



(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))

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2009**

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		30.9.2009	30.9.2008 (note b)	30.9.2009 (note a)	30.9.2008 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	262,139	184,019	133,167	93,482
Cost of sales		(165,168)	(114,336)	(83,905)	(58,083)
Gross Profit		96,971	69,683	49,262	35,399
Other income		212	939	108	477
Selling and distribution expenses		(18,058)	(13,760)	(9,173)	(6,990)
Administrative expenses	B1	(28,683)	(2,753)	(14,571)	(1,399)
Finance costs		(731)	(1,050)	(371)	(533)
Profit before taxation	B1	49,711	53,059	25,255	26,954
Income tax expenses		(11,952)	(8,714)	(6,072)	(4,427)
Profit after taxation	B1	37,759	44,345	19,183	22,527
Other comprehensive income, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		8,717	*	4,428	*
Total comprehensive income for the period		46,476	44,345	23,611	22,527
Attributable to :					
- Equity holders of the Company		46,476	44,345	23,611	22,527
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.13	0.21	0.06	0.10
Diluted (RMB/RM)	B11	N/A	N/A	N/A	N/A

* Amount less than RMB/RM 1,000

Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 30 September 2009 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.508 at 30 September 2009. 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) As the Group only existed on 1 June 2009, the comparative figures are shown for illustrative purpose only.

(c) 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 2009 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2009**

	Note	Cumulative Quarter		Cumulative Quarter	
		Current Year Quarter 30.9.2009 RMB'000	Preceding Year Corresponding Quarter 30.9.2008 (note b) RMB'000	Current Year Quarter 30.9.2009 RM'000	Preceding Year Corresponding Quarter 30.9.2008 (note a) RM'000
Revenue	B1	262,139	184,019	133,167	93,482
Cost of sales		<u>(165,168)</u>	<u>(114,336)</u>	<u>(83,905)</u>	<u>(58,083)</u>
Gross Profit		96,971	69,683	49,262	35,399
Other income		212	939	108	477
Selling and distribution expenses		(18,058)	(13,760)	(9,173)	(6,990)
Administrative expenses	B1	(28,683)	(2,753)	(14,571)	(1,399)
Finance costs		<u>(731)</u>	<u>(1,050)</u>	<u>(371)</u>	<u>(533)</u>
Profit before taxation	B1	49,711	53,059	25,255	26,954
Income tax expenses		<u>(11,952)</u>	<u>(8,714)</u>	<u>(6,072)</u>	<u>(4,427)</u>
Profit after taxation	B1	37,759	44,345	19,183	22,527
Other comprehensive income, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity		<u>8,717</u>	<u>*</u>	<u>4,428</u>	<u>*</u>
Total comprehensive income for the period		<u>46,476</u>	<u>44,345</u>	<u>23,611</u>	<u>22,527</u>
Attributable to :					
-Equity holders of the Company		<u>46,476</u>	<u>44,345</u>	<u>23,611</u>	<u>22,527</u>
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.13	0.21	0.06	0.10
Diluted (RMB/RM)	B11	N/A	N/A	N/A	N/A

* Amount less than RMB/RM 1,000

Notes:

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(b) As the Group only existed on 1 June 2009, the comparative figures are shown for illustrative purpose only.

(c) 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 2009 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009

	Unaudited As At Current Financial Period Ended 30.9.2009	Audited As at Preceding Financial Year Ended 30.6.2009	Unaudited As At Current Financial Period Ended 30.9.2009 (note)	Audited As at Preceding Financial Year Ended 30.6.2009 (note)
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	63,130	62,727	32,070	31,865
Land use rights	8,830	8,877	4,486	4,510
	71,960	71,604	36,556	36,375
Current assets				
Inventories	34,696	38,425	17,626	19,520
Trade and other receivables	135,515	128,772	68,842	65,416
Other current assets	8,589	9,627	4,363	4,891
Cash and bank balances	502,702	202,567	255,373	102,904
	681,502	379,391	346,204	192,731
Current liabilities				
Trade and other payables	153,931	146,090	78,197	74,214
Interest-bearing bank borrowings	10,000	61,200	5,080	31,090
Corporate income tax payables	11,951	9,110	6,071	4,628
	175,882	216,400	89,348	109,932
Net current assets	505,620	162,991	256,856	82,799
Net assets	577,580	234,595	293,412	119,174
EQUITY				
Share capital	211,715	148,716	107,552	75,548
Reserves	365,865	85,879	185,860	43,626
TOTAL EQUITY	577,580	234,595	293,412	119,174
Net assets per share attributable to equity holders of the Company (RMB/RM)	1.88	1.09	0.95	0.55

Notes:

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The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

The net assets per share attributed to ordinary equity holders of the Company is calculated based on the net assets as at 30 June 2009 and 30 September 2009 divided by the number of ordinary shares of 215,130,000 and 307,330,000 respectively.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

	Attributable to Equity Holders of the Company							Total Equity RMB'000
	Non - distributable				Distributable			
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Minority Interest RMB'000	
At 30 June 2008	67,242	-	12,371	-	-	112,629	979	193,221
Arising from restructuring	(67,242)	-	-	67,242	-	-	-	-
Total comprehensive income for the period	-	-	-	-	*	44,345	-	44,345
Dividends	-	-	-	-	-	(137,000)	-	(137,000)
Acquisition of minority interest	-	-	-	-	-	-	(979)	(979)
At 30 September 2008 (note b)	*	-	12,371	67,242	*	19,974	-	99,587

* Amount less than RMB 1,000

At 30 June 2009	148,716	-	12,371	(81,403)	(11)	154,922	-	234,595
Issue of new shares pursuant to the initial public offering	62,999	251,334	-	-	-	-	-	314,333
Share issue expenses	-	(17,835)	-	-	-	-	-	(17,835)
Total comprehensive income for the period	-	-	-	-	8,728	37,759	-	46,487
At 30 September 2009	211,715	233,499	12,371	(81,403)	8,717	192,681	-	577,580

	Attributable to Equity Holders of the Company							Total Equity RM'000
	Non - distributable				Distributable			
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Minority Interest RM'000	
At 30 June 2008	34,159	-	6,284	-	-	57,216	497	98,156
Arising from restructuring	(34,159)	-	-	34,159	-	-	-	-
Total comprehensive income for the period	-	-	-	-	*	22,527	-	22,527
Dividends	-	-	-	-	-	(69,596)	-	(69,596)
Acquisition of minority interest	-	-	-	-	-	-	(497)	(497)
At 30 September 2008 (note a and b)	*	-	6,284	34,159	*	10,147	-	50,590

* Amount less than RMB 1,000

At 30 June 2009	75,548	-	6,284	(41,353)	(6)	78,700	-	119,174
Issue of new shares pursuant to the initial public offering	32,004	127,678	-	-	-	-	-	159,682
Share issue expenses	-	(9,060)	-	-	-	-	-	(9,060)
Total comprehensive income for the period	-	-	-	-	4,434	19,183	-	23,616
At 30 September 2009 (note a)	107,552	118,618	6,284	(41,353)	4,428	97,883	-	293,412

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(b) As the Group only existed on 1 June 2009, the comparative figures are shown for illustrative purpose only.

(c) 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 2009 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

	Current Financial Period Ended 30.9.2009	Financial Period Ended 30.9.2008 <i>(note b)</i>	Current Financial Period Ended 30.9.2009 <i>(note a)</i>	Financial Period Ended 30.9.2008 <i>(note a)</i>
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	49,711	53,059	25,255	26,954
Adjustment for:				
Depreciation of property, plant and equipment	3,011	2,848	1,530	1,447
Amortisation of land use rights	47	47	24	24
Interest expenses on bank borrowings	731	1,050	371	533
Negative goodwill	-	(521)	-	(265)
Interest income	(212)	(419)	(108)	(213)
Operating profit before working capital changes	53,288	56,064	27,072	28,480
Decrease/(Increase) in inventories	3,729	(8,183)	1,894	(4,157)
Increase in trade and other receivables	(5,815)	(6,115)	(2,954)	(3,106)
Decrease/(Increase) in other current assets	110	(1,007)	56	(512)
Increase/(Decrease) in trade and other payables	12,944	(1,257)	6,576	(639)
Cash generated from operations	64,256	39,502	32,644	20,066
Interest paid	(731)	(1,050)	(371)	(533)
Income tax paid	(9,111)	(5,959)	(4,629)	(3,027)
Interest received	212	419	108	213
Net cash generated from operating activities	54,626	32,912	27,752	16,719
Cash flows from investing activities				
Acquisition of property, plant and equipment	(3,414)	(2,235)	(1,734)	(1,135)
Acquisition of subsidiary	-	(458)	-	(233)
Net cash used in investing activities	(3,414)	(2,693)	(1,734)	(1,368)
Cash flows from financing activities				
Advances to shareholders	-	(24,000)	-	(12,192)
Repayment of director's loan	(5,103)	-	(2,592)	-
Bank loans obtained	12,000	14,000	6,096	7,112
Repayment of bank loan	(63,200)	(15,000)	(32,106)	(7,620)
Fixed deposit pledged with bank	3,100	3,180	1,575	1,615
Proceeds from issue of shares pursuant to the initial public offering	314,333	-	159,682	-
Share issue expenses written off to share premium account	(17,835)	-	(9,060)	-
Net cash from/(used in) financing activities	243,295	(21,820)	123,595	(11,085)
Net increase in cash and cash equivalents	294,507	8,399	149,613	4,266
Cash and cash equivalents at beginning of the financial period	183,347	74,515	93,140	37,854
Effect of exchange rate fluctuations on cash and bank balances	8,728	-	4,434	-
Cash and cash equivalents at end of financial period	486,582	82,914	247,187	42,120

Notes:

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(b) As the Group only existed on 1 June 2009, the comparative figures are shown for illustrative purpose only.

(c) The Unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2009

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 first quarter ended 30 September 2009 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 2009 and the accompanying explanatory notes attached to the interim financial statements.

The Group has adopted IAS 1(Revised) for the first quarter ended 30 September 2009 and provides comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

The revised Standard is as follows:

1. changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;
2. components of comprehensive income to be excluded from statement of changes in equity;
3. items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
4. presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

The revisions also include changes in the titles of some of the financial statements primary statements.

b) Changes in accounting policies

There are no changes in accounting policies for the first quarter ended 30 September 2009.

c) Basis of consolidation

The consolidated financial statements of the Group have been prepared using the historical cost method similar to the "pooling-of-interest" as acquisition of subsidiary is accounted for as reconstructions of businesses. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts.

The consolidated financial statements include the results of operations, and the assets and liabilities of the pooled enterprises as part of the Group for the whole of the current period.

Other than for accounting of subsidiaries using the historical cost method as disclosed above, the results of the subsidiaries acquired during the financial year are included in the consolidated income statement from the effective date in which control is transferred to the Group.

Goodwill acquired in a business combination is initially measured at cost being the 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. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Acquisitions of subsidiaries, if any, are 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 minority interest.

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

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 income statement from the effective date in which control is transferred to the Group.

d) Functional currency and translation to presentation currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Renminbi.

(ii) Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective statement of financial position dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies

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

- (1) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- (2) Income and expenses for each statement of comprehensive income 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
- (3) All resulting exchange differences are recognised as a separate component of equity.

A2. Audit report of the Company's preceding annual financial statements

The Company's audited consolidated financial statements for the financial year ended 30 June 2009 were not subject to any audit qualification.

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

Save as disclosed below, 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.

Details of the movements in the Company's shares since incorporation up to the date of this report are as follows:

Date		Number of shares	USD
6.2.09	Incorporation	10,000	10,000
1.6.09	Issued pursuant to acquisition of Addnice Holdings Limited	21,503,000	21,503,000
1.6.09	Share split	215,130,000	21,513,000
3.7.09	Issue pursuant to the Public Issue	92,200,000	9,220,000
Total		307,330,000	30,733,000

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.

A8. Financial instruments with off-balance sheet risks

There are no financial instruments with off-balance sheet risks as at the date of this report.

A9. Segment information**Business Segments**

	Quarter ended 30 September 2009			Total
	Design, manufacture and sale of shoe soles	Design, manufacture and sale of sports and leisure footwear	Design and sale of sports apparels and accessories	
	RMB 000	RMB 000	RMB 000	RMB 000
Revenue				
- external sales	49,233	139,628	73,278	262,139
Segment results	15,364	47,206	13,123	75,693
Interest income				212
Unallocated expenses				(25,463)
Finance costs				(731)
Profit before taxation				49,711
Income tax expense				(11,952)
Profit after taxation				37,759
Other information				
Depreciation of property, plant and equipment	2,219	718	74	3,011
Amortisation of land use rights	-	47	-	47

Business Segments

Quarter ended 30 September 2008

	Design, manufacture and sale of shoe soles	Design, manufacture and sale of sports and leisure footwear	Design and sale of sports apparels and accessories	Total
	RMB 000	RMB 000	RMB 000	RMB 000
Revenue				
- external sales	44,051	99,539	40,429	184,019
Segment results	11,731	33,190	8,681	53,602
Interest income				418
Other income				521
Unallocated expenses				(432)
Finance costs				(1,050)
Profit before taxation				53,059
Income tax expense				(8,714)
Profit after taxation				44,345
Other information				
Depreciation of property, plant and equipment	1,996	790	62	2,848
Amortisation of land use rights	-	47	-	47
Negative goodwill				521

A10. 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 2009.

A11. Status of corporate exercise

As an integral part of the listing of and quotation for the entire issue and paid up share capital of the Company on the Main Board of Bursa Securities, the Company had undertaken the following;

(i) Acquisition of Addnice Holdings Limited

Our Company acquired the entire issued and paid-up share capital of Addnice Holdings Limited comprising 1 share of par value HKD1.00 ("Addnice Holdings Share") from Sheng Xiang Shun for a total purchase consideration of USD21.503 million ("Acquisition") which was satisfied entirely by the issuance of 21.503 million new shares of USD1.00 each in Xingquan International ("Consideration Shares") at an issue price of USD1.00 per Consideration Share. The Acquisition was completed on 1 June 2009.

A11. Status of corporate exercise (continued)

(ii) Share Split

After the completion of the Acquisition, our Company implemented a share split of every 1 share of USD1.00 each into 10 Xingquan International Shares. The share split was effected on 1 June 2009.

The number of issued ordinary shares in our Company changed from 21,513,000 shares of USD1.00 each to 215,130,000 Xingquan International Shares.

(iii) Public Issue

Our Company implemented a public issue of 92,200,000 Issue Shares comprising the Retail Offering and Institutional Offering.

(iv) Listing

In conjunction with the Public Issue, our Company sought the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 307,330,000 Xingquan International Shares on the Main Board of Bursa Securities and was listed on 10 July 2009.

(v) Utilisation of proceeds

The gross proceeds from the Public Issue amounting to RM164,577 million are expected to be fully utilized for our core business in the following manner:

	Estimated time for utilisation	Proposed Utilisation RM 000	Actual Utilisation RM 000	Deviation RM 000
Marketing and advertising activities	24 months	32,000	-	-
Expansion of our sales and distribution network	24 months	33,000	-	-
Expansion of our production capacity	24 months	55,452	762	-
Expansion of our research and development capabilities	24 months	15,000	-	-
Working capital	12 months	17,125	4,281	-
Estimated listing expenses	6 months	12,000	12,000	-
Total gross proceeds		164,577	17,043	-

A12. Contingent liabilities

The Group issued corporate guarantees to financial institutions for bank borrowings of third parties as follows:

	RMB 000
Corporate Guarantees	18,000

The amount of RMB18,000,000 relates to a corporate guarantee provided to China Construction Bank, Jinjiang Branch ("China Construction Bank") by Xingquan (Fujian) Shoes Plastics Co.,Ltd ("Xingquan Plastic") to Quanzhou Baoshu Packaging Co., Ltd. ("Baoshu") from 26 August 2008 to 26 February 2010. The potential exposure to

Xingquan Plastic is RMB18,000,000. As Xingquan Plastics was unable to procure the discharge of the corporate guarantees as at the date of this interim financial report, Baoshu has placed with Xingquan Plastics a sum equal to the sum currently drawdown pursuant to its facilities granted by China Construction Bank to cover any potential call on the guarantee of such sum by China Construction Bank. In addition, Xingquan Plastics has obtained from Baoshu and the bank as mentioned above irrevocable undertakings not to drawdown or allow a drawdown, respectively, without the written consent of Xingquan Plastics, the balance available pursuant to its facilities. Xingquan Plastics has also obtained an indemnity from the major shareholders of the Company ie. Tai Zhen Xiang, Ng Sio Peng and Iao Ieok Chon should any payments be required to be made by Xingquan Plastics pursuant to the corporate guarantee as a result of a breach of the undertakings procured from Baoshu and/or its bank.

A13. Capital commitments

RMB 000

Authorised capital expenditure not provided for in the financial statements as at 30 September 2009 are as follows:

- contracted

7,389

A14. Changes in the composition of the Group

Save as disclosed under notes A11, there are no other changes in the composition of the Group for the quarter ended 30 September 2009.

A15. 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 profit after taxation prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

Merger reserve

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the net tangible assets of subsidiaries acquired under the pooling interest method of accounting.

Currency translation reserve

Currency translation reserve represents translation differences arising from translation of foreign currency financial statements into presentation currency of the Group.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Review of performance

The Group achieved revenue and profit before taxation ("PBT") of RMB262.1 million and RMB49.7 million respectively for the current quarter ("Q1FY2010").

The revenue of RMB262.1 million represents an increase of 42.4% as compared to the revenue of RMB184.0 million recorded for the quarter ended 30 September 2008 ("Q1FY2009"). The increase in revenue is in line with the Group's increase in the following:

- (i) Increase in sales volume across all product segments, particularly the increase in the sale of shoe soles from approximately 3.6 million pairs in Q1FY2009 to approximately 4.2 million pairs in Q1FY2010 and increase in the sale of outdoor and indoor sports and leisure shoes from approximately 1.2 million pairs in Q1FY2009 to approximately 1.5 million pairs in Q1FY2010.
- (ii) Increase in average selling price of outdoor and indoor sports and leisure shoes from RMB80 per pair in Q1FY2009 to RMB91 per pair in Q1FY2010.
- (iii) Increase in penetration in the PRC market. The number of retail locations of our "Addnice" products increased from 1,243 retail locations as at 30 September 2008 to 1,596 retail locations as at 30 September 2009.

The PBT of RMB49.7 million for Q1FY2010 represents a decrease of 6.3% as compared to the PBT of RMB53.0 million recorded for Q1FY2009. The decrease was mainly due to part of the listing expenses, amounting to RMB13.2 million being charged to the Statement of Comprehensive Income pursuant to IAS 32 ("One-Off Listing Expenses") and RMB10.1 million unrealised exchange loss arising from the Ringgit Malaysia ("RM") advances by Xingquan International to its wholly owned subsidiary, Addnice Holdings Limited, for approximately RM145 million. HKD weakened against RM during Q1FY2010, resulting in an unrealised exchange loss of RMB10.1 million in Addnice Holdings Limited's books ("Unrealised Exchange Loss").

In accordance with the requirements of IAS 32:

- incremental costs that are directly attributable to issuing new shares should be deducted from equity - IAS 32.37; and

- costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, should be recorded as an expense in the income statement.

- costs that relate to both share issuance and listing should be allocated between those functions on a rational and consistent basis (IAS 32.38).

If the One-Off Listing Expenses and Unrealised Exchange Loss are excluded, the PBT would be RMB73.0 million for Q1FY2010, representing an increase of 37.7% as compared to the PBT of RMB53.0 million recorded for Q1FY2009. The increase was mainly due to the increase in revenue.

The profit after taxation of RMB37.8 million for Q1FY2010 represents a decrease of 14.9% as compared to profit after taxation of RMB44.3 million recorded for Q1FY2009 due to the lower PBT recorded in Q1FY2010 as mentioned above.

B1. Review of performance (continued)

Based on the Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises, Addnice Sports, Addnice China and Xingquan Plastics are entitled to full exemption from income tax for the first two years and a 50% reduction in income tax for the next three years starting from their first profitable year of operation. Addnice Sports is exempted from the state corporate income tax for its first two profitable calendar years of operation (i.e. from 1 January 2006 to 31 December 2007) and thereafter, is entitled to a 50% relief from the state corporate income tax for the third to fifth consecutive years (i.e. from 1 January 2008 to 31 December 2010). Addnice China commenced its 5-year tax holiday from 1 January 2008. Xingquan Plastics has fully utilised its tax incentives and was subject to the full state corporate income tax during the financial years and periods under review

B2. Variation of results against immediate preceding quarter

	Current quarter 30 September 2009 RMB 000	Preceding quarter 30 June 2009 RMB 000
Revenue	262,139	215,168
Profit before taxation	49,711	51,848
Profit after taxation	37,759	42,738
Other comprehensive income:		
- Translation differences arising from foreign currency financial statements recognized directly in equity	8,717	(11)
Total comprehensive income for the period	46,476	42,727

The Group recorded a revenue of RMB262.1 million for the first quarter ended 30 September 2009 ("Q1FY2010"), representing an increase of 21.8% as compared to the revenue of RMB215.2 million as recorded for the fourth quarter ended 30 June 2009 ("Q4FY2009"). The increase is due to the increased in revenue by 25.9% for sports and leisure footwear, 20.3% for shoe soles and 15.7% for sports apparels and accessories.

The profit before taxation of RMB49.7 million for Q1FY2010 represents a decrease of 4.1% as compared to the profit before taxation of RMB51.8 million recorded for Q4FY2009. This was mainly due to the One-Off Listing Expense and Unrealised Exchange Loss mentioned above.

B3. Prospects for FYE 2010

Based on market research conducted by Converging Knowledge Pte Ltd, the growth rate estimation ranges from 11.7% to 15.8% for CAGR for China's sportswear market and ranges from 27.0% to 42.0% for CAGR for China's outdoor sportswear market from 2008 to 2012. As such and based on the improved sales recorded by the Group thus far, our Board of Directors believes that the Group's prospects for the financial year ending 30 June 2010 would be favourable.

B4. Profit forecast and profit guarantee

The Group has not provided any profit forecast or profit guarantee in any public document.

B5. Taxation

Taxation comprises the following:

	Current Quarter RMB 000	Current year to date RMB 000
PRC income tax	11,952	11,952

The effective tax rate of the Group for the current quarter and current year to date was 24.0% as compared to the applicable tax rate of 25%. The lower effective tax rate was due to Addnice Sports enjoying the tax reduction of 12.5% up to 31 December 2010.

B6. Sale of unquoted investments and/or properties

There were no changes in the unquoted investments and/or properties of the Group in the current quarter and financial year to date.

B7. Quoted Securities

There was no purchase or disposal of quoted securities by the Group in the current quarter and financial year to date and there is no investment in quoted securities as at the end of the quarter.

B8. Group borrowings

The Group's borrowings as at 30 September 2009 were as follows:

	Total RMB 000
Short term bank loans – secured	10,000

B9. 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.

B10. Dividend

There was no dividend declared by the Company for the current quarter.

B11. 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 and Cumulative Quarter 3 Months Ended		Individual and Cumulative Quarter 3 Months Ended	
	30.9.2009 RMB	30.9.2008 RMB	30.9.2009 RM	30.9.2008 RM
Profit attributable to equity holders of the Company	37,759,000	44,345,000	19,183,000	22,527,000
Weighted average number of ordinary shares in issue	297,308,261	215,130,000	297,308,261	215,130,000
Basic earnings per share	0.13	0.21	0.06	0.10

b) Diluted

There is no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at end of the current and preceding quarter under review.

By Order of the Board

Kang Shew Meng
Seow Fei San
Secretaries

11 November 2009