY 2016

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 253,547,250 NEW SHARES OF US\$0.01 EACH IN THE CAPITAL OF THE COMPANY ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD AFTER THE PROPOSED CAPITAL REORGANISATION, TOGETHER WITH THE ISSUE OF UP TO 84,515,750 FREE DETACHABLE WARRANTS ("WARRANT(S) B") ON THE BASIS OF ONE (1) WARRANT B FOR EVERY THREE (3) RIGHTS SHARES SUBSCRIBED, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

RESOLVED:

THAT subject to the passing of the Special Resolution on the Proposed Capital Reorganisation and conditional upon the approval of Bursa Malaysia Securities Berhad being obtained for (i) the admission of the Warrants B and (ii) the listing of and quotation for the Rights Shares, the Warrants B, the Additional Warrants A (as defined herein below) and the new shares of US\$0.01 each in the capital of the Company ("**Shares**") to be issued arising from the exercise of the Warrants B and the Additional Warrants A, the Board of Directors of the Company ("**Board**") be and is hereby authorised to:-

- (I) provisionally allot and issue by way of a renounceable rights issue of up to 253,547,250 Rights Shares on the basis of one (1) Rights Share for every two (2) existing Shares held on the Entitlement Date at an issue price per Rights Share to be determined by the Board (the "**Issue Price**"), together with up to 84,515,750 Warrants B on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed by the shareholders of the Company whose names appear in the Register of Members and the Record of Depositors of the Company as at the close of business, being 5.00 p.m. (Malaysia time), on the Entitlement Date (the "**Entitled Shareholders**");
- (II) issue by way of bonus such number of Warrants B in registered form to the Entitled Shareholders (and/or their renounee(s), as the case may be) and the Excess Applicants (as defined herein-below), if any, who subscribed for and are allotted Rights Shares, each Warrant B conferring the right to subscribe for one (1) new Share at an exercise price to be determined by the Board (the "**Exercise Price**"), subject to any adjustment to the subscription rights attached to the Warrants B in accordance with the provisions of a deed poll to be executed by the Company constituting the Warrants B (the "**Deed Poll 2016**");
- (III) deal with any fractional entitlements of the Rights Shares and the Warrants B that may arise from the Proposed Rights Issue with Warrants, in such manner and on such terms and conditions as the Board shall in its absolute discretion deem fit, expedient and in the best interests of the Company (including but not limited to disregarding any or all such fractional entitlements);
- (IV) finalise, agree, enter into, execute and deliver, for and on behalf of the Company, the Deed Poll 2016 and to do or procure to be done all acts, deeds, things and to take all such steps as Board may deem fit or expedient and in the best interests of the Company to implement, finalise and give full effect to the transactions contemplated by the Deed Poll 2016;
- (V) issue such additional Warrants A ("**Additional Warrant(s) A**") as may be required or permitted to be issued as a consequence of the adjustments under the provisions of the deed poll executed by the Company dated 10 June 2014, constituting the Warrants A ("**Deed Poll 2014**");
- (VI) issue such number of additional Warrants B pursuant to the adjustments as provided under the Deed Poll 2016 (the "**Additional Warrants B**") and to adjust from time to time the Exercise Price as a consequence of the adjustments under the provisions of the Deed Poll 2016 and/or to effect such modifications, variations and/or amendments as may be imposed, required or permitted by the relevant authorities or parties;

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT OUR SGM HELD ON 5 FEBRUARY 2016 (Cont'd)

Annexure A

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(An exempted company incorporated in Bermuda under the Companies Act 1981 of Bermuda with Company Registration No. 42756)

EXTRACT OF MINUTES OF THE SPECIAL GENERAL MEETING HELD ON 5 FEBRUARY 2016

Page 2 of 2

- (VII) allot and issue such number of new Shares, credited as fully paid-up, to the holders of the Warrants B and the Additional Warrants A upon their exercise of the relevant Warrants B or Additional Warrants A, if any, as the case may be, in accordance with the provisions of the Deed Poll 2016 or Deed Poll 2014, as the case may be, and such further new Shares as may be required or permitted to be issued pursuant to the exercise of the Additional Warrants B and such adjustments in accordance with the provisions of the Deed Poll 2016; and
- (VIII) fix the Entitlement Date, the Issue Price and the Exercise Price, in each case in the Board's absolute discretion as it deems fit;

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renounee(s) shall be made available for excess applications in such manner and to such person (the "Excess Applicants") as the Board shall determine in its absolute discretion;

THAT the Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and fully paid-up Shares, save and except that such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares;

THAT the new Shares to be issued pursuant to the exercise of the Warrants B (including the Additional Warrants B, if any) and the Additional Warrants A shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and fully paid-up Shares, save and except that the new Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the new Shares;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in **Section 3** of the circular to shareholders dated 14 January 2016 (the "Circular") and the Board be and is hereby authorised to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient in the best interests of the Company;

AND THAT the Board be and is hereby authorised to do all acts, deeds, things and to execute, enter into, sign, deliver or procure to be done or delivered all such transactions, arrangements, agreements and documents as the Board may deem necessary or expedient in order to implement, give effect to the Proposed Rights Issue with Warrants, with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants.

(All capitalised terms used in this Ordinary Resolution shall, unless otherwise defined herein, have the meanings ascribed to them in the Circular)

Dated: 5 February 2016

CERTIFIED TRUE & CORRECT


KANG SHEW MENG
Secretary


SEOW FEI SAN
Secretary

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT OUR SGM HELD ON 5 FEBRUARY 2016 (Cont'd)

Annexure A

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(An exempted company incorporated in Bermuda under the Companies Act 1981 of Bermuda with Company Registration No. 42756)

EXTRACT OF MINUTES OF THE SPECIAL GENERAL MEETING HELD ON 5 FEBRUARY 2016

SPECIAL RESOLUTION

PROPOSED CAPITAL REORGANISATION

RESOLVED:

THAT with effect from such date as to be determined by the Board of Directors of the Company ("**Board**") (the "**Par Value Reduction Effective Date**"), the Board be and is hereby authorised to effect the following:-

- (i) the reduction of the issued and paid-up share capital of the Company (the "**Par Value Reduction**") from US\$33,806,300 divided into 338,063,000 shares of US\$0.10 each to US\$3,380,630 divided into 338,063,000 shares of US\$0.01 each ("**Xingquan Share(s)**" or "**Share(s)**") by cancelling the paid-up capital of the Company to the extent of US\$0.09 on each of the share of US\$0.10 in issue as at the Par Value Reduction Effective Date so that each share of US\$0.10 shall be treated as a fully paid-up Share of US\$0.01 and any liability of the holder of such Shares to make any further contribution to the capital of the Company on each such Share shall be treated as satisfied;
- (ii) subject to and forthwith upon the Par Value Reduction taking effect, all the authorised but unissued shares of US\$0.10 each (which shall include the authorised but unissued share capital resulting from the Par Value Reduction) be cancelled and the authorised share capital of the Company of US\$100,000,000 be diminished by US\$96,619,370, representing the amount of shares so cancelled and, forthwith upon such cancellation, the authorised share capital of the Company be increased to US\$100,000,000 by the creation of 9,661,937,000 Shares of US\$0.01 each (representing the difference between 10,000,000,000 Shares of US\$0.01 par value each and the number of Shares of US\$0.01 each in the Company in issue after the Par Value Reduction); and
- (iii) subject to and forthwith upon the Par Value Reduction taking effect, the transfer of the credit amount of US\$30,425,670 arising from the Par Value Reduction to the contributed surplus account of the Company to be utilised in such manner as may be determined by the Board and permitted by applicable law, including but not limited to capitalisation of such reserve (or any part thereof) for future corporate exercises of the Company.

((i), (ii) and (iii) above are collectively referred to as the "**Proposed Capital Reorganisation**")

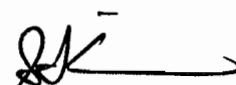
AND THAT the Board be and is hereby authorised to approve, sign and execute all documents, do all things and acts and to take any and all steps and to procure to be done any and all acts and things as may be required or desirable to implement, give effect to and to complete the Proposed Capital Reorganisation with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or deemed necessary or desirable by the Board and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as the Board may consider necessary, desirable or expedient to implement, finalise and give full effect to the Proposed Capital Reorganisation.

Dated: 5 February 2016

CERTIFIED TRUE & CORRECT



KANG SHEW MENG
Secretary



SEOW FEI SAN
Secretary

INFORMATION ON OUR COMPANY
1. HISTORY AND PRINCIPAL ACTIVITIES

Our Company was incorporated in Bermuda under the Bermuda Companies Act on 15 December 2008 as an exempted company limited by shares under the name of Xingquan International Sports Holdings Limited. On 11 February 2009, our Company was registered in Malaysia as a foreign company and commenced business on 1 June 2009. Subsequently, our Company was listed on the Main Market of Bursa Securities on 10 July 2009.

Our Company has two (2) registered offices, one (1) in Bermuda (as required under Section 62 of Bermuda Companies Act) and the other in Malaysia (as required under Section 333 of the Malaysian Companies Act, 1965) of which their addresses are set out in **Section 2** of this Abridged Prospectus. The register of Directors and officers and Register of Members of our Company are kept at the Company's registered office in Bermuda as required under the Bermuda Companies Act, while certified or duplicate copies of the register of Directors are maintained at the Company's registered office in Malaysia and a branch Register of Members is maintained at the Share Registrar's office in Malaysia.

Our Company is primarily involved in investment holding and the provision of management services whilst our subsidiary companies are principally engaged in the manufacturing of shoe soles and shoes, sales of shoe soles, shoes, apparels and accessories and investment holding.

Further details on our subsidiary companies are set out in **Section 5** of this Appendix.

2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are set out below:

	No. of Shares	Par value (US\$)	Total (US\$)
Authorised	10,000,000,000	0.01	100,000,000
Issued and paid-up	338,063,000	0.01	3,380,630

The changes in our authorised share capital as well as issued and paid-up share capital for the past three (3) years preceding the LPD are as follows:

Authorised share capital

Date of creation	No. of ordinary shares created	Cumulative no. of authorised shares	Par value (US\$)	Cumulative authorised share capital (US\$)
b/f	-	1,000,000,000	0.10	100,000,000
10 February 2016	⁽¹⁾ 9,661,937,000	10,000,000,000	0.01	100,000,000

Note:

⁽¹⁾ Pursuant to the cancellation of all the authorised but unissued shares of US\$0.10 each and the diminution of the authorised share capital of the Company of US\$100,000,000 by US\$96,619,370 and forthwith upon such cancellation and diminution, the authorised share capital of the Company was increased to US\$100,000,000 by the creation of 9,661,937,000 Shares (representing the difference between 10,000,000,000 Shares and the number of Shares in issue after the Par Value Reduction).

INFORMATION ON OUR COMPANY (Cont'd)

Issued and paid-up share capital

Date of change	No. of ordinary shares allotted	Par value (US\$)	Consideration/ Type of issue	Cumulative issued and paid-up share capital (US\$)
b/f	-	0.10	-	30,733,000
15 May 2014	30,733,000	0.10	Cash (Private placement)	33,806,300
10 February 2016	-	0.01	Par Value Reduction	3,380,630

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APPENDIX II

INFORMATION ON OUR COMPANY (Cont'd)

3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The pro forma effects of the Rights Issue with Warrants on the substantial shareholders' shareholding of Xingquan as at the LPD are set out below:

Minimum Scenario

Substantial shareholders	Shareholdings as at LPD				Pro forma I				Pro forma II			
	Direct		Indirect		After the Rights Issue with Warrants		After Pro forma I and assuming full exercise of the Warrants B		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TZX	179,608,411	53.13	-	-	269,412,617	62.97	-	-	299,347,352	65.39	-	-
Ng Sio Peng	-	-	(1)179,608,411	53.13	-	-	(1)269,412,617	62.97	-	-	(1)299,347,352	65.39
lao leok Chon	-	-	(2)179,608,411	53.13	-	-	(2)269,412,617	62.97	-	-	(2)299,347,352	65.39

Maximum Scenario 1

Substantial shareholders	Shareholdings as at LPD				Pro forma I				Pro forma II			
	Direct		Indirect		After the Rights Issue with Warrants		After Pro forma I and assuming full exercise of the Warrants B		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TZX	179,608,411	53.13	-	-	269,412,617	53.13	-	-	299,347,352	53.13	-	-
Ng Sio Peng	-	-	(1)179,608,411	53.13	-	-	(1)269,412,617	53.13	-	-	(1)299,347,352	53.13
lao leok Chon	-	-	(2)179,608,411	53.13	-	-	(2)269,412,617	53.13	-	-	(2)299,347,352	53.13

INFORMATION ON OUR COMPANY (Cont'd)

Maximum Scenario 2

Substantial shareholders	Shareholdings as at LPD				Pro forma I Assuming all of the outstanding Warrants A are exercised				Pro forma II After Pro forma I the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TZX	179,608,411	53.13	-	-	179,706,016	35.44	-	-	269,559,024	35.44	-	-
Ng Sio Peng	-	-	(1)179,608,411	53.13	-	-	(1)179,706,016	35.44	-	-	(1)269,559,024	35.44
lao leok Chon	-	-	(2)179,608,411	53.13	-	-	(2)179,706,016	35.44	-	-	(2)269,559,024	35.44

Substantial shareholders	Pro forma III After Pro forma II and assuming full exercise of the Warrants B			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
TZX	299,510,027	35.44	-	-
Ng Sio Peng	-	-	(1)299,510,027	35.44
lao leok Chon	-	-	(2)299,510,027	35.44

Notes:-

(1) Deemed interested by virtue of her interest in TZX.

(2) Deemed interested by virtue of his interest in TZX.

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INFORMATION ON OUR COMPANY (Cont'd)

4. DIRECTORS

The particulars of our Directors as at the LPD are set out below:

Name	Address	Age	Nationality	Occupation	Designation
Dato' Wu Qingquan	1 Yongan Road Yanshang Village Chendai Town Jinjiang City Fujian Province PRC	46	PRC	Executive Chairman cum Chief Executive Officer	Executive Chairman/ Chief Executive Officer
Wu Lianfa	1 Yongan Road Yanshang Village Chendai Town Jinjiang City Fujian Province PRC	41	PRC	Director	Executive Director
Ng Sio Peng	192, Rua Do Canal Novo 5th Floor, Block 12 Gamhoisan Garden Macau	48	PRC	Director	Non-Independent Non-Executive Director
Dato' Haji Ramly bin Haji Zahari	No. 29, Taman Kenari Jalan Sultan Iskandar Shah 33000 Kuala Kangsar Perak Darul Ridzuan Malaysia	57	Malaysian	Businessman	Independent Non-Executive Director
Zhou Liyi	Room 406, No. 816 Lian Qian Dong Road Xiamen, China 361009	46	PRC	Director	Senior Independent Non-Executive Director
Tan Eng Choon	No. 3 Jalan USJ 9/3E UEP Subang Jaya 47601 Selangor Darul Ehsan Malaysia	46	Malaysian	Director	Independent Non-Executive Director

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APPENDIX II

INFORMATION ON OUR COMPANY (Cont'd)

The shareholdings of our Directors as at the LPD and after the Rights Issue with Warrants are set out below:-

Minimum Scenario

Directors	Shareholdings as at LPD				Pro forma I After the Rights Issue with Warrants				Pro forma II After Pro forma I and assuming full exercise of the Warrants B			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Wu Qingquan	35,000	0.01	-	-	52,500	0.01	-	-	58,333	0.01	-	-
Wu Lianfa	-	-	-	-	-	-	-	-	-	-	-	-
Ng Sio Peng	-	-	(1)179,608,411	53.13	-	-	(1) 269,412,617	62.97	-	-	(1)299,347,352	65.39
Dato' Haji Ramly bin Haji Zahari	-	-	-	-	-	-	-	-	-	-	-	-
Zhou Liyi	-	-	-	-	-	-	-	-	-	-	-	-
Tan Eng Choon	-	-	-	-	-	-	-	-	-	-	-	-

Maximum Scenario 1

Directors	Shareholdings as at LPD				Pro forma I After the Rights Issue with Warrants				Pro forma II After Pro forma I and assuming full exercise of the Warrants B			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Wu Qingquan	35,000	0.01	-	-	52,500	0.01	-	-	58,333	0.01	-	-
Wu Lianfa	-	-	-	-	-	-	-	-	-	-	-	-
Ng Sio Peng	-	-	(1)179,608,411	53.13	-	-	(1)269,412,617	53.13	-	-	(1)299,347,352	53.13
Dato' Haji Ramly bin Haji Zahari	-	-	-	-	-	-	-	-	-	-	-	-
Zhou Liyi	-	-	-	-	-	-	-	-	-	-	-	-
Tan Eng Choon	-	-	-	-	-	-	-	-	-	-	-	-

INFORMATION ON OUR COMPANY (Cont'd)

Maximum Scenario 2

Directors	Shareholdings as at LPD				Pro forma I Assuming all of the outstanding Warrants A are exercised				Pro forma II After Pro forma I and the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Wu Qingquan	35,000	0.01	-	-	45,000	0.01	-	-	67,500	0.01	-	-
Wu Lianfa	-	-	-	-	-	-	-	-	-	-	-	-
Ng Sio Peng	-	-	(1)179,608,411	53.13	-	-	(1)179,706,016	35.44	-	-	(1)269,559,024	35.44
Dato' Haji Ramly bin Haji Zahari	-	-	-	-	-	-	-	-	-	-	-	-
Zhou Liyi	-	-	-	-	-	-	-	-	-	-	-	-
Tan Eng Choon	-	-	-	-	-	-	-	-	-	-	-	-

Directors	Pro forma III After Pro forma II and assuming full exercise of the Warrants B			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Wu Qingquan	75,000	0.01	-	-
Wu Lianfa	-	-	-	-
Ng Sio Peng	-	-	(1)299,510,027	35.44
Dato' Haji Ramly bin Haji Zahari	-	-	-	-
Zhou Liyi	-	-	-	-
Tan Eng Choon	-	-	-	-

Note:-

(1) Deemed interested by virtue of her interest in TZX.

INFORMATION ON OUR COMPANY (Cont'd)

5. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, our subsidiary companies are set out below:-

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Xingquan International Investment Limited	30 August 2012 / Hong Kong	HKD1	100	Investment holding
Addnice Holdings Limited	20 March 2008 / Hong Kong	HKD1	100	Investment holding
Gertop International Holdings Limited	10 July 2014 / Bermuda	AUD1	100	Dormant
Subsidiaries of Xingquan International Investment Limited				
Xingquan (China) Co., Ltd	5 December 2012 / PRC	RMB10,179,266.80	100	Manufacturing of shoe soles
Xingquan (Fujian) Shoes Plastics Co., Ltd	31 January 2000 / PRC	HKD80,000,000	100	Manufacturing and sales of shoe soles
Subsidiaries of Addnice Holdings Limited				
Addnice (China) Co., Ltd	7 March 2006 / PRC	HKD150,000,000	100	Manufacturing of shoes and sales of shoes, apparels and accessories
Germany Top (Fujian) Sports Products Co., Ltd	10 August 2010 / PRC	HKD8,000,000	100	Sales of shoes, apparels and accessories
Gertop Europa International Ltd	28 October 2013 / Hungary	HUF6,000,000	100	Dormant
Fujian Aidinai Sports Goods Co., Ltd	1 August 2003 / PRC	HKD100,000,000	100	Sales of shoes, apparels and accessories
Subsidiary of Fujian Aidinai Sports Goods Co., Ltd				
Xingquan Footwear Material Co., Ltd	8 February 1999 / PRC	RMB4,580,000	100	Lease of factory and land

As at the LPD, we do not have any associate company.

INFORMATION ON OUR COMPANY (Cont'd)

6. PROFIT AND DIVIDEND RECORDS

The following table sets out a summary of our audited consolidated financial statements for the past three (3) financial years up to FYE 30 June 2015 and the latest unaudited quarterly report of our Group for the six (6) months FPE 31 December 2015:

In RMB⁽¹⁾

	<-----Audited----->			<-----Unaudited----->	
	<-----FYE 30 June----->			<-----Six (6) months FPE 31 December----->	
	2013 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)
Revenue	1,633,580	1,229,418	1,292,858	707,425	449,474
Cost of sales	(1,047,955)	(811,442)	(824,449)	(452,432)	(306,211)
Gross profit	585,625	417,976	468,409	254,993	143,263
Other income	2,644	6,905	50,671	27,015	36,118
Selling and distribution expenses	(164,089)	(126,404)	(142,908)	(69,564)	(64,281)
Administrative expenses	(80,715)	(55,043)	(49,191)	(22,783)	(17,535)
Finance cost	(1,348)	(986)	(1,067)	(556)	(495)
PBT	342,117	242,448	325,914	189,105	97,070
Tax expense	(79,587)	(65,808)	(75,378)	(42,969)	(17,845)
Profit for the financial year attributable to owners of the Company	262,530	176,640	250,536	146,136	79,225
Earnings before interests, taxes, depreciation and amortisation	372,607	266,509	347,558	199,960	107,515
Gross profit margin (%)	35.8	34.0	36.2	36.0	31.9
PAT margin (%)	16.1	14.4	19.4	20.7	17.6
Basic EPS (RMB cents) ⁽²⁾	85.4	56.8	74.1	43.2	23.4
Gross dividend per Xingquan Share (RMB cents)	-	-	3.3	3.3	-
Weighted average number of shares issue ('000)	307,330	311,119	338,063	338,063	338,063

Notes:

⁽¹⁾ Any discrepancies in the above financial statements are due to rounding adjustments.

⁽²⁾ There is no effect to the diluted EPS as our Board does not envisage any Outstanding Warrants A to be exercised at the current exercise price of RM1.00 which is currently "out-of-the-money".

INFORMATION ON OUR COMPANY (Cont'd)

	<-----Audited----->			<-----Unaudited----->	
	<-----FYE 30 June----->			Six (6) months <-----FPE 31 December----->	
	2013 (RM'000)	2014 (RM'000)	2015 (RM'000)	2014 (RM'000)	2015 (RM'000)
Revenue	1,023,438	770,230	809,976	443,202	281,595
Cost of sales	(656,544)	(508,368)	(516,517)	(283,449)	(191,841)
Gross profit	366,894	261,862	293,458	159,753	89,754
Other income	1,656	4,326	31,745	16,925	22,628
Selling and distribution expenses	(102,802)	(79,192)	(89,532)	(43,582)	(40,272)
Administrative expenses	(50,568)	(34,484)	(30,818)	(14,274)	(10,986)
Finance cost	(845)	(618)	(668)	(348)	(310)
PBT	214,336	151,894	204,185	118,474	60,814
Tax expense	(49,861)	(41,229)	(47,224)	(26,920)	(11,180)
Profit for the financial year attributable to owners of the Company	164,475	110,665	156,961	91,554	49,634
Earnings before interests, taxes, depreciation and amortisation	233,438	166,968	217,745	125,275	67,358
Gross profit margin (%)	35.8	34.0	36.2	36.0	31.9
PAT margin (%)	16.1	14.4	19.4	20.7	17.6
Basic EPS (sen) ⁽³⁾	53.5	35.6	46.4	27.1	14.7
Gross dividend per Xingquan Share (sen)	-	-	2.0	2.0	-
Weighted average number of shares issue ('000)	307,330	311,119	338,063	338,063	338,063

Notes:

⁽¹⁾ Any discrepancies in the above financial statements are due to rounding adjustments.

⁽²⁾ This supplementary information in RM is shown for reference only and has been made at the same exchange rate of RMB1.00: RM0.6265 as at the LPD. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into RM at this or any other rate.

⁽³⁾ There is no effect to the diluted EPS as our Board does not envisage any Outstanding Warrants A to be exercised at the current exercise price of RM1.00 which is currently "out-of-the-money".

INFORMATION ON OUR COMPANY (Cont'd)

Commentary on past financial performance:-

FYE 30 June 2013

For FYE 30 June 2013, our Group recorded revenue of approximately RMB1.63 billion which represented a decrease of approximately 3.2% as compared to the revenue reported in the preceding year of approximately RMB1.69 billion. The decrease in revenue was mainly attributable to the decrease in revenue from our shoe soles and shoes segment in FYE 30 June 2013. The sales volume of shoe sole and shoe decreased from approximately 22.7 million pairs and 5.6 million pairs respectively in FYE 30 June 2012 to approximately 17.5 million pairs and 3.4 million pairs respectively in FYE 30 June 2013. However, the decrease in revenue was partially offset by the increased revenue in the apparels and accessories segment of approximately 22.9%, from approximately RMB661.41 million in FYE 30 June 2012 to approximately RMB812.62 million in FYE 30 June 2013. This was a result of the increase in average selling price of apparel from RMB96.3 per piece in FYE 30 June 2012 to RMB143.1 per piece in FYE 30 June 2013.

Despite the marginal decrease in revenue generated, our Group recorded higher PBT of approximately RMB342.12 million in FYE 30 June 2013, as compared to approximately RMB315.10 million in FYE 30 June 2012. The increase was mainly derived from higher margin contribution from the apparels and accessories segment. In line with the higher PBT, we recorded PAT of approximately RMB262.53 million.

FYE 30 June 2014

For FYE 30 June 2014, our Group recorded revenue of approximately RMB1.23 billion as compared to approximately RMB1.63 billion reported in the preceding year, representing a decrease of approximately 24.7%. The decrease in revenue was mainly attributable to the decrease in sales volume of shoe soles and shoes from approximately 17.5 million pairs and 3.4 million pairs respectively in FYE 30 June 2013 to approximately 12.9 million pairs and 2.1 million pairs respectively in FYE 30 June 2014. However, the decrease in revenue was lessened by the increase in average selling price of apparels from approximately RMB143.1 per piece in FYE 30 June 2013 to approximately RMB163.7 per piece in FYE 30 June 2014.

Our PBT decreased in tandem with lower sales recorded in FYE 30 June 2014, by approximately 29.1%, from approximately RMB342.12 million in FYE 30 June 2013 to approximately RMB242.45 million in FYE 30 June 2014.

In view of the above, our PAT decreased by 32.7% from RMB250.54 million in FYE 30 June 2013 to RMB176.64 million in FYE 30 June 2014.

FYE 30 June 2015

For FYE 30 June 2015, our Group recorded revenue of approximately RMB1.29 billion which represented an increase of approximately 5.2% as compared to the revenue reported in FYE 30 June 2014 of approximately RMB1.23 billion. The increase in revenue was mainly contributed by the increase in sales volume of shoe sole from approximately 12.9 million pairs in FYE 30 June 2014 to approximately 15.1 million pairs in FYE 30 June 2015 and the increase in average selling price of apparels from RMB163.7 per piece in FYE 30 June 2014 to RMB191.3 per piece in FYE 30 June 2015.

INFORMATION ON OUR COMPANY (Cont'd)

Our Group recorded a PBT of approximately RMB325.91 million in FYE 30 June 2015, as compared to the PBT of approximately RMB242.45 million in FYE 30 June 2014, representing an increase of 34.5%. The increase was mainly attributable to the increase in overall revenue and the unrealised gain on foreign exchange differences of RMB45.83 million. The unrealised gain on foreign exchange differences was derived from the recognition of intercompany balances between Xingquan and its subsidiaries as RM, being the functional currency of the Company, has depreciated by approximately 17.4% during FYE 30 June 2015 (from RMB1.00:RM0.5173 as at 1 July 2014 to RMB1.00:RM0.6072 as at 30 June 2015). However, there is no actual inflow or outflow of cash, hence, no hedging measurement is needed.

Accordingly, our Group recorded PAT of approximately RMB250.54 million for FYE 30 June 2015, representing an increase of approximately 41.8% as compared to the preceding year.

Unaudited six (6) months FPE 31 December 2015

For FPE 31 December 2015, our Group recorded revenue of approximately RMB449.47 million which represented a decrease of approximately 36.5% as compared to the revenue reported in FPE 31 December 2014 of approximately RMB707.43 million. The decrease in revenue was mainly attributable to (i) the decrease of sales volume of our shoe soles from approximately 7.1 million pairs in FPE 31 December 2014 to approximately 5.1 million pairs in FPE 31 December 2015; and (ii) the decrease in sale volume of our apparels from approximately 1.8 million pieces in FPE 31 December 2014 to approximately 1.4 million pieces in FPE 31 December 2015, respectively. The decrease in sales volume was mainly due to the overall economic slowdown in PRC and the increasing competition from online retailers which affected the demand for our products.

In line with the decrease in revenue, our Group recorded PBT of approximately RMB97.1 million in FPE 31 December 2015 as compared to the PBT of approximately RMB189.10 million in FPE 31 December 2014, representing a decrease of approximately 48.7%. However, this was partially offset with the increase in unrealised gain on foreign exchange differences which was approximately RMB33.99 million in FPE 31 December 2015.

The PAT of RMB79.23 million for FPE 31 December 2015 represents a decrease of approximately 45.8% as compared to PAT of RMB146.14 million recorded for FPE 31 December 2014.

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INFORMATION ON OUR COMPANY (Cont'd)

7. HISTORICAL SHARE PRICES

The monthly highest and lowest closing market prices of Xingquan Shares as traded on Bursa Securities for the past twelve (12) months from March 2015 to February 2016 are set out below:

	High (RM)	Low (RM)
2015		
March	0.605	0.520
April	0.660	0.525
May	0.620	0.575
June	0.690	0.475
July	0.530	0.445
August	0.520	0.410
September	0.570	0.405
October	0.555	0.415
November	0.590	0.530
December	0.665	0.555
2016		
January	0.615	0.405
February	0.490	0.420
Last transacted market price on 23 September 2015 (being the day prior to the announcement on the Rights Issue with Warrants)		0.510
Last transacted market price on the LPD		0.475
Last transacted market price on 3 March 2016 (being the date prior to the ex-date for the Rights Issue with Warrants)		0.400

(Source: Bloomberg LP)

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REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES
THEREON

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company Registration No: 42756)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia
– Company Registration No: 995177 - V)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2015

SJ GRANT THORNTON

CHARTERED ACCOUNTANTS

Member of Grant Thornton International Ltd

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES
THEREON (Cont'd)



REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO
FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE
2015

(Prepared for inclusion in Abridged Prospectus)

SJ Grant Thornton (AF:0737)

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Date: 24 February 2016

The Board of Directors
Xingquan International Sports Holdings Limited
South China Industrial Zone
Huian, Quanzhou City
Fujian Province 362100
The People's Republic of China

Dear Sirs,

**XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED
AND ITS SUBSIDIARY COMPANIES
REPORT ON COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 JUNE 2015**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Xingquan International Sports Holdings Limited ("Xingquan" or "the Company") and its subsidiary companies ("Xingquan Group" or "the Group") as at 30 June 2015 to the following:-

- (i) par value reduction of each issued and unissued share capital of Xingquan via the cancellation of United States Dollar ("US\$") 0.09 of the par value of every existing ordinary shares of US\$0.10 each in Xingquan pursuant to Section 46 of the Companies Act 1981 of Bermuda ("Act"), completed on 10 February 2016 ("Par Value Reduction"); and
- (ii) renounceable rights issue of up to 253,547,250 new ordinary shares of US\$0.01 in the Company ("Shares" or "Xingquan Shares") ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing Xingquan Shares held on 8 March 2016 ("Entitlement Date"), together with up to 84,515,750 free detachable warrants ("Warrants B") on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed by the shareholders of Xingquan, at an issue price of RM0.30 ("Rights Issue with Warrants").

The abovementioned are hereinafter collectively referred to as "Corporate Exercises".

The Pro Forma Consolidated Statements of Financial Position which are set out in the accompanying statement (which we have stamped for the purpose of identification), have been compiled by the Directors of the Company for the purpose of inclusion in the Company's Abridged Prospectus in connection with the Corporate Exercises.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)



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The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in Notes 1 to 3 of the accompanying statement (“Applicable Criteria”).

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors, for illustrative purposes only, to show effects of the Corporate Exercises (as defined above) on the audited consolidated statement of financial position of the Group as at 30 June 2015 had the Corporate Exercises been effected on that date.

As part of this process, information about the consolidated financial position has been extracted by the Directors of the Company from Xingquan Group’s audited consolidated financial statements for the financial year ended 30 June 2015.

Directors’ Responsibility

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position as at 30 June 2015 on the basis of the Applicable Criteria.

Our Responsibility

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus as adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)



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Our Responsibility (cont'd)

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinion beyond that is owed to those to whom those reports or opinions were addressed by us at the date of their issuance.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Abridged Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material aspects, on the basis of the Applicable Criteria involves performing procedures to assess whether Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:-

- (a) the related pro forma adjustments give appropriate effect to those criteria; and
- (b) the Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position had been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)



Opinion

In our opinion:-

- (a) the Pro Forma Consolidated Statements of Financial Position, which have been compiled by the Directors of the Company, have been properly compiled on the basis of the Applicable Criteria using financial statements prepared in accordance with International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and
- (b) each material adjustment made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position is appropriate for the purposes of preparing the Pro Forma Consolidated Statements of Financial Position.

Other matters

This letter has been prepared at your request for inclusion in the Abridged Prospectus of Xingquan in connection with the Corporate Exercises. It is not intended to be used for any other purposes. We do not assume responsibility to any other person to the content of this letter.

Yours faithfully,

SJ GRANT THORNTON
NO. AF: 0737
CHARTERED ACCOUNTANTS

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTE THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company Registration No: 42756)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia
 – Malaysia Registration No: 995177 - V)

Stamped for the purpose of identification on:

24 FEB 2016

SJ Grant Thornton

AND ITS SUBSIDIARY COMPANIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MINIMUM SCENARIO)
 (CONT'D)

The Pro Forma Consolidated Statements of Financial Position set out below are provided for illustrative purposes based on the audited consolidated statement of financial position of Xingquan as at 30 June 2015, and on the assumption that these transactions were completed on 30 June 2015 (cont'd).

	As at 30 June 2015	← Pro Forma I →	← Pro Forma II →	← Pro Forma III →
	RMB'000	RM'000	RMB'000	RM'000
EQUITY AND LIABILITIES (CONT'D)				
Non-current liability				
Deferred tax liability	3,233	1,967	3,233	1,967
Current liabilities				
Trade and other payables	68,017	41,390	68,017	41,390
Borrowings	18,000	10,953	18,000	10,953
Current tax payable	7,003	4,261	7,003	4,261
Total current liabilities	93,020	56,604	93,020	56,604
Total liabilities	96,253	58,571	96,253	58,571
Total equity and liabilities	2,017,664	1,227,748	2,060,295	1,253,689
NUMBER OF ORDINARY SHARES				
('000)	338,063	338,063	427,867	457,802
NET ASSETS PER ORDINARY SHARE				
OF:				
- US\$0.10 EACH	5.68	3.46	-	-
- US\$0.01 EACH	-	-	5.68	3.46
			4.59	2.79
			4.33	2.64

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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AND ITS SUBSIDIARY COMPANIES

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 JUNE 2015 (MINIMUM SCENARIO) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

1. The Pro Forma Consolidated Statements of Financial Position have been prepared based on the audited financial statements of Xingquan as at 30 June 2015.

2. **Conversion Rate**

In preparing the Pro Forma Consolidated Statements of Financial Position, Xingquan Group has converted all figures stated in Renminbi (“RMB”) and United States Dollar (“US\$”) into Ringgit Malaysia (“RM”) based on the exchange rate as follows:-

	RM
RMB	0.6085
US\$	<u>3.7730</u>

The functional currency and presentation currency for audited financial statements are both in RMB. RM is neither the functional currency nor presentation currency.

The translation from RMB into RM in this report is for illustrative purposes.

3. The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes there on, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited financial statements of Xingquan Group to illustrate the Pro Forma Consolidated Statements of Financial Position of Xingquan Group assuming that all the transactions mentioned below had taken place on 30 June 2015:-

Pro Forma I: Par Value Reduction

Par value reduction of each issued and unissued share capital of Xingquan via the cancellation of US\$0.09 of the par value of every existing ordinary shares of US\$0.10 each in Xingquan pursuant to Section 46 of the Companies Act 1981 of Bermuda (“Act”), completed on 10 February 2016.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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AND ITS SUBSIDIARY COMPANIES

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 JUNE 2015 (MINIMUM SCENARIO) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION (CONT'D)**

3. The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes there on, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited financial statements of Xingquan Group to illustrate the Pro Forma Consolidated Statements of Financial Position of Xingquan Group assuming that all the transactions mentioned below had taken place on 30 June 2015 (cont'd):-

Pro Forma II: Rights Issue with Warrants and Utilisation of Proceeds

Pro Forma II incorporated the effects in Pro Forma I and the effects of the Rights Issue with Warrants which entails the issuance of 89,804,205 Rights Shares together with 29,934,735 Warrants B on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed by the shareholders of Xingquan, at an issue price of RM0.30.

The proceeds arising from the Rights Issue with Warrants of RM26,941,262 are expected to be utilised in the following manner:-

	RM
Capital expenditures	25,941,262
Estimated corporate exercises expenses	1,000,000
	<u>26,941,262</u>

The expenses are estimated at RM1,000,000 and will be charged out to share premium account.

Pro Forma III: Full Exercise of Warrants B

Pro Forma III incorporated the effects in Pro Forma I to II and the effects of the full exercise of 29,934,735 Warrants B at an exercise price of RM0.40.

The gross proceeds arising from the full exercise of Warrants B amounting to RM11,973,894 are expected to be fully utilised for working capital requirement of Xingquan Group, as and when the Warrants B are exercised, within the tenure of the Warrants B. As such, the exact timeframe for utilisation of the gross proceeds is not determinable at this juncture.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES
THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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AND ITS SUBSIDIARY COMPANIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 JUNE 2015 (MINIMUM SCENARIO) (CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	250,419	152,380
Arising from Rights Issue with Warrants and Utilisation of Proceeds	42,631	25,941
As per Pro Forma II to III	293,050	178,321

5. CASH AND BANK BALANCES

The movement of the cash and bank balances account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I to II	1,456,947	886,552
Arising from Full Exercise of Warrants B	19,677	11,974
As per Pro Forma III	1,476,624	898,526

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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AND ITS SUBSIDIARY COMPANIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MINIMUM SCENARIO) (CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

6. SHARE CAPITAL

The movement of the share capital account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	230,886	140,494
Arising from Par Value Reduction	<u>(209,925)</u>	<u>(127,739)</u>
As per Pro Forma I	20,961	12,755
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>5,568</u>	<u>3,388</u>
As per Pro Forma II	26,529	16,143
Arising from Full Exercise of Warrants B	<u>1,856</u>	<u>1,129</u>
As per Pro Forma III	<u><u>28,385</u></u>	<u><u>17,272</u></u>

7. SHARE PREMIUM

The movement of the share premium account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	273,851	166,638
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>37,063</u>	<u>22,553</u>
As per Pro Forma II	310,914	189,191
Arising from Full Exercise of Warrants B	<u>17,821</u>	<u>10,845</u>
As per Pro Forma III	<u><u>328,735</u></u>	<u><u>200,036</u></u>

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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AND ITS SUBSIDIARY COMPANIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MINIMUM SCENARIO) (CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

8. CONTRIBUTED SURPLUS ACCOUNT

The movement of the contributed surplus account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	-	-
Arising from Par Value Reduction	<u>209,925</u>	<u>127,739</u>
As per Pro Forma I to III	<u>209,925</u>	<u>127,739</u>

9. WARRANTS RESERVE

The movement of the warrants reserve account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	71,923	43,765
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>12,299</u>	<u>7,484</u>
As per Pro Forma II	84,222	51,249
Arising from Full Exercise of Warrants B	<u>(12,299)</u>	<u>(7,484)</u>
As per Pro Forma III	<u>71,923</u>	<u>43,765</u>

The warrants reserve is computed based on a fair value per warrant of RM0.22 (Warrants A) and RM0.25 (Warrants B).

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company Registration No: 42756)
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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MINIMUM SCENARIO) (CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

9. WARRANTS RESERVE (CONT'D)

The assumptions used to arrive at this fair value are as follows:-

Valuation model	: Black-Scholes Option Pricing Model
Volatility based on	: Xingquan's share price
Tenure	: 5 years
Exercise price	: RM1.00 (Warrants A) RM0.40 (Warrants B)
Volatility rate	: 30.70% (Warrants A) 48.97% (Warrants B)
Risk free rate	: 4.01% (Warrants A) 3.75% (Warrants B)
Cut-off date	: 16 May 2014 (Warrants A) 10 February 2016 (Warrants B)
Period of volatility assessment	: Volatility of Xingquan's share price from 16 May 2012 to 16 May 2014 (Warrants A) Volatility of Xingquan's share price from 11 February 2015 to 10 February 2016 (Warrants B)

The actual quantum of warrants reserve will only be determined upon issuance of the warrants. As such, the actual quantum may differ from the amount computed above.

10. DISCOUNT ON SHARES

The movement of the discount on shares account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	(71,923)	(43,765)
Arising from Rights Issue with Warrants and Utilisation of Proceeds	(12,299)	(7,484)
As per Pro Forma II	(84,222)	(51,249)
Arising from Full Exercise of Warrants B	12,299	7,484
As per Pro Forma III	(71,923)	(43,765)

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APPENDIX III
REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTE THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MAXIMUM SCENARIO I)

The Pro Forma Consolidated Statements of Financial Position set out below are provided for illustrative purposes based on the audited consolidated statement of financial position of Xingquan as at 30 June 2015, and on the assumption that these transactions were completed on 30 June 2015.

	Note	As at 30 June 2015					
		RMB'000	RM'000	← Pro Forma I →	← Pro Forma II →	← Pro Forma III →	RM'000
ASSETS							
Non-current assets							
Land use rights		12,707	7,732	12,707	7,732	12,707	7,732
Property, plant and equipment	4	250,419	152,380	250,419	152,380	332,110	202,089
Total non-current assets		263,126	160,112	263,126	160,112	344,817	209,821
Current assets							
Inventories		44,055	26,807	44,055	26,807	44,055	26,807
Trade and other receivables		253,536	154,277	253,536	154,277	253,536	154,277
Cash and bank balances	5	1,456,947	886,552	1,456,947	886,552	1,456,947	886,552
Total current assets		1,754,538	1,067,636	1,754,538	1,067,636	1,754,538	1,067,636
Total assets		2,017,664	1,227,748	2,017,664	1,227,748	2,099,355	1,277,457
						2,136,393	1,299,995

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTE THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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AND ITS SUBSIDIARY COMPANIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MAXIMUM SCENARIO I)
(CONT'D)

The Pro Forma Consolidated Statements of Financial Position set out below are provided for illustrative purposes based on the audited consolidated statement of financial position of Xingquan as at 30 June 2015, and on the assumption that these transactions were completed on 30 June 2015 (cont'd).

	Note	As at 30 June 2015		Pro Forma I		Pro Forma II		Pro Forma III	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
EQUITY AND LIABILITIES									
Capital and reserves									
Share capital	6	230,886	140,494	20,961	12,755	31,443	19,133	34,937	21,259
Share premium	7	273,851	166,638	273,851	166,638	345,060	209,969	378,604	230,381
Contributed surplus account	8	-	-	209,925	127,739	209,925	127,739	209,925	127,739
Merger deficit		(81,403)	(49,534)	(81,403)	(49,534)	(81,403)	(49,534)	(81,403)	(49,534)
Statutory reserve		146,738	89,290	146,738	89,290	146,738	89,290	146,738	89,290
Foreign currency translation reserve		(17,140)	(10,430)	(17,140)	(10,430)	(17,140)	(10,430)	(17,140)	(10,430)
Warrants reserve	9	71,923	43,765	71,923	43,765	95,072	57,851	71,923	43,765
Discount on shares	10	(71,923)	(43,765)	(71,923)	(43,765)	(95,072)	(57,851)	(71,923)	(43,765)
Retained earnings		1,368,479	832,719	1,368,479	832,719	1,368,479	832,719	1,368,479	832,719
Total equity		1,921,411	1,169,177	1,921,411	1,169,177	2,003,102	1,218,886	2,040,140	1,241,424

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTE THEREON (Cont'd)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MAXIMUM SCENARIO I) (CONT'D)

The Pro Forma Consolidated Statements of Financial Position set out below are provided for illustrative purposes based on the audited consolidated statement of financial position of Xingquan as at 30 June 2015, and on the assumption that these transactions were completed on 30 June 2015 (cont'd).

	As at 30 June 2015	← Pro Forma I →	← Pro Forma II →	← Pro Forma III →
	RMB'000	RM'000	RMB'000	RM'000
EQUITY AND LIABILITIES (CONT'D)				
Non-current liability				
Deferred tax liability	3,233	1,967	3,233	1,967
Current liabilities				
Trade and other payables	68,017	41,390	68,017	41,390
Borrowings	18,000	10,953	18,000	10,953
Current tax payable	7,003	4,261	7,003	4,261
Total current liabilities	93,020	56,604	93,020	56,604
Total liabilities	96,253	58,571	96,253	58,571
Total equity and liabilities	2,017,664	1,227,748	2,099,355	1,277,457
NUMBER OF ORDINARY SHARES ('000)	338,063	338,063	507,095	507,095
NET ASSETS PER ORDINARY SHARE				
OF:				
- US\$0.10 EACH	5.68	3.46	-	-
- US\$0.01 EACH	-	5.68	3.95	2.40
				3.62
				2.20

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REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION

1. The Pro Forma Consolidated Statements of Financial Position have been prepared based on the audited financial statements of Xingquan as at 30 June 2015.

2. **Conversion Rate**

In preparing the Pro Forma Consolidated Statements of Financial Position, Xingquan Group has converted all figures stated in Renminbi (“RMB”) and United States Dollar (“US\$”) into Ringgit Malaysia (“RM”) based on the exchange rate as follows:-

	RM
RMB	0.6085
US\$	<u>3.7730</u>

The functional currency and presentation currency for audited financial statements are both in RMB. RM is neither the functional currency nor presentation currency.

The translation from RMB into RM in this report is for illustrative purposes.

3. The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes there on, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited financial statements of Xingquan Group to illustrate the Pro Forma Consolidated Statements of Financial Position of Xingquan Group assuming that all the transactions mentioned below had taken place on 30 June 2015:-

Pro Forma I: Par Value Reduction

Par value reduction of each issued and unissued share capital of Xingquan via the cancellation of US\$0.09 of the par value of every existing ordinary shares of US\$0.10 each in Xingquan pursuant to the Act, completed on 10 February 2016.

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REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (MAXIMUM SCENARIO I) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION (CONT'D)**

3. The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes there on, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited financial statements of Xingquan Group to illustrate the Pro Forma Consolidated Statements of Financial Position of Xingquan Group assuming that all the transactions mentioned below had taken place on 30 June 2015 (cont'd):-

Pro Forma II: Rights Issue with Warrants and Utilisation of Proceeds

Pro Forma II incorporated the effects in Pro Forma I and the effects of the Rights Issue with Warrants which entails the issuance of 169,031,500 Rights Shares together with 56,343,833 Warrants B on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed by the shareholders of Xingquan, at an issue price of RM0.30.

The proceeds arising from the Rights Issue with Warrants of RM50,709,450 are expected to be utilised in the following manner:-

	RM
Capital expenditures	49,709,450
Estimated corporate exercises expenses	1,000,000
	<u>50,709,450</u>

The expenses are estimated at RM1,000,000 and will be charged out to share premium account.

Pro Forma III: Full Exercise of Warrants B

Pro Forma III incorporated the effects in Pro Forma I to II and the effects of the full exercise of 56,343,833 Warrants B at an exercise price of RM0.40.

The gross proceeds arising from the full exercise of Warrants B amounting to RM22,537,533 are expected to be fully utilised for working capital requirement of Xingquan Group, as and when the Warrants B are exercised, within the tenure of the Warrants B. As such, the exact timeframe for utilisation of the gross proceeds is not determinable at this juncture.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2015 (MAXIMUM SCENARIO I) (CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
 FINANCIAL POSITION (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	250,419	152,380
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>81,691</u>	<u>49,709</u>
As per Pro Forma II to III	<u>332,110</u>	<u>202,089</u>

5. CASH AND BANK BALANCES

The movement of the cash and bank balances account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I to II	1,456,947	886,552
Arising from Full Exercise of Warrants B	<u>37,038</u>	<u>22,538</u>
As per Pro Forma III	<u>1,493,985</u>	<u>909,090</u>

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2015 (MAXIMUM SCENARIO I) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
 FINANCIAL POSITION (CONT'D)**

6. SHARE CAPITAL

The movement of the share capital account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	230,886	140,494
Arising from Par Value Reduction	<u>(209,925)</u>	<u>(127,739)</u>
As per Pro Forma I	20,961	12,755
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>10,482</u>	<u>6,378</u>
As per Pro Forma II	31,443	19,133
Arising from Full Exercise of Warrants B	<u>3,494</u>	<u>2,126</u>
As per Pro Forma III	<u><u>34,937</u></u>	<u><u>21,259</u></u>

7. SHARE PREMIUM

The movement of the share premium account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	273,851	166,638
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>71,209</u>	<u>43,331</u>
As per Pro Forma II	345,060	209,969
Arising from Full Exercise of Warrants B	<u>33,544</u>	<u>20,412</u>
As per Pro Forma III	<u><u>378,604</u></u>	<u><u>230,381</u></u>

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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

8. CONTRIBUTED SURPLUS ACCOUNT

The movement of the contributed surplus account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	-	-
Arising from Par Value Reduction	209,925	127,739
As per Pro Forma I to III	<u>209,925</u>	<u>127,739</u>

9. WARRANTS RESERVE

The movement of the warrants reserve account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	71,923	43,765
Arising from Rights Issue with Warrants and Utilisation of Proceeds	23,149	14,086
As per Pro Forma II	95,072	57,851
Arising from Full Exercise of Warrants B	<u>(23,149)</u>	<u>(14,086)</u>
As per Pro Forma III	<u>71,923</u>	<u>43,765</u>

The warrants reserve is computed based on a fair value per warrant of RM0.22 (Warrants A) and RM0.25 (Warrants B).

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2015 (MAXIMUM SCENARIO I) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
 FINANCIAL POSITION (CONT'D)**

9. WARRANTS RESERVE (CONT'D)

The assumptions used to arrive at this fair value are as follows:-

Valuation model	: Black-Scholes Option Pricing Model
Volatility based on	: Xingquan's share price
Tenure	: 5 years
Exercise price	: RM1.00 (Warrants A) RM0.40 (Warrants B)
Volatility rate	: 30.70% (Warrants A) 48.97% (Warrants B)
Risk free rate	: 4.01% (Warrants A) 3.75% (Warrants B)
Cut-off date	: 16 May 2014 (Warrants A) 10 February 2016 (Warrants B)
Period of volatility assessment	: Volatility of Xingquan's share price from 16 May 2012 to 16 May 2014 (Warrants A) Volatility of Xingquan's share price from 11 February 2015 to 10 February 2016 (Warrants B)

The actual quantum of warrants reserve will only be determined upon issuance of the warrants. As such, the actual quantum may differ from the amount computed above.

10. DISCOUNT ON SHARES

The movement of the discount on shares account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	(71,923)	(43,765)
Arising from Rights Issue with Warrants and Utilisation of Proceeds	(23,149)	(14,086)
As per Pro Forma II	(95,072)	(57,851)
Arising from Full Exercise of Warrants B	23,149	14,086
As per Pro Forma III	(71,923)	(43,765)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MAXIMUM SCENARIO II)

The Pro Forma Consolidated Statements of Financial Position set out below are provided for illustrative purposes based on the audited consolidated statement of financial position of Xingquan as at 30 June 2015, and on the assumption that these transactions were completed on 30 June 2015.

	Note	RMB'000	RM'000	← Pro Forma I →	← Pro Forma II →	← Pro Forma III →	← Pro Forma IV →
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
ASSETS							
Non-current assets							
Land use rights		12,707	7,732	12,707	7,732	12,707	7,732
Property, plant and equipment	4	250,419	152,380	250,419	152,380	202,089	202,089
Total non-current assets		263,126	160,112	263,126	160,112	344,817	209,821
Current assets							
Inventories		44,055	26,807	44,055	26,807	44,055	26,807
Trade and other receivables		253,536	154,277	253,536	154,277	253,536	154,277
Cash and bank balances	5	1,456,947	886,552	1,734,731	1,055,584	1,776,399	1,831,956
Total current assets		1,754,538	1,067,636	2,032,322	1,236,668	2,073,990	1,262,023
Total assets		2,017,664	1,227,748	2,295,448	1,396,780	2,418,807	1,471,844
				2,295,448	1,396,780	2,418,807	1,471,844
						2,474,364	1,505,650

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTE THEREON (Cont'd)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (MAXIMUM SCENARIO ID) (CONT'D)

The Pro Forma Consolidated Statements of Financial Position set out below are provided for illustrative purposes based on the audited consolidated statement of financial position of Xingquan as at 30 June 2015, and on the assumption that these transactions were completed on 30 June 2015 (cont'd).

	As at 30 June 2015	← Pro Forma I →	← Pro Forma II →	← Pro Forma III →	← Pro Forma IV →
	RMB'000	RM'000	RMB'000	RM'000	RMB'000
EQUITY AND LIABILITIES (CONT'D)					
Non-current liability					
Deferred tax liability	3,233	1,967	3,233	1,967	3,233
Current liabilities					
Trade and other payables	68,017	41,390	68,017	41,390	68,017
Borrowings	18,000	10,953	18,000	10,953	18,000
Current tax payable	7,003	4,261	7,003	4,261	7,003
Total current liabilities	93,020	56,604	93,020	56,604	93,020
Total liabilities	96,253	58,571	96,253	58,571	96,253
Total equity and liabilities	2,017,664	1,227,748	2,295,448	1,396,780	2,418,807
	338,063	338,063	507,095	507,095	760,642
NUMBER OF ORDINARY SHARES ('000)					
	RMB	RM	RMB	RM	RMB
	845,158	845,158	845,158	845,158	845,158
NET ASSETS PER ORDINARY SHARE OF:					
- US\$0.10 EACH	5.68	3.46	4.34	2.64	-
- US\$0.01 EACH	-	-	4.34	2.64	2.81

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 JUNE 2015 (MAXIMUM SCENARIO II) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

1. The Pro Forma Consolidated Statements of Financial Position have been prepared based on the audited financial statements of Xingquan as at 30 June 2015.

2. **Conversion Rate**

In preparing the Pro Forma Consolidated Statements of Financial Position, Xingquan Group has converted all figures stated in Renminbi (“RMB”) and United States Dollar (“US\$”) into Ringgit Malaysia (“RM”) based on the exchange rate as follows:-

	RM
RMB	0.6085
US\$	<u>3.7330</u>

The functional currency and presentation currency for audited financial statements are both in RMB. RM is neither the functional currency nor presentation currency.

The translation from RMB into RM in this report is for illustrative purposes.

3. The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes there on, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited financial statements of Xingquan Group to illustrate the Pro Forma Consolidated Statements of Financial Position of Xingquan Group assuming that all the transactions mentioned below had taken place on 30 June 2015:-

Pro Forma I: Full Exercise of the Warrants A

Pro Forma I incorporated the effects of the full exercise of 169,031,500 Warrants A at exercise price of RM1.00.

The gross proceeds arising from full exercise of Warrants A amounting to RM169,031,500 are expected to be fully utilised for working capital requirement of Xingquan Group.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES
THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company Registration No: 42756)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia
– Malaysia Registration No: 995177 - V)

AND ITS SUBSIDIARY COMPANIES

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (MAXIMUM SCENARIO II) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION (CONT'D)**

3. The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes there on, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited financial statements of Xingquan Group to illustrate the Pro Forma Consolidated Statements of Financial Position of Xingquan Group assuming that all the transactions mentioned below had taken place on 30 June 2015 (cont'd):-

Pro Forma II: Par Value Reduction

Pro Forma II incorporated the effects in Pro Forma I and the effects of the par value reduction of each issued and unissued share capital of Xingquan via the cancellation of US\$0.09 of the par value of every existing ordinary shares of US\$0.10 each in Xingquan pursuant to the Act, completed on 10 February 2016.

Pro Forma III: Rights Issue with Warrants and Utilisation of Proceeds

Pro Forma III incorporated the effects in Pro Forma I to II and the effects of the Rights Issue with Warrants which entails the issuance of 253,547,250 Rights Shares together with 84,515,750 Warrants B on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed by the shareholders of Xingquan, at an issue price of RM0.30.

The proceeds arising from the Rights Issue with Warrants of RM76,064,175 are expected to be utilised in the following manner:-

	RM
Capital expenditures	49,709,450
Working capital	25,354,725
Estimated corporate exercises expenses	1,000,000
	<u>76,064,175</u>

The expenses are estimated at RM1,000,000 and will be charged out to share premium account.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (MAXIMUM SCENARIO II) (CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION (CONT'D)

3. The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes there on, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited financial statements of Xingquan Group to illustrate the Pro Forma Consolidated Statements of Financial Position of Xingquan Group assuming that all the transactions mentioned below had taken place on 30 June 2015 (cont'd):-

Pro Forma IV: Full Exercise of Warrants B

Pro Forma IV incorporated the effects in Pro Forma I to III and the effects of the full exercise of 84,515,750 Warrants B at an exercise price of RM0.40.

The gross proceeds arising from the full exercise of Warrants B amounting to RM33,806,300 are expected to be fully utilised for working capital requirement of Xingquan Group, as and when the Warrants B are exercised, within the tenure of the Warrants B. As such, the exact timeframe for utilisation of the gross proceeds is not determinable at this juncture.

4. **PROPERTY, PLANT AND EQUIPMENT**

The movement of the property, plant and equipment is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I to II	250,419	152,380
Arising from Rights Issue with Warrants and Utilisation of Proceeds	81,691	49,709
As per Pro Forma III to IV	332,110	202,089

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2015 (MAXIMUM SCENARIO II) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
 FINANCIAL POSITION (CONT'D)**

5. CASH AND BANK BALANCES

The movement of the cash and bank balances account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	1,456,947	886,552
Arising from Full Exercise of Warrants A	<u>277,784</u>	<u>169,032</u>
As per Pro Forma I to II	1,734,731	1,055,584
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>41,668</u>	<u>25,355</u>
As per Pro Forma III	1,776,399	1,080,939
Arising from Full Exercise of Warrants B	<u>55,557</u>	<u>33,806</u>
As per Pro Forma IV	<u><u>1,831,956</u></u>	<u><u>1,114,745</u></u>

6. SHARE CAPITAL

The movement of the share capital account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	230,886	140,494
Arising from Full Exercise of Warrants A	<u>104,808</u>	<u>63,776</u>
As per Pro Forma I	335,694	204,270
Arising from Par Value Reduction	<u>(304,251)</u>	<u>(185,137)</u>
As per Pro Forma II	31,443	19,133
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>15,721</u>	<u>9,566</u>
As per Pro Forma III	47,164	28,699
Arising from Full Exercise of Warrants B	<u>5,240</u>	<u>3,189</u>
As per Pro Forma IV	<u><u>52,404</u></u>	<u><u>31,888</u></u>

Stamped for the purpose of identification on:

24 FEB 2016

SJ Grant Thornton

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company Registration No: 42756)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia
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AND ITS SUBSIDIARY COMPANIES

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2015 (MAXIMUM SCENARIO II) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
 FINANCIAL POSITION (CONT'D)**

7. SHARE PREMIUM

The movement of the share premium account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	273,851	166,638
Arising from Full Exercise of Warrants A	<u>172,976</u>	<u>105,256</u>
As per Pro Forma I to II	446,827	271,894
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>107,638</u>	<u>65,498</u>
As per Pro Forma III	554,465	337,392
Arising from Full Exercise of Warrants B	<u>50,317</u>	<u>30,617</u>
As per Pro Forma IV	<u><u>604,782</u></u>	<u><u>368,009</u></u>

8. CONTRIBUTED SURPLUS ACCOUNT

The movement of the contributed surplus account is as follows:-

	RMB'000	RM'000
As at 30 June 2015/As per Pro Forma I	-	-
Arising from Par Value Reduction	<u>304,251</u>	<u>185,137</u>
As per Pro Forma II to IV	<u><u>304,251</u></u>	<u><u>185,137</u></u>

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company Registration No: 42756)
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AND ITS SUBSIDIARY COMPANIES

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2015 (MAXIMUM SCENARIO II) (CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
 FINANCIAL POSITION (CONT'D)**

9. WARRANTS RESERVE

The movement of the warrants reserve account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	71,923	43,765
Arising from Full Exercise of Warrants A	<u>(71,923)</u>	<u>(43,765)</u>
As per Pro Forma I to II	-	-
Arising from Rights Issue with Warrants and Utilisation of Proceeds	<u>34,723</u>	<u>21,129</u>
As per Pro Forma III	34,723	21,129
Arising from Full Exercise of Warrants B	<u>(34,723)</u>	<u>(21,129)</u>
As per Pro Forma IV	<u>-</u>	<u>-</u>

The warrants reserve is computed based on a fair value per warrant of RM0.22 (Warrants A) and RM0.25 (Warrants B).

The assumptions used to arrive at this fair value are as follows:-

Valuation model	: Black-Scholes Option Pricing Model
Volatility based on	: Xingquan's share price
Tenure	: 5 years
Exercise price	: RM1.00 (Warrants A) RM0.40 (Warrants B)
Volatility rate	: 30.70% (Warrants A) 48.97% (Warrants B)
Risk free rate	: 4.01% (Warrants A) 3.75% (Warrants B)
Cut-off date	: 16 May 2014 (Warrants A) 10 February 2016 (Warrants B)
Period of volatility assessment	: Volatility of Xingquan's share price from 16 May 2012 to 16 May 2014 (Warrants A) Volatility of Xingquan's share price from 11 February 2015 to 10 February 2016 (Warrants B)

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The actual quantum of warrants reserve will only be determined upon issuance of the warrants. As such, the actual quantum may differ from the amount computed above.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION OF XINGQUAN AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES
THEREON (Cont'd)

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company Registration No: 42756)
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AND ITS SUBSIDIARY COMPANIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (MAXIMUM SCENARIO II) (CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION (CONT'D)


10. DISCOUNT ON SHARES

The movement of the discount on shares account is as follows:-

	RMB'000	RM'000
As at 30 June 2015	(71,923)	(43,765)
Arising from Full Exercise of Warrants A	71,923	43,765
As per Pro Forma I to II	-	-
Arising from Rights Issue with Warrants and Utilisation of Proceeds	(34,723)	(21,129)
As per Pro Forma III	(34,723)	(21,129)
Arising from Full Exercise of Warrants B	34,723	21,129
As per Pro Forma IV	-	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE
2015 TOGETHER WITH THE AUDITORS' REPORT THEREON**

CERTIFIED TRUE COPY


.....
STEVE OOI

Financial statements
**Xingquan International Sports Holdings
Limited and its subsidiaries**
For the financial year ended 30 June 2015

Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**
Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)

1

Directors' report for the financial year ended 30 June 2015

The Directors have pleasure in submitting their report together with the audited financial statements of the Group for the financial year ended 30 June 2015.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 20 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

Results

	RMB'000
Profit for the financial year attributable to owners of the Company	250,536

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

	RMB'000
Tax exempt dividend paid in respect of the financial year ending 30 June 2015 of RM0.02 (equivalent to RMB0.03) per ordinary share	11,375

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

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Directors' report for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

Directors

Directors who served since the date of the last report are:-

Dato' Wu Qingquan
Wu Lianfa
Ng Sio Peng
Zhou Liyi
Tan Eng Choon
Dato' Haji Ramly Bin Haji Zahari (appointed on 5 June 2015)
Ooi Guan Hoe (resigned on 5 June 2015)

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' Interest

According to the Register of Directors' Shareholdings, none of the Directors who held office at the end of the financial year had interests in shares or debentures of the Company or its related corporations, except as follows:-

The Company Xingquan International Sports Holdings Limited	Holdings registered in the name of Director			Holdings in which Director is deemed to have an interest		
	As at 1.7.2014	Bought	As at 30.6.2015	As at 1.7.2014	Bought	As at 30.6.2015
	<u>Number of ordinary shares</u>					
Ng Sio Peng ⁽¹⁾	-	-	-	179,608,411	-	179,608,411
Wu Qingquan	20,000	15,000	35,000	-	-	-

The Company Xingquan International Sports Holdings Limited	Holdings registered in the name of Director			Holdings in which Director is deemed to have an interest		
	As at 1.7.2014	Bought	As at 30.6.2015	As at 1.7.2014	Sold	As at 30.6.2015
	<u>Number of warrants</u>					
Ng Sio Peng ⁽¹⁾	-	-	-	89,804,205	51,106,600	38,697,605
Wu Qingquan	10,000	-	10,000	-	-	-

⁽¹⁾ Deemed interest by virtue of her substantial interest in Tai Zhen Xiang Holdings Limited.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

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Directors' report for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

Issue of shares and debentures

The Company had not issued any new shares or debentured during the financial year.

Warrants

There was no issuance of new warrants during the financial year.

The salient features of the warrants are disclosed in Note 10 to the financial statements.

Information on financial statements

Before the financial statements of the Group were made out, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or to make any amount of allowance for doubtful debts in financial statements of the Group; or
- (b) which would render the values attributed to current assets in the financial statements of the Group misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on assets of the Group which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group which has arisen since the end of the financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

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Directors' report for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

Information on financial statements (cont'd)

In the opinion of the Directors:-

- (a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group to meet their obligations as and when they fall due; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group for the current financial year in which this report is made.

Significant event during the financial year

The significant event during the financial year is disclosed in Note 24 to the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

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Directors' report for the financial year ended 30 June 2015

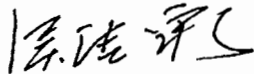
Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

Auditors

The auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

On behalf of the Board of Directors



.....
DATO' WU QINGQUAN



.....
WU LIANFA

Dated: 23 September 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

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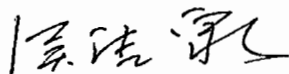
**Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)**

Statement by directors for the financial year ended 30 June 2015

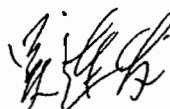
In the opinion of the Directors, the accompanying consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 30 June 2015 and of their financial performance and cash flows of the Group for the financial year ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

In the opinion of the Directors, the supplementary information set out on Note 25 in page 43 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board of Directors



.....
DATO' WU QINGQUAN



.....
WU LIANFA

Dated: 23 September 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
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**Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)**

Statutory declaration for the financial year ended 30 June 2015

Pursuant to Paragraph 9.27 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

I, Teo Cern Yong, being the Officer primarily responsible for the financial management of Xingquan International Sports Holdings Limited, do solemnly and sincerely declare that the financial statements set out on pages 10 to 42 and the supplementary information set out on page 43 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovementioned

at Kuala Lumpur in the Federal Territory

this day of 23 September 2015



TEO CERN YONG

Before me:

Commissioner for Oaths



Tingkat Bawah Wisma Pahlawan
Jln Sultan Sulaiman
50000 Kuala Lumpur

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)

SJ Grant Thornton (AF:0737)
Level 11 Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
T +603 2692 4022
F +603 2691 5229
www.gt.com.my

Report on the Financial Statements

We have audited the financial statements of Xingquan International Sports Holdings Limited, which comprise consolidated statement of financial position as at 30 June 2015 of the Group, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 42.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



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**Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)**

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as at 30 June 2015 and the financial performance and cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards.

Other Reporting Responsibilities

The supplementary information set out on Note 25 in page 43 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

OOI POH LIM
(NO: 3087/10/15(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
23 September 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

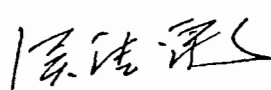
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Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)

**Consolidated statement of financial position
as at 30 June 2015**

	Note	30 June 2015 RMB'000	30 June 2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	4	12,707	12,990
Property, plant and equipment	5	250,419	251,612
		263,126	264,602
Current assets			
Inventories	6	44,055	42,259
Trade and other receivables	7	253,536	356,401
Cash and bank balances	8	1,456,947	1,156,243
		1,754,538	1,554,903
Total assets		2,017,664	1,819,505
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	230,886	230,886
Reserves	10	1,690,525	1,496,571
Total equity		1,921,411	1,727,457
Non-current liability			
Deferred tax liability	11	3,233	3,237
Current liabilities			
Trade and other payables	12	68,017	58,301
Borrowings	13	18,000	18,000
Current tax payable		7,003	12,510
		93,020	88,811
Total liabilities		96,253	92,048
Total equity and liabilities		2,017,664	1,819,505

Approved by the Board of Directors and signed on its behalf by:


Dato' Wu Qingquan
Director


Wu Lianfa
Director

Date: 23 September 2015

Date: 23 September 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

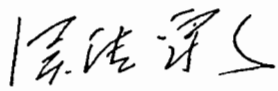
**Xingquan International Sports Holdings Limited
 and its subsidiaries**
 Bermuda Company Registration No: 42756
 (Malaysia Foreign Company Registration No: 995177-V)

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**Consolidated statement of profit or loss and other
 comprehensive income**
 for the financial year ended 30 June 2015

	Note	Financial year ended 30 June 2015 RMB'000	Financial year ended 30 June 2014 RMB'000
Revenue	3	1,292,858	1,229,418
Cost of sales		(824,449)	(811,442)
Gross profit		468,409	417,976
Other income	3	50,671	6,905
Selling and distribution expenses		(142,908)	(126,404)
Administrative expenses		(49,191)	(55,043)
Finance costs	14	(1,067)	(986)
Profit before tax	15	325,914	242,448
Tax expense	16	(75,378)	(65,808)
Profit for the financial year attributable to owners of the Company		250,536	176,640
Other comprehensive income: Item that may be subsequently reclassified to profit or loss			
Currency translation differences		(45,207)	(3,371)
Total comprehensive income attributable to the owners of the Company		205,329	173,269
Earnings per share (RMB cents)			
- Basic	17	74.11	56.78

Approved by the Board of Directors and signed on its behalf by:


 Dato' Wu Qingquan
 Director

Date: 23 September 2015


 Wu Lianfa
 Director

Date: 23 September 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Xingquan International Sports Holdings Limited

and its subsidiaries

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

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Consolidated statement of changes in equity
for the financial year ended 30 June 2015

	Share capital RMB'000 (Note 9)	Share premium RMB'000 (Note 10)	Merger reserve RMB'000 (Note 10)	Statutory reserve RMB'000 (Note 10)	Warrant reserve RMB'000 (Note 10)	Discount on shares RMB'000 (Note 10)	Foreign currency translation reserve RMB'000 (Note 10)	Retained profits RMB'000	Total RMB'000
Balance at 1 July 2013	211,715	233,499	(81,403)	119,771	-	-	31,438	979,645	1,494,665
Total comprehensive income for the financial year	-	-	-	-	-	-	(3,371)	176,640	173,269
Transfer to statutory reserve	-	-	-	16,425	-	-	-	(16,425)	-
Transactions with owners:-									
Issuance of ordinary shares	19,171	40,352	-	-	-	-	-	-	59,523
Issuance of warrants	-	-	-	-	71,923	(71,923)	-	-	-
Total transactions with owners	19,171	40,352	-	-	71,923	(71,923)	-	-	59,523
Balance at 30 June 2014	230,886	273,851	(81,403)	136,196	71,923	(71,923)	28,067	1,139,860	1,727,457
Total comprehensive income for the financial year	-	-	-	-	-	-	(45,207)	250,536	205,329
Transfer to statutory reserve	-	-	-	10,542	-	-	-	(10,542)	-
Transaction with owners:-									
Dividends (Note 18)	-	-	-	-	-	-	-	(11,375)	(11,375)
Total transaction with owners	-	-	-	-	-	-	-	(11,375)	(11,375)
Balance at 30 June 2015	230,886	273,851	(81,403)	146,738	71,923	(71,923)	(17,140)	1,368,479	1,921,411

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**
Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)

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Consolidated statement of cash flows
for the financial year ended 30 June 2015

	Note	Financial year ended 30 June 2015 RMB'000	Financial year ended 30 June 2014 RMB'000
Operating activities			
Profit before tax		325,914	242,448
Adjustments for:-			
Amortisation of land use rights	4	283	282
Depreciation	5	24,912	26,371
Interest expense	14	1,067	986
Loss on disposal on property, plant and equipment	15	728	9,084
Property, plant and equipment written off	15	120	1,084
Unrealised gain on foreign exchange differences	3	(45,830)	(3,192)
Interest income	3	(4,618)	(3,578)
Operating profit before working capital changes		302,576	273,485
(Increase)/Decrease in inventories		(1,796)	14,384
Decrease/(Increase) in receivables		102,865	(2,672)
(Decrease)/Increase in payables		10,340	(16,080)
Net cash generated from operations		413,985	269,117
Interest paid	14	(1,067)	(986)
Income tax paid		(80,885)	(67,299)
Interest received	3	4,618	3,578
Net cash generated from operating activities		336,651	204,410
Investing activities			
Acquisition of property, plant and equipment	5	(25,206)	(8,014)
Proceeds from disposal of property, plant and equipment		639	2,650
Net cash used in investing activities		(24,567)	(5,364)
Financing activities			
Drawdown of bank loans		18,000	18,000
Repayment of bank loans		(18,000)	(14,700)
Dividends paid	18	(11,375)	-
Proceeds from issuance of ordinary shares		-	59,523
Net cash (used in)/generated from financing activities		(11,375)	62,823
Net increase in cash and cash equivalents		300,709	261,869
Translation differences		(5)	(2)
Cash and cash equivalents at beginning		1,156,243	894,376
Cash and cash equivalents at end	8	1,456,947	1,156,243

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**
Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)

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Notes to the financial statements for the financial year ended 30 June 2015

1 General information

The financial statements of the Group for the financial year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

The Company (Bermuda Company Registration No. 42756 and Malaysia Foreign Company Registration No. 995177-V) was incorporated in Bermuda on 15 December 2008 under the Bermuda Companies Act as an exempted company with limited liability under the name of Xingquan International Sports Holdings Limited and was listed on the Main Market of Bursa Malaysia Securities Berhad on 10 July 2009.

The registered office of the Company in Bermuda and Malaysia are Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and 802, 8th Floor, Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia respectively. The principal places of business of the Company are located at South China Industrial Zone, Huian, Quanzhou City, Fujian Province 362100, the People's Republic of China ("PRC") and Houyang Industrial Zone, Yanshang Village, Chendai Town, Jinjiang City, Quanzhou City, Fujian Province 362211, PRC.

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group's principal operations are conducted in the PRC and thus the financial statements are presented in Renminbi (RMB) and all values are rounded to the nearest thousand (RMB'000) except when otherwise stated.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these consolidated financial statements is determined in such a basis except for measurements that have some similarities to fair value but are not fair value such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which it inputs to the fair value measurement, in its entirety, which are described below:-

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for the assets or liabilities either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the assets or liabilities.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

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Notes to the financial statements for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

2(a) Basis of preparation (cont'd)

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:-

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. The carrying amounts of the Group's property, plant and equipment as at 30 June 2015 were RMB250,419,000 (30 June 2014: RMB251,612,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Income tax

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable values for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgements and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
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Notes to the financial statements for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

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2(b) Interpretations and amendments to published standards effective in 2015

On 1 July 2014, the Group adopted the new or amended International Accounting Standard ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are mandatory for application from that date. The nature and effect of each relevant new standard, interpretation and amendment adopted by the Group is detailed below:-

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 for the first time in the current financial year. The amendments to IAS 36 clarify that the Group is required to disclose the recoverable amount of an assets (or cash generating unit) whenever an impairment loss has been recognised or reserved in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:-

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made,
- the discount rates used if fair value less cost of disposal is measured using a present value technique.

These additional disclosures are in line with the disclosure required by IFRS13 Fair Value Measurement.

The amendment has been applied retrospectively in accordance with its transitional provisions. Other than the additional disclosures, this amendment has not had any material impact on the amounts recognised in the consolidated financial statements. The additional disclosures are provided in the individual notes relative to the assets and liabilities whose fair values were determined.

2(c) IFRS not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective, and have not been adopted by the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other relevant new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
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Notes to the financial statements for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

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2(c) IFRS not yet effective (cont'd)

Amendments to IFRS 9 Financial Instruments

IFRS 9 issued by IASB in July 2014. This standard replaces earlier versions of IFRS 9 and introduces a number of improvements such as classification and measured model, single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement

Financial instrument is classified and measured according to the entity's business model and cash flow characteristics of the instrument held. If the instrument is held to collect its contractual cash flow, the financial asset is measured at amortised cost. However, if financial instrument is held in a business model the objective of which is achieved by both collecting contractual cash flow and selling financial assets, it is measured at fair value in the consolidated statement of financial position and amortised cost information is provided through profit or loss. If the business model of the entity is neither one of the above, fair value is provided both in the profit or loss and in the consolidated statement of financial position.

New expected loss impairment model

The standard introduces a new expected loss impairment model requiring more timely recognition of expected credit losses by an entity. This new forward looking model requires an entity to recognise expected credit losses when financial instruments are first recognised and to recognise expected credit losses at all times and to update the amount of expected credit risk losses recognised at each reporting date to reflect changes in the credit of financial instruments. It replaces the approach of recognising credit losses when an event triggers it has occurred.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of the adoption of this standard in relation to the new requirements for classification and measurement and impairment.

IFRS 15 Revenue from contracts with Customers

IFRS 15 establish a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance in IAS 18 Revenue.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the applications of IFRS 15.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
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Notes to the financial statements for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

2(d) Summary of significant accounting policies

Consolidation

The financial statements of the Group include the financial statements of its subsidiaries made up to the end of the financial year. Information on its subsidiaries is disclosed in Note 20 to the financial statements.

The Group was formed as a result of the reorganisation exercise undertaken in 2009 for the purpose of the Company's listing on the Main Market of the Bursa Malaysia Securities Berhad. The acquisition of 100% equity in Addnice Holdings Limited by Xingquan International Sports Holdings Limited pursuant to the reorganisation exercise under common control has been accounted for using the pooling-of-interests method of consolidation. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the reorganisation has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group's next reorganisation exercise.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from profit or loss from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Business combination is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in profit and loss on the date of acquisition.

Where the accounting policies of a subsidiary do not conform to those of the Group, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over its remaining useful life of fifty years. Land use rights represent up-front payment to acquire long-term interests in the usage of land.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

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Notes to the financial statements for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

2(d) Summary of significant accounting policies (cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:-

Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	5 to 10 years
Mould equipment	5 years
Buildings	20 years
Motor vehicles	10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at end of each reporting period as a change in estimates.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Subsidiaries

A subsidiary is an entity controlled by the Group. Controls exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
and its subsidiaries**

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Notes to the financial statements for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

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2(d) Summary of significant accounting policies (cont'd)

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value and not include directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least once at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides monies, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
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Notes to the financial statements for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

(Malaysia Foreign Company Registration No: 995177-V)

2(d) Summary of significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share premium account.

Warrants

The fair value of the warrants arising from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the discount on shares account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to discount on shares account.

Dividends

Interim dividends are recognised as liability when they are declared.

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Financial liabilities

The Group's financial liabilities include trade payables, accrued liabilities, other payables and bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual agreement of the instruments. All interest related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit and loss over the period of the borrowings using the effective interest method. The interest expense is charged on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the amortisation process.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Xingquan International Sports Holdings Limited
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Notes to the financial statements for the financial year ended 30 June 2015

Bermuda Company Registration No: 42756

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2(d) Summary of significant accounting policies (cont'd)

Financial liabilities (cont'd)

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the consolidated statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the consolidated statement of financial position.

Trade and bills payables, accrued liabilities and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will occur, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the consolidated statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

Operating leases

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

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2(d) Summary of significant accounting policies (cont'd)

Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:-

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Value-added tax ("VAT")

The Group's sales of goods in the PRC are subjected to VAT at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the consolidated statement of financial position respectively.

Revenue, expenses and assets are recognised net of the amount of VAT except where:-

- VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of VAT included.

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2(d) Summary of significant accounting policies (cont'd)

Employee benefits

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss.

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2(d) Summary of significant accounting policies (cont'd)

Revenue recognition and cost of sales

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Cost of goods sold includes direct material costs, direct labour costs, design costs and direct manufacturing overheads including depreciation of production equipment and electricity consistent with revenue earned. Cost of goods sold excludes warehousing cost, which historically have not been significant.

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Malaysia Ringgit. The financial statements are presented in Renminbi instead of Malaysia Ringgit as the primary economic environment in which the Group operates is the PRC.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in term of historical cost in a foreign currency are translated using the exchange rates at the date of the translation.

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2(d) Summary of significant accounting policies (cont'd)

Conversion of foreign currencies (cont'd)

Group entities

The results and financial positions of all the entities within the Group that have functional currencies different from the presentation currency are translated into the presentation currency as follows:-

- (i) Assets and liabilities are translated at the closing rate at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statement ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether price is charged.

- (a) A person or a close member of that person's family is related to the reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity.
- (b) An entity is related to the reporting entity if any of the following conditions applies:-
 - (i) the entity and the reporting entity are member of the same group;
 - (ii) one entity is an associate or joint venture of the reporting entity;
 - (iii) both the entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of third entity.
 - (v) the entities controlled or jointly-controlled by a person identified in the preceding paragraph above; or
 - (vi) a person who has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity.

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3 Revenue and other income

Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

An analysis of the Group's revenue and other income is as follows:-

	2015 RMB'000	2014 RMB'000
<u>Revenue</u>		
Sale of goods	1,292,858	1,229,418
<u>Other income</u>		
Interest income	4,618	3,578
Realised gain on foreign exchange differences	223	135
Unrealised gain on foreign exchange differences	45,830	3,192
	50,671	6,905

4 Land use rights

	Land use rights RMB'000
<u>Cost</u>	
At 1 July 2013, 30 June 2014 and 30 June 2015	14,134
<u>Accumulated amortisation</u>	
At 1 July 2013	862
Amortisation for the financial year	282
At 30 June 2014	1,144
Amortisation for the financial year	283
At 30 June 2015	1,427
<u>Net carrying amount</u>	
At 30 June 2015	12,707
At 30 June 2014	12,990
<u>Amount to be amortised</u>	
	2015 RMB'000
Not later than one year	283
Later than one year and not later than five years	1,132
Later than five years	11,292
	12,707
	2014 RMB'000
	282
	1,128
	11,580
	12,990

Land use rights represent leasehold interests in land located in Fujian province, PRC.

The net carrying amount of land use right amounted to RMB32,875 (2014: RMB33,705) is pledged for banking facilities granted to one of the subsidiaries.

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5 Property, plant and equipment

	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Mould equipment RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 July 2013	106,668	4,960	56,423	221,670	1,386	391,107
Additions	7,300	5	709	-	-	8,014
Disposals	(2,976)	-	(28,728)	-	(267)	(31,971)
Written off	-	(119)	(21,542)	-	-	(21,661)
At 30 June 2014	110,992	4,846	6,862	221,670	1,119	345,489
Additions	24,245	-	-	-	961	25,206
Disposals	(5,091)	-	-	-	-	(5,091)
Written off	-	-	(2,385)	-	-	(2,385)
At 30 June 2015	130,146	4,846	4,477	221,670	2,080	363,219
Accumulated depreciation						
At 1 July 2013	38,668	2,043	39,358	27,827	424	108,320
Depreciation for the financial year	10,409	907	3,679	11,248	128	26,371
Disposals	(2,208)	-	(17,938)	-	(91)	(20,237)
Written off	-	(113)	(20,464)	-	-	(20,577)
At 30 June 2014	46,869	2,837	4,635	39,075	461	93,877
Depreciation for the financial year	12,137	895	748	11,003	129	24,912
Disposals	(3,724)	-	-	-	-	(3,724)
Written off	-	-	(2,265)	-	-	(2,265)
At 30 June 2015	55,282	3,732	3,118	50,078	590	112,800
Net carrying amount						
At 30 June 2015	74,864	1,114	1,359	171,592	1,490	250,419
At 30 June 2014	64,123	2,009	2,227	182,595	658	251,612

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5 Property, plant and equipment (cont'd)

Depreciation expense

	2015 RMB'000	2014 RMB'000
Depreciation expense is charged as follows:-		
Cost of sales	18,717	20,180
Administrative expenses	6,172	6,191
Selling and distribution expenses	23	-
	24,912	26,371

All property, plant and equipment held by the Group are located in Fujian province, PRC.

The net carrying amount of buildings amounted to RMB2,028,585 (2014: RMB2,559,863) is pledged for banking facilities granted to one of the subsidiaries.

6 Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	10,174	10,813
Work-in-progress	4,671	4,988
Finished goods	29,210	26,458
	44,055	42,259

7 Trade and other receivables

Trade receivables generally have credit terms ranging from 30 to 90 days (2014: 60 to 90 days).

	2015 RMB'000	2014 RMB'000
Trade receivables	204,275	258,956
Other receivables		
Deposits	1,061	26,070
Prepayments	2,552	2,431
Advances paid to suppliers	45,648	68,944
	253,536	356,401

The aging analysis of trade receivables are neither past due nor impaired as at 30 June 2014 and 30 June 2015 respectively.

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7 Trade and other receivables (cont'd)

Deposits mainly consist of rental deposits paid for rental of premises. In previous year, deposits included payments made for acquisition of property, plant and equipment. However, the contract was terminated and the deposit has been refunded during the financial year.

Prepayments mainly consist of prepaid rental.

Advances paid to suppliers relate to deposits paid to outsource manufacturers for apparels, accessories and shoes.

Trade and other receivables are denominated in Renminbi.

8 Cash and bank balances

	2015 RMB'000	2014 RMB'000
Cash and bank balances	1,456,947	1,156,243
	1,456,947	1,156,243

For the purpose of the consolidated statement of cash flows, the financial year end's cash and cash equivalents comprise the following:-

	2015 RMB'000	2014 RMB'000
Cash on hand	214	257
Cash at bank	1,456,733	1,155,986
	1,456,947	1,156,243

Cash and bank balances are denominated in the following currency:-

	2015 RMB'000	2014 RMB'000
Renminbi	1,456,836	1,156,115
Ringgit Malaysia	26	39
Hong Kong Dollar	85	89
	1,456,947	1,156,243

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

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9 Share capital

	Number of shares'000		Amount USD'000	
	2015	2014	2015	2014
Authorised:				
Ordinary share at par value USD0.10 each				
Balance at beginning/end of year	1,000,000	1,000,000	100,000	100,000
Issued and fully paid				
Ordinary share at par value USD0.10 each				
Balance at beginning/end of year	338,063	338,063	33,806	33,806
			RMB'000	RMB'000
Equivalent to RMB			230,886	230,886

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All shares rank equally with regards to the Company's residual assets.

10 Reserves

Share premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.

Merger reserve

The merger reserve arises from the difference between the nominal value of shares issued and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries established in the PRC are required to transfer 10% of its profits after tax prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

Warrant reserve and Discount on shares

The warrants reserve is in respect of the allocated fair value of the 169,031,500 free warrants issued on the basis of one free warrant for every two ordinary shares of USD0.10 each at an exercise price of RM1.00 each.

The fair value allocated to the warrants reserve is derived by adjusting the proceeds of the above issuance to the fair value of the shares and warrants on a proportionate basis. The discount on shares is a reserve account that is created to preserve the par value of the ordinary shares.

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10 Reserves (cont'd)

Warrant reserve and Discount on shares (cont'd)

As at the end of the financial years ended 30 June 2015 and 30 June 2014, no warrants were exercised.

The salient terms of the warrants are set out as follows:-

<u>Terms</u>	<u>Details</u>
Total Issue	: 169,031,500
Tenure	: 5 years
Exercised Period	: The warrants shall be exercisable at any time during the tenure of the warrants of five (5) years commencing on, and inclusive of, the date of issue of the warrants and ending on the date preceding the fifth (5th) anniversary of the date of admission of the warrants to the Official List, or if such date is not a Market Day (any day between Monday to Friday, which is not a public holiday and on which Bursa Securities is open for the trading for securities), then it shall be the Market Day immediately preceding the said non-Market Day.
	Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purposes.
Exercise Price	: RM1.00 for each warrant.
Mode of Exercise	: The registered holder of the warrants shall pay cash at the Exercise Price when subscribing for the new Shares.
Valuation model	: Black-Scholes Option Pricing Model
Volatility based on	: Xingquan's share price
Volatility rate	: 30.70%
Risk free rate	: 4.01%
Cut-off date	: 16 May 2014
Period of volatility assessment	: Volatility of Xingquan's share price from 16 May 2012 to 16 May 2014
Fair value per warrant	: RM0.22
Number of warrants	: 169,031,500
Warrant reserve	: RM37,186,930 (equivalent to RMB71,923,000)

Foreign currency translation reserve

Foreign currency translation reserve arises from the translation of the financial statements of foreign entities with functional currencies different from the presentation currency of the Group.

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11 Deferred tax liability

	2015 RMB'000	2014 RMB'000
At 1 July	3,237	3,222
Translation difference	(4)	15
At 30 June	3,233	3,237

The above deferred tax liability is made up from the withholding tax imposed on dividend declared.

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax liability has not been provided for in the consolidated financial statements in respect of temporary differences associated with undistributed earnings of the PRC subsidiaries amounting to approximately RMB1,379,688,000 (2014: RMB1,215,540,000) as at 30 June 2015 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

12 Trade and other payables

	2015 RMB'000	2014 RMB'000
Trade payables	27,701	21,131
Other payables		
VAT payable	8,350	8,936
Salary payable	7,176	7,333
Deposits from distributors	1,300	1,300
Withholding tax payable	11,272	6,850
Accruals and other payables	12,218	12,751
	68,017	58,301

Trade payables are generally settled within 60 days (2014: 30 to 60 days).

Accruals mainly comprise accrued marketing expenses and accrued sales rebates. Other payables mainly relate to amount payable for social security insurance.

Trade and other payables are denominated in the following currencies:-

	2015 RMB'000	2014 RMB'000
Renminbi	67,126	56,985
Ringgit Malaysia	851	1,256
Hong Kong Dollar	40	60
	68,017	58,301

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13 Borrowings

	2015 RMB'000	2014 RMB'000
Bank loans		
Secured and repayable within one year	18,000	18,000

The Group's borrowings are secured by charge on a subsidiary's building, a subsidiary's land use rights and guaranteed by a third party, a Director and a subsidiary of the Group.

Short-term bank borrowings bear effective interest rate at 5.6% to 6% (2014: 6%) per annum. Short-term bank borrowings which are at fixed interest rates are contractually repriced at intervals of 12 months.

Borrowings are denominated in Renminbi.

14 Finance costs

	2015 RMB'000	2014 RMB'000
Interest expense		
Bank loans	1,067	986

15 Profit before tax

	Note	2015 RMB'000	2014 RMB'000
Profit before tax has been arrived at after charging:-			
Depreciation	5	24,912	26,371
Amortisation of land use rights	4	283	282
Property, plant and equipment written off	5	120	1,084
Loss on disposal on property, plant and equipment		728	9,084
Cost of inventories included in cost of sales		647,870	633,536
Research and development cost		2,946	3,869
Directors' remuneration			
- salaries and related costs		8,037	14,707
- retirement scheme contribution		16	16
- fees		125	290
Key management personnel (other than Directors)			
- salaries and related costs		3,418	3,459
- retirement scheme contribution		178	96
Other than Directors and key management personnel			
- salaries and related costs		89,882	86,875
- retirement scheme contribution		19,031	19,181
Marketing expenses *		100,794	84,279
Operating lease expense		5,849	5,558

* The expense is charged to selling and distribution expenses in the profit or loss.

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16 Tax expense

	2015 RMB'000	2014 RMB'000
Current year provision		
- PRC income tax	75,001	65,436
Underprovision of tax expense in respect of prior year	377	372
	75,378	65,808

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:-

	2015 RMB'000	2014 RMB'000
Profit before tax	325,914	242,448
Tax at applicable tax rate of 25% (2014 : 25%)	81,479	60,612
Tax effect on non-deductible expenses	4,276	4,957
Income not subject to tax	(10,754)	(133)
Underprovision of tax expense in respect of prior year	377	372
	75,378	65,808

Note:-

Xingquan International Sports Holding Limited was incorporated in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and accordingly, is exempted from payment of Bermuda Income Tax.

Addnice HK and XIII are incorporated in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits subject to Hong Kong profits tax.

In accordance with China Corporate Income tax Law, which came into effect from 1 January 2008, Addnice (China) Co., Ltd., Fujian Aidinai Sports Goods Co., Ltd., Xingquan (Fujian) Shoes Plastic Co., Ltd., Xingquan Footwear Material Co., Ltd., Germany Top (Fujian) Sports Products Co., Ltd. and Xingquan (China) Co., Ltd. are subject to corporate income tax of 25%.

17 Earnings per share

	2015	2014
Profit after tax (RMB'000)	250,536	176,640
Weighted average number of ordinary shares outstanding ('000)	338,063	311,119
Basic earnings per share (RMB cents)	74.11	56.78

Basic earnings per share is calculated based on the consolidated profit after tax and the weighted average number of shares in issue of 338,063,000 shares (2014: 311,119,000 shares) during the financial year. There were no diluted earnings per share is presented as the effect is anti-dilutive.

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18 Dividends

	2015 RMB'000	2014 RMB'000
Tax exempt dividend paid in respect of the financial year ending 30 June 2015 of RM0.02 (equivalent to RMB0.03) per ordinary share	11,375	-

19 Capital commitments

	2015 RMB'000	2014 RMB'000
Authorised and contracted for:-		
-Land use rights with buildings	-	37,800
-Purchase of plant and machinery	2,217	-
	2,217	37,800

The above contract to acquire land use rights with buildings had been terminated in July 2014. Further details are disclosed in Note 7 to the financial statements.

20 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:-

Name	Country of incorporation/ Principal place of business	Percentage of equity held		Principal activities
		2015 %	2014 %	
<u>Directly Held</u>				
Xingquan International Investment Limited ("XIIL") ^{(1)*}	Hong Kong	100	100	Investment holding
Addnice Holdings Limited ("Addnice HK") ^{(1)*}	Hong Kong	100	100	Investment holding
Gertop International Holdings Limited ("GIHL") ^Δ	Bermuda	100	-	Dormant
<u>Indirectly Held</u>				
Gertop Europa International Ltd. ("GEIL") [@]	Hungary	100	100	Dormant
Addnice (China) Co., Ltd ("Addnice China") ^{(2)*}	PRC	100	100	Manufacturing of shoes and sales of shoes, apparels and accessories
Fujian Aidinai Sports Goods Co., Ltd ("Addnice Sports") ^{(2)*}	PRC	100	100	Sales of shoes, apparels and accessories
Xingquan (Fujian) Shoes Plastics Co., Ltd ("Xingquan Plastics") ^{(2)*}	PRC	100	100	Manufacturing and sales of shoe soles

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20 Subsidiaries (cont'd)

Details of the Group's subsidiaries at the end of the reporting period are as follows (cont'd):-

Name	Country of incorporation/ Principal place of business	Percentage of equity held		Principal activities
		2015 %	2014 %	
<u>Indirectly Held (cont'd)</u>				
Xingquan Footwear Material Co., Ltd ("Xingquan Footwear") ^{(2)*}	PRC	100	100	Lease of factory and land
Germany Top (Fujian) Sports Products Co., Ltd ("GERTOP") ^{(2)*}	PRC	100	100	Sales of shoes, apparels and accessories
Xingquan (China) Co., Ltd ("XCL") ^{(2)*}	PRC	100	100	Manufacturing of shoe soles

⁽¹⁾ Audited by S.W Chan & Co, Certified Public Accountant for statutory purposes.

⁽²⁾ Audited by Quanzhou Fengzhe Minghua LianHe, Certified Public Accountant for statutory purposes.

* Audited by SJ Grant Thornton for the purpose of expressing an opinion on the consolidated financial statements.

Δ Dormant company which no statutory audit was required under Bermuda Companies Act.

@ Dormant company which no statutory audit was required under Hungary Company Act 4 of 2006.

21 Segment information

21.1 Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segment is organised into three main business segments.

- Design, manufacturing and sales of shoe soles.
- Design, manufacturing and sales of leisure footwear.
- Design and sale of apparels and accessories.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group other income, expenses and income taxes are managed on a group basis and are not allocated to operating segments except for segment results.

Group assets and liabilities that are not related to any of the operating segments are not allocated to operating segments.

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21 Segment information (cont'd)

21.1 Business segments (cont'd)

Financial year ended 30 June 2015	Shoe soles RMB'000	Leisure footwear RMB'000	Apparels and accessories RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	233,959	391,472	667,427	-	1,292,858
Inter-segment revenue	16,339	52,891	52,492	(121,722)	-
	250,298	444,363	719,919	(121,722)	1,292,858
Results					
Segment results	67,712	133,094	267,603	-	468,409
Other income					50,671
Selling and distribution expenses					(142,908)
Administrative expenses					(49,191)
Finance costs					(1,067)
Profit before tax					325,914
Tax expense					(75,378)
Profit after tax					250,536
Other information					
Segment assets	147,615	131,662	224,472	(5,000)	498,749
Unallocated assets					
- Land use rights					12,707
- Other receivables					49,261
- Cash and bank balances					1,456,947
Total assets					2,017,664
Segment liabilities	14,203	4,990	8,508	-	27,701
Unallocated liabilities					
- Borrowings					18,000
- Other payables					40,316
- Current tax payable					7,003
- Deferred tax liability					3,233
Total liabilities					96,253
Capital expenditure	24,065	422	719	-	25,206
Depreciation of property, plant and equipment	9,391	5,738	9,783	-	24,912
Property, plant and equipment written off	119	-	1	-	120
Loss on disposal on property, plant and equipment	728	-	-	-	728
Amortisation of land use rights					283

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21 Segment information (cont'd)

21.1 Business segments (cont'd)

Financial year ended 30 June 2014	Shoe soles RMB'000	Leisure footwear RMB'000	Apparels and accessories RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	209,295	334,683	685,440	-	1,229,418
Inter-segment revenue	20,299	43,281	41,734	(105,314)	-
	229,594	377,964	727,174	(105,314)	1,229,418
Results					
Segment results	54,188	112,112	255,676	(4,000)	417,976
Other income					6,905
Selling and distribution expenses					(126,404)
Administrative expenses					(55,043)
Finance costs					(986)
Profit before tax					242,448
Tax expense					(65,808)
Profit after tax					176,640
Other information					
Segment assets	128,019	147,681	284,127	(7,000)	552,827
Unallocated assets					
- Land use rights					12,990
- Other receivables					97,445
- Cash and bank balances					1,156,243
Total assets					1,819,505
Segment liabilities	9,714	3,905	7,512	-	21,131
Unallocated liabilities					
- Borrowings					18,000
- Other payables					37,170
- Current tax payable					12,510
- Deferred tax liability					3,237
Total liabilities					92,048
Capital expenditure	8,009	2	3	-	8,014
Depreciation of property, plant and equipment	11,680	5,024	9,667	-	26,371
Property, plant and equipment written off	1,077	2	5	-	1,084
Loss on disposal on property, plant and equipment	9,084	-	-	-	9,084
Amortisation of land use rights					282

21.2 Geographical segments

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operations is presented.

21.3 Major customers

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue.

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22 Financial instruments

(a) Risk management objectives and policies

The Group does not have written risk management policies and guidelines. However, the Board of Directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at reporting date, the Group's financial instruments consisted mainly of cash and bank balances, trade and other receivables, trade and bills payables, accrued liabilities and other payables and bank borrowings.

22(a).i Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from short-term bank borrowings and deposits with banks. The Group's policy is to maintain all its borrowings on a fixed rate basis. The Group's exposure to investment in other financial assets with floating rate is not expected to be significant. Thus, fluctuations in the interest rate will not have an impact on the Group's net profit for the financial year ended 30 June 2015 and 30 June 2014. Accordingly, no sensitivity analysis is presented.

22(a).ii Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies. The Group does not expect major exposure to foreign currency risk in the future as majority of the cash held are denominated in Renminbi and the Group conducts its sale and purchase transactions in Renminbi. As the cash held in foreign currency is minimal and immaterial to the Group, as such, no sensitivity analysis is presented.

22(a).iii Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities. The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:-

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22 Financial instruments (cont'd)

(a) Risk management objectives and policies (cont'd)

22(a).iii Liquidity risk (cont'd)

	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2015				
Trade and other payables	68,017	-	-	68,017
Borrowings	18,000	-	-	18,000
	86,017	-	-	86,017
As at 30 June 2014				
Trade and other payables	58,301	-	-	58,301
Borrowings	18,000	-	-	18,000
	76,301	-	-	76,301

The Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group maintains sufficient level of cash and cash equivalents and has available adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

22(a).iv Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables and bank deposits. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The carrying amounts of trade and other receivables and cash and bank balances represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group's top 10 trade receivables contributed in aggregate to 46.62% (2014: 45.63%) of the total trade receivables balances as at reporting period. The Group performs ongoing credit evaluation of their customers' financial condition and requires no collateral from its customers. Cash and bank balances of the Group are held by reputable financial institutions.

22(a).v Market risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group does not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices. Accordingly, no sensitivity analysis is presented.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF XINGQUAN FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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22 Financial instruments (cont'd)

(b) Fair value measurement

The carrying amount of the financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at the end of the financial year would be significantly different from the values that would eventually be received or settled.

(c) Fair values hierarchy

No fair value hierarchy had been disclosed for financial assets and financial liabilities as the Group does not have financial instruments measured at fair value.

23 Capital management

The Group's objectives when managing capital are:-

- (a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (b) To support the Group's stability and growth; and
- (c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency. The Group currently does not adopt any formal dividend policy.

24 Significant events during the financial year

On 10 July 2014, the Company had incorporated a new wholly-owned subsidiary, GIHL in Bermuda with authorised share capital of AUD10,000 divided into 1,000,000 shares of AUD0.01 equivalent to RM29,800 and paid up share capital of AUD0.01 divided into 1 share of AUD0.01 equivalent to RM0.03. The intended principal activity of GIHL will be investment holding.

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25 Supplementary information – disclosure of realised and unrealised profit/loss

The breakdown of the retained profits of the Group as at 30 June 2015 and 30 June 2014 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1., Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants.

	30 June 2015 RMB'000	30 June 2014 RMB'000
Total retained profits of the Company and its subsidiaries		
- Realised	1,337,730	1,153,759
- Unrealised	42,597	(45)
	1,380,327	1,153,714
Consolidation adjustments	(11,848)	(13,854)
	1,368,479	1,139,860

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.12.2015	31.12.2014	31.12.2015 (note a)	31.12.2014 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	234,822	385,618	148,572	243,981
Cost of sales		(162,864)	(243,729)	(103,044)	(154,207)
Gross profit		71,958	141,889	45,528	89,774
Other income		9,607	18,877	6,078	11,943
Selling and distribution expenses	B1	(15,324)	(49,453)	(9,695)	(31,289)
Administrative expenses		(9,675)	(13,638)	(6,121)	(8,629)
Finance costs		(236)	(276)	(149)	(175)
Profit before taxation	B1	56,330	97,399	35,641	61,624
Income tax expenses		(13,203)	(21,044)	(8,354)	(13,315)
Profit after taxation	B1	43,127	76,355	27,287	48,309
Other comprehensive losses, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity		(8,506)	(17,268)	(5,382)	(10,925)
Total comprehensive income for the period		34,621	59,087	21,905	37,384
Attributable to :					
- Equity holders of the Company		34,621	59,087	21,905	37,384
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B10	0.13	0.23	0.08	0.14
Diluted (RMB/RM)	B10	*	*	*	*

Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 31 December 2015 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6327 at 31 December 2015. This translation should not be construed as a representation that the RMB amounts actually represented have been or could be converted into RM at this or any other rate.

(b) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

* Refer to Note B1o (b) for further details.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

	Note	Cumulative Quarter Current year-to-date		Cumulative Quarter Current year-to-date	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
		(note a)	(note a)		
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	449,474	707,425	284,382	447,588
Cost of sales		(306,211)	(452,432)	(193,740)	(286,254)
Gross profit		143,263	254,993	90,642	161,334
Other income		36,118	27,015	22,852	17,092
Selling and distribution expenses	B1	(64,281)	(69,564)	(40,671)	(44,013)
Administrative expenses		(17,535)	(22,783)	(11,094)	(14,415)
Finance costs		(495)	(556)	(313)	(352)
Profit before taxation	B1	97,070	189,105	61,416	119,646
Income tax expenses		(17,845)	(42,969)	(11,291)	(27,186)
Profit after taxation	B1	79,225	146,136	50,125	92,460
Other comprehensive losses, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		(33,252)	(24,243)	(21,039)	(15,339)
Total comprehensive income for the period		45,973	121,893	29,086	77,121
Attributable to :					
- Equity holders of the Company		45,973	121,893	29,086	77,121
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B10	0.23	0.43	0.15	0.27
Diluted (RMB/RM)	B10	*	*	*	*

Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 31 December 2015 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6327 at 31 December 2015. This translation should not be construed as a representation that the RMB amounts actually represented have been or could be converted into RM at this or any other rate.

(b) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

* Refer to Note B10 (b) for further details.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Unaudited As At 31.12.2015	Audited As at 30.6.2015	Unaudited As At 31.12.2015 (note a)	Audited As at 30.6.2015 (note a)
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	239,812	250,419	158,396	165,402
Land use rights	12,566	12,707	8,300	8,393
	<u>252,378</u>	<u>263,126</u>	<u>166,696</u>	<u>173,795</u>
Current assets				
Inventories	269,362	44,055	177,914	29,099
Trade and other receivables	365,858	253,536	241,649	167,461
Cash and bank balances	1,234,743	1,456,947	815,548	962,313
	<u>1,869,963</u>	<u>1,754,538</u>	<u>1,235,111</u>	<u>1,158,873</u>
Current liabilities				
Trade and other payables	120,367	68,017	79,503	44,926
Interest-bearing bank borrowings	18,000	18,000	11,889	11,889
Corporate income tax payable	13,203	7,003	8,721	4,626
	<u>151,570</u>	<u>93,020</u>	<u>100,113</u>	<u>61,441</u>
Net current assets	1,718,393	1,661,518	1,134,998	1,097,432
Non-current liability				
Deferred income tax liabilities	3,387	3,233	2,237	2,135
Net assets	<u>1,967,384</u>	<u>1,921,411</u>	<u>1,299,457</u>	<u>1,269,092</u>
EQUITY				
Share capital	230,886	230,886	152,500	152,500
Reserves	1,736,498	1,690,525	1,146,957	1,116,592
TOTAL EQUITY	<u>1,967,384</u>	<u>1,921,411</u>	<u>1,299,457</u>	<u>1,269,092</u>
Net assets per share attributable to equity holders of the Company (RMB/RM)	<u>5.82</u>	<u>5.68</u>	<u>3.84</u>	<u>3.75</u>

Notes:

- (a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 31 December 2015 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6605 at 31 December 2015. This translation should not be construed as a representation that the RMB amounts actually represented have been or could be converted into RM at this or any other rate.
- (b) The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

	Attributable to Equity Holders of the Company								
	Non - distributable					Distributable			
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Currency translation reserve RMB'000	Warrants reserve RMB'000	Discount on shares RMB'000	Retained earnings RMB'000	Total Equity RMB'000
At 1 July 2014	230,886	273,851	136,196	(81,403)	28,067	71,923	(71,923)	1,139,860	1,727,457
Total comprehensive income for the period	-	-	10,542	-	(45,207)	-	-	250,536	215,871
Dividends	-	-	-	-	-	-	-	(11,375)	(11,375)
Transfer to statutory reserve	-	-	-	-	-	-	-	(10,542)	(10,542)
At 30 June 2015	230,886	273,851	146,738	(81,403)	(17,140)	71,923	(71,923)	1,368,479	1,921,411
At 1 July 2015	230,886	273,851	146,738	(81,403)	(17,140)	71,923	(71,923)	1,368,479	1,921,411
Total comprehensive income for the period	-	-	-	-	(33,252)	-	-	79,225	45,973
At 31 December 2015	230,886	273,851	146,738	(81,403)	(50,392)	71,923	(71,923)	1,447,704	1,967,384

	Attributable to Equity Holders of the Company								
	Non - distributable					Distributable			
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000	Currency translation reserve RM'000	Warrants reserve RM'000	Discount on shares RM'000	Retained earnings RM'000	Total Equity RM'000
At 1 July 2014	152,500	180,879	89,957	(53,767)	18,538	-	-	752,878	1,140,985
Total comprehensive income for the period	-	-	6,963	-	(29,859)	-	-	165,479	142,583
Dividends	-	-	-	-	-	-	-	(7,513)	(7,513)
Transfer to statutory reserve	-	-	-	-	-	-	-	(6,963)	(6,963)
At 30 June 2015	152,500	180,879	96,920	(53,767)	(11,321)	-	-	903,881	1,269,092
At 1 July 2015	152,500	180,879	96,920	(53,767)	(11,321)	-	-	903,881	1,269,092
Total comprehensive income for the period	-	-	-	-	(21,963)	-	-	52,328	30,365
At 31 December 2015	152,500	180,879	96,920	(53,767)	(33,284)	-	-	956,209	1,299,457

Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 31 December 2015 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6605 at 31 December 2015. This translation should not be construed as a representation that the RMB amounts actually represented have been or could be converted into RM at this or any other rate.

(b) The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
DECEMBER 2015 (Cont'd)



(Incorporated in Bermuda under the Companies Act 1981 of Bermuda (Company Registration No. 42756))

(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia

(Company No. 995177-V))

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD 31 DECEMBER 2015				
	6 months Ended 31.12.2015	6 months Ended 31.12.2014	6 months Ended 31.12.2015 (note a)	6 months Ended 31.12.2014 (note a)
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	97,070	189,105	61,416	119,646
Adjustment for:				
Depreciation of property, plant and equipment	12,395	12,321	7,843	7,795
Write off of property, plant and equipment	-	1,368	-	866
Amortisation of land use rights	141	141	89	89
Unrealised gain on foreign exchange differences	(33,985)	(24,188)	(21,502)	(15,304)
Interest expenses on bank borrowings	495	549	313	347
Interest income	(2,586)	(2,163)	(1,636)	(1,369)
Operating profit before working capital changes	73,530	177,133	46,523	112,070
Increase in inventories	(225,307)	(31,293)	(142,552)	(19,799)
Increase in trade and other receivables	(112,322)	(42,691)	(71,066)	(27,013)
Increase in trade and other payables	53,069	44,513	33,577	28,164
Cash generated from operations	(211,030)	147,662	(133,518)	93,422
Interest paid	(495)	(549)	(313)	(347)
Income tax paid	(11,645)	(34,436)	(7,368)	(21,788)
Interest received	2,586	2,163	1,636	1,369
Net cash (used in)/generated from operating activities	(220,584)	114,840	(139,563)	72,656
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1,788)	(24,245)	(1,131)	(15,340)
Cash used in investing activities	(1,788)	(24,245)	(1,131)	(15,340)
Cash flows from financing activities				
Bank loans obtained	18,000	13,300	11,389	8,415
Repayment of bank loans	(18,000)	(13,300)	(11,389)	(8,415)
Net cash generated from / (used in) financing activities	-	-	-	-
Net (decrease)/increase in cash and cash equivalents	(222,372)	90,595	(140,694)	57,316
Translation differences	168	(29)	(6,071)	2,502
Cash and cash equivalents at beginning of the financial period	1,456,947	1,156,243	962,313	763,699
Cash and cash equivalents at end of financial period	1,234,743	1,246,809	815,548	823,517
Notes:				
(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 31 December 2015 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6327 at 31 December 2015. This translation should not be construed as a representation that the RMB amounts actually represented have been or could be converted into RM at this or any other rate.				
(b) The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.				

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
DECEMBER 2015 (Cont'd)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

A1. Basis of accounting and changes in accounting policies

a) Basis of accounting

The interim financial statements of Xingquan International Sports Holdings Limited (the "Company") for the second quarter ended 31 December 2015 are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

b) Changes in accounting policies

There are no changes in accounting policies for the financial period ended 31 December 2015.

c) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is disclosed in Note 6.

The Group was formed as a result of the reorganisation exercise undertaken in 2009 for the purpose of the Company's listing on the Main Market of the Bursa Malaysia Securities Berhad. The acquisition of 100% equity in Addnice Holdings Limited by Xingquan International Sports Holdings Limited pursuant to the reorganisation exercise under common control has been accounted for using the pooling-of-interests method of consolidation. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the reorganisation has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group's next reorganisation exercise.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Business combination is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
DECEMBER 2015 (Cont'd)

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in profit and loss on the date of acquisition.

Where the accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

d) Functional currency and translation to presentation currency

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Malaysia Ringgit. The financial statements are presented in Renminbi instead of Malaysia Ringgit as the primary economic environment in which the Group operates is the People's Republic of China.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the financial position date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in term of historical cost in a foreign currency are translated using the exchange rates at the date of the translation.

(iii) Group entities

The results and financial positions of all the entities within the Group that have functional currencies different from the presentation currency are translated into the presentation currency as follows:-

- (a) Assets and liabilities are translated at the closing rate at the reporting date;
- (b) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) All resulting exchange differences are recognised as a separate component of equity.

A2. Audit report of the Group's preceding annual financial statements

The Group's audited consolidated financial statements for the financial year ended 30 June 2015 were not subject to any audit qualification.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
DECEMBER 2015 (Cont'd)

A3. Seasonal or cyclical factors

There are no seasonal or cyclical factors which materially affect the Group during the quarter under review.

A4. Unusual items

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

A5. Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the results of the current quarter under review.

A6. Changes in share capital and debts

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury share and resale of treasury shares for the current financial year to date.

A7. Subsequent material events

There are no other material events as at the date of this announcement that will affect the results in the financial period under review.

APPENDIX V

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
 DECEMBER 2015 (Cont'd)

A8. Segment information

a) Operating segments

	6 months ended 31 December 2015				
	Shoe soles	Casual Footwear	Apparels and Accessories	Eliminated	Total
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
External revenue	74,933	91,704	282,837		449,474
Inter-segment revenue	43,671	16,547	17,743	(77,961)	-
	118,604	108,251	300,580	(77,961)	449,474
Results					
Segment results	17,274	35,187	90,802	-	143,263
Other income					36,118
Selling and distribution expenses					(64,281)
Administrative expenses					(17,535)
Finance costs					(495)
Profit before taxation					97,070
Income tax expenses					(17,845)
Profit after taxation					79,225
Other information					
Segment assets	155,015	286,694	359,205	(4,000)	796,914
Unallocated assets					
- Land use rights					12,566
- Other receivables					78,118
- Cash and bank					1,234,743
Total assets					2,122,341
Segment liabilities	14,569	22,128	68,247	-	104,944
Unallocated liabilities					
- Borrowing					18,000
- Other payables					15,423
- Current tax payable					13,203
- Deferred tax liability					3,387
Total liabilities					154,957
Capital expenditure	1,788				1,788
Depreciation of property, plant and equipment	4,603	1,908	5,884		12,395
Amortisation of land use rights					141

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
 DECEMBER 2015 (Cont'd)

6 months ended 31 December 2014					
	Shoe soles	Casual Footwear	Apparels and Accessories	Eliminated	Total
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
External revenue	113,597	212,328	381,500		707,425
Inter-segment revenue	9,652	24,232	24,094	(57,978)	-
	123,249	236,560	405,594	(57,978)	707,425
Results					
Segment results	32,043	72,836	150,114	-	254,993
Other income					27,015
Selling and distribution expenses					(69,564)
Administrative expenses					(22,783)
Finance costs					(556)
Profit before taxation					189,105
Income tax expenses					(42,969)
Profit after taxation					146,136
Other information					
Segment assets	153,226	178,240	320,250	(7,000)	644,716
Unallocated assets					
- Land use rights					12,849
- Other receivables					90,096
- Cash and bank					1,246,809
Total assets					1,994,470
Segment liabilities	13,540	13,696	24,609	-	51,845
Unallocated liabilities					
- Borrowing					18,000
- Other payables					51,040
- Current tax payable					21,043
Dividends					11,917
- Deferred tax liability					3,191
Total liabilities					157,036
Capital expenditure	24,065	180			24,245
Depreciation of property, plant and equipment	4,570	2,771	4,980		12,321
Property, plant and equipment written off	789	220	359		1,368
Amortisation of land use rights					141

b) Geographical segments

As the business of the Group is engaged entirely in the People's Republic of China, no reporting by geographical location of operation is presented.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
DECEMBER 2015 (Cont'd)

A9. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the Company's audited consolidated financial statements for the year ended 30 June 2015.

A10. Corporate proposals

On 25th September 2015, the company announced to undertake the following corporate proposals:-

- Proposed reorganisation of the share capital of the Company which involves, among other things, the reduction of the issued and paid-up share capital of Xingquan via the cancellation of United States Dollar ("US\$") 0.09 on each of the existing ordinary issued and paid-up shares of US\$0.10 in Xingquan pursuant to Section 46 of the Companies Act 1981 of Bermuda ("Act") (the "Proposed Par Value Reduction"), to be effective on such date as may be determined by the Board ("Par Value Reduction Effective Date") ("Proposed Capital Reorganisation"); and
- Proposed renounceable rights issue of up to 253,547,250 new ordinary shares of US\$0.01 in the Company ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing shares held in Xingquan after the Proposed Par Value Reduction Effective Date, together with up to 84,515,750 free detachable warrants ("Warrant(s) B") on the basis of one (1) Warrant B for every three (3) Rights Shares subscribed, on an entitlement date to be determined later by the Board ("Entitlement Date") ("Proposed Rights Issue with Warrants").

Save for the above, there were no corporate proposals announced but not completed as at the date of this report.

A11. Contingent liabilities

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 30 June 2015.

A12. Capital commitments

There were no authorised capital expenditures contracted but not provided for in the financial statements as at 31 December 2015.

A13. Changes in the composition of the Group

There are no changes in the composition of the Group during the financial period to-date.

A14. Reserves

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profits after taxation prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
DECEMBER 2015 (Cont'd)

Merger reserve

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting

Foreign currency translation reserve

Foreign currency translation reserve arises from the translation of the financial statements of foreign entities with functional currencies different from the presentation currency of the Group.

Share premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.

A15. Related party transactions

There are no related party transactions during the current quarter.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Review of performance

a) Financial Year-to-date vs. Previous Financial Year-to-date

The Group achieved a revenue and profit before tax ("PBT") of RMB449.5 million and RMB97.1 million respectively for the 6 months financial period ended 31 December 2015 ("FPE2016"). The revenue of RMB449.5 million represents a decrease of 36.5% as compared to the revenue of RMB707.4 million recorded for the 6 months financial period ended 31 December 2014 ("FPE2015").

The decrease in revenue is contributed by the following:

- (i) Decrease in sales volume of shoe soles from 7.1 million in FPE2015 to 5.1 million in FPE2016.
- (ii) Decrease in sales volume of apparels from 1.8 million in FPE2015 to 1.4 million in FPE2016.

The PBT of RMB97.1 million for FPE2016 represents a decrease of 48.7% as compared to the PBT of RMB189.1 million recorded for FPE2015. The decrease in PBT was mainly due to the decrease in overall revenue.

The decrease in selling and distribution expenses from RMB69.6 million in FPE2015 to RMB64.3 million in FPE2016 is mainly due to lower expenses in relation to market development and renovation costs.

The profit after taxation ("PAT") of RMB79.2 million for FPE2016 represents a decrease of 45.8% as compared to PAT of RMB146.1 million recorded for FPE2015 due to decrease in overall revenue.

The effective tax rate decreases from 22.7% for FPE2015 to 18.4% FPE2016 due to the unrealised gain on foreign exchange difference is not subject to income tax.

Performance of the respective operating business segments for FPE2016 as compared to FPE2015 is analysed as follows:

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
 DECEMBER 2015 (Cont'd)

Shoe soles – The decrease in revenue from RMB113.6 million for FPE2015 to RMB74.9 million for FPE2016 was mainly due to decrease in sales volume from 7.1 million pairs for FPE2015 to 5.1 million pairs for FPE2016.

Shoes – The decrease in revenue from RMB212.3 million for FPE2015 to RMB91.7 million for FPE2016 was mainly due to decrease in sales volume from 1.2 million pairs for FPE2015 to 0.5 million pairs for FPE2016.

Apparels - The decrease in revenue from RMB381.5 million for FPE2015 to RMB282.8 million for FPE2016 was mainly due to decrease in sales volume from 1.8 million piece for FPE2015 to 1.4 million piece for FPE2016.

The increase in the inventory as at 31 December 2015 is mainly due to the custom made shoes amounting to RMB186.0 million that is pending delivery.

b) Current Quarter vs. Previous Year Corresponding Quarter

The Group achieved a revenue and profit before taxation ("PBT") of RMB234.8 million and RMB56.3 million respectively for the current quarter ("Q2FY2016"), representing decrease of 39.1% and 42.2% in revenue and PBT respectively as compared to the corresponding period in the preceding year.

The decrease in revenue is contributed by the decrease in sales volume of shoe, shoe sole, apparels and accessories in Q2FY2016.

The PBT of RMB56.3 million for Q2FY2016 represents a decrease of 42.2% as compared to the PBT of RMB97.4 million recorded for Q2FY2015. The decrease in PBT was mainly due to the decrease in revenue.

Performance of the respective operating business segments for Q2FY2016 as compared to Q2FY2015 is analysed as follows:

Shoe sole – The decrease in revenue was mainly due to decrease in sales volume.

Shoe – The decrease in revenue was mainly due to decrease in sales volume.

Apparel - The decrease in revenue was mainly due to decrease in sales volume.

B2. Variation of results against immediate preceding quarter

	Current quarter 31 December 2015 RMB 000	Preceding quarter 30 September 2015 RMB 000
Revenue	234,822	214,652
Profit before taxation	56,330	40,740

The Group recorded revenue of RMB234.8 million for Q2FY2016, representing a increase of 9.4% as compared to the revenue of RMB214.6 million recorded for the quarter ended 30 September 2015 ("Q1FY2016"). The increase in revenue was due to increase in volume for apparels.

The profit before taxation of RMB56.3 million for Q2FY2016 represents an increase of 38.3% as compared to the profit before taxation of RMB40.7 million recorded for Q1FY2016. This was mainly due to the increase in unrealised gain on foreign exchange differences.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
 DECEMBER 2015 (Cont'd)

B3. Prospects for FYE 2016

We are aware that the Chinese economic uncertainties may impact the spending pattern of the Chinese consumers which may then impact our business. As such, we will continue to be wary of the changes in the economic conditions. Nevertheless, our Board of Directors believes that the Group's prospects for the financial year ending 30 June 2016 should remain positive due to the success of the GERTOP brand which is in the outdoor casual wear segment as well as the market recognition of our shoe sole business.

B4. Profit forecast and profit guarantee

The Group has not provided any profit forecast or profit guarantee in any public document for the current financial quarter.

B5. Profit before taxation

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

	Current year quarter	Current year to date
	RMB 000	RMB 000
Depreciation of property, plant and equipment	6,212	12,395
Amortisation of land use rights	70	141
Interest expenses	236	495
Interest income	(1,279)	(2,586)
Unrealised gain on foreign exchange differences	(8,575)	(33,985)

Save for the above items, there are no other items required to be disclosed according to Note 16 of Appendix 9B on Quarterly Report issued by Bursa Malaysia.

B6. Taxation

Taxation comprises the following:

	Current Quarter	Current year to date
	RMB 000	RMB 000
PRC income tax	13,203	17,845

The effective income tax rate of the Group for the current quarter and current year to date was 18.4% as compared to the applicable tax rate of 25%. This is lower than the applicable tax rate because of unrealised gain on foreign exchange differences recorded during the quarter.

B7. Group borrowings

The Group's borrowings as at 31 December 2015 were as follows:

	Total RMB 000
Short term bank loans – secured	18,000

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
 DECEMBER 2015 (Cont'd)

B8. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B9. Dividend

There was no dividend declared by the Company for the current quarter.

B10. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing profits for the period attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the period:-

	Individual Quarter Ended		Individual Quarter Ended	
	31.12.2015 RMB	31.12.2014 RMB	31.12.2015 RM	31.12.2014 RM
Profit after tax	43,127,000	76,355,000	27,287,000	48,309,000
Weighted average number of ordinary shares in issue	338,063,000	338,063,000	338,063,000	338,063,000
Basic earnings per share	0.13	0.23	0.08	0.14

	Cumulative Quarter 6 Months Ended		Cumulative Quarter 6 Months Ended	
	31.12.2015 RMB	31.12.2014 RMB	31.12.2015 RM	31.12.2014 RM
Profit after tax	79,225,000	146,136,000	50,125,000	92,460,000
Weighted average number of ordinary shares in issue	338,063,000	338,063,000	338,063,000	338,063,000
Basic earnings per share	0.23	0.43	0.15	0.27

b) Diluted

As of 30 September 2015, the Group has 169,031,500 of warrant in issue, which entitles the holders the rights for conversion into one (1) ordinary share for every one (1) warrant at an exercise price of RM1.00 each. This gives rise to potential ordinary shares which, upon conversion, could result in dilution to earnings per share in future financial periods.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31
 DECEMBER 2015 (Cont'd)

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 volume-weighted average market price of the Company's ordinary shares during September 2014 was slightly lower than the warrant exercise price. As such, the issued warrants are not regarded as dilutive and accordingly, no diluted earnings per share is being presented for the current quarter under review. Relevant disclosure and information, where applicable, would be made in future interim financial reports and annual financial statements.

B11. Realised and unrealised profits

	Cumulative Quarter		Cumulative Quarter	
	6 Months Ended		6 Months Ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RMB 000	RMB 000	RM 000	RM 000
Total Retained Profit/(Loss)				
Realised	1,382,807	1,322,123	913,344	873,262
Unrealised	42,245	(57,331)	27,903	(37,867)
	<u>1,425,052</u>	<u>1,264,792</u>	<u>941,247</u>	<u>835,395</u>
Consolidation adjustments	22,652	9,287	14,962	6,135
	<u>1,447,704</u>	<u>1,274,079</u>	<u>956,209</u>	<u>841,530</u>

By Order of the Board

Kang Shew Meng
 Seow Fei San
 Secretaries

24 February 2016

DIRECTORS' REPORT



XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda (Registration No. 42756))
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia (Company No. 995177-V))

Registered Office in Malaysia:

802, 8th Floor
Block C, Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor
Malaysia

26 February 2016

To: The Shareholders of Xingquan International Sports Holdings Limited ("**Xingquan**" or the "**Company**")

On behalf of the Board of Directors of Xingquan ("**Board**"), I wish to report that after making due enquiries in relation to Xingquan and its subsidiaries ("**Group**") during the period between 30 June 2015, being the date to which the latest audited consolidated financial statements have been made up, and the date of this letter, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus:-

- (a) in the opinion of our Board, save as disclosed in this Abridged Prospectus, the business of our Group has been satisfactorily maintained;
- (b) in the opinion of our Board, no circumstances have arisen since the latest audited consolidated financial statements of Xingquan which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (e) there have been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/ or principal sums in relation to any borrowings in our Group since the latest audited consolidated financial statements of Xingquan; and
- (f) there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited consolidated financial statements of Xingquan.

Yours faithfully,

For and on behalf of the Board

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

DATO' WU QINGQUAN

Executive Chairman/Chief Executive Officer

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights Shares, Warrants B, Additional Warrants A and the new Xingquan Shares to be issued arising from the exercise of the Warrants B and Additional Warrants A, no other securities will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, we have only one (1) class of shares in our Company, namely the ordinary shares of US\$0.01 each, all of which rank *pari passu* with one another.
- (iii) Save as disclosed in **Section 2, Appendix II** of this Abridged Prospectus, and the Rights Shares, the Warrants A, Warrants B and the new Xingquan Shares to be issued arising from the exercise of the Warrants A and Warrants B, there are no securities in our Company that have been issued or agreed to be issued, as partly or fully paid-up otherwise than in cash, within two (2) years preceding the date of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, save for the warrant holders who are entitled to exercise their rights under each Outstanding Warrants A held and the Entitled Shareholders who will be provisionally allotted the Rights Shares with Warrants B under the Rights Issue with Warrants, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries.

2. DIRECTORS' REMUNERATION

The provisions of the Bye-laws of our Company in relation to the remuneration of our Directors are set out below:

Bye-law 95

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

Bye-law 96

Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as Director.

ADDITIONAL INFORMATION (Cont'd)

Bye-law 97

- (1) Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.
- (2) The remuneration (including any remuneration under Bye-law 97(1) above) in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

Bye-law 98

The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

Bye-law 90

Notwithstanding Bye-laws 95, 96, 97 and 98, an executive director appointed to an office under Bye-law 89 hereof shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.

3. MATERIAL CONTRACTS

Save and except for the Deed Poll 2014 and Deed Poll 2016, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Abridged Prospectus.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, neither Xingquan nor its subsidiary companies have been engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of Xingquan and/or its subsidiary companies and the Board has no knowledge of any proceedings pending or threatened against Xingquan and/or its subsidiary companies or any fact likely to give rise to any proceeding which may materially and adversely affect the financial position of our Group.

ADDITIONAL INFORMATION (Cont'd)

5. GENERAL

- (i) There is no existing or proposed service contract entered or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.
- (ii) Save as disclosed in this Abridged Prospectus, the financial conditions and operations of our Group are not affected by any of the following:
 - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
 - (b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source of funding;
 - (c) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of our Group;
 - (d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on the revenue or operating income of our Group;
 - (e) substantial increase in revenues; and
 - (f) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

6. CONSENTS

Our Principal Adviser, company secretaries, principal bankers, Bloomberg LP, Share Registrar as well as the due diligence solicitors and legal advisers on Malaysia law and legal advisers on Bermuda law for the Rights Issue with Warrants have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent to the inclusion in this Abridged Prospectus of its name, the letter on the pro forma consolidated statements of financial position of our Group as at 30 June 2015, the audited consolidated financial statements of our Group for the FYE 30 June 2015, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

ADDITIONAL INFORMATION (Cont'd)

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office in Malaysia at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor, Malaysia, during normal business hours (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:

- (i) Our Memorandum of Association and Bye-laws;
- (ii) The Deed Poll 2014;
- (iii) The Deed Poll 2016;
- (iv) The letters of consent referred to in **Section 6** above;
- (v) The pro forma consolidated statements of financial position of Xingquan as at 30 June 2015 together with the reporting accountants' report thereon, as set out in **Appendix III** of this Abridged Prospectus;
- (vi) Our audited consolidated financial statements of Xingquan for the past two (2) FYE 30 June 2014 and FYE 30 June 2015;
- (vii) Our latest unaudited quarterly report for the six (6) months FPE 31 December 2015, as set out in **Appendix V** of this Abridged Prospectus;
- (viii) The Directors' Report, as set out in **Appendix VI** of this Abridged Prospectus; and
- (ix) The undertaking letter from TZX referred to in **Section 3** of this Abridged Prospectus.

8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with the accompanying NPA and RSF have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement herein false or misleading.

RHB Investment Bank, being our Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.