XINGQUAN 星泉

(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 COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2009

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.12.2009	31.12.2008 *(note b)*	31.12.2009 *(note a)*	31.12.2008 *(note a)*
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	357,889	221,861	179,660	111,374
Cost of sales		(232,470)	(136,034)	(116,700)	(68,289)
Gross Profit		125,419	85,827	62,960	43,085
Other income		377	348	189	175
Selling and distribution expenses		(37,618)	(22,486)	(18,884)	(11,288)
Administrative expenses	B1	(18,273)	(7,880)	(9,173)	(3,956)
Finance costs		(386)	(1,121)	(194)	(563)
Profit before taxation	B1	69,519	54,688	34,898	27,453
Income tax expenses		(12,957)	(9,221)	(6,504)	(4,629)
Profit after taxation	B1	56,562	45,467	28,394	22,824
Other comprehensive income, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity		4,417	(4)	2,217	(2)
Total comprehensive income for the period		60,979	45,463	30,611	22,822
Attributable to :					
- Equity holders of the Company		60,979	45,463	30,611	22,822
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.18	0.21	0.09	0.11
Diluted (RMB/RM)	B11	N/A	N/A	N/A	N/A

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 2009 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.502 at 31 December 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 SIX MONTHS ENDED 31 DECEMBER 2009

	Note	Cumulative Quarter		Cumulative Quarter	
		Current Year To date 31.12.2009	Preceding Year Corresponding Period 31.12.2008 *(note b)*	Current Year To date 31.12.2009 *(note a)*	Preceding Year Corresponding Period 31.12.2008 *(note a)*
		RMB'000	**RMB'000**	**RM'000**	**RM'000**
Revenue	B1	620,028	405,880	311,254	203,752
Cost of sales		(397,638)	(250,370)	(199,614)	(125,686)
Gross Profit		222,390	155,510	111,640	78,066
Other income		589	1,287	296	646
Selling and distribution expenses		(55,676)	(36,246)	(27,949)	(18,195)
Administrative expenses	B1	(46,956)	(10,633)	(23,572)	(5,338)
Finance costs		(1,117)	(2,171)	(561)	(1,090)
Profit before taxation	B1	119,230	107,747	59,854	54,089
Income tax expenses		(24,909)	(17,935)	(12,504)	(9,003)
Profit after taxation	B1	94,321	89,812	47,350	45,086
Other comprehensive income, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity		13,134	(4)	6,593	(2)
Total comprehensive income for the period		107,455	89,808	53,943	45,084
Attributable to :					
-Equity holders of the Company		107,455	89,808	53,943	45,084
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.31	0.42	0.16	0.21
Diluted (RMB/RM)	B11	N/A	N/A	N/A	N/A

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 31 DECEMBER 2009

	Unaudited As At 31.12.2009	Audited As at 30.6.2009	Unaudited As At 31.12.2009 (note)	Audited As at 30.6.2009 (note)
ASSETS AND LIABILITIES	**RMB'000**	**RMB'000**	**RM'000**	**RM'000**
Non-current assets				
Property, plant and equipment	69,945	62,727	35,112	31,489
Land use rights	8,783	8,877	4,409	4,456
	78,728	71,604	39,521	35,945
Current assets				
Inventories	35,726	38,425	17,934	19,290
Trade and other receivables	149,410	138,399	75,004	69,476
Cash and bank balances	598,283	202,567	300,338	101,689
	783,419	379,391	393,276	190,455
Current liabilities				
Trade and other payables	163,942	146,090	82,299	73,338
Interest-bearing bank borrowings	46,700	61,200	23,443	30,722
Corporate income tax payable	12,957	9,110	6,505	4,573
	223,599	216,400	112,247	108,633
Net current assets	559,820	162,991	281,029	81,822
Net assets	638,548	234,595	320,550	117,767
EQUITY				
Share capital	211,715	148,716	106,281	74,656
Reserves	426,833	85,879	214,269	43,111
TOTAL EQUITY	638,548	234,595	320,550	117,767
Net assets per share attributable to equity holders of the Company (RMB/RM)	2.08	1.09	1.04	0.55

Notes:

The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") as at 31 December 2009 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.502 at 31 December 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.

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

The net assets per share attributable to equity holders of the Company is calculated based on the net assets as at 30 June 2009 and 31 December 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 SIX MONTHS ENDED 31 DECEMBER 2009

	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	Retained earnings RMB'000	Minority Interest RMB'000	Total Equity 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	-	-	-	-	(4)	89,812	-	89,808
Dividends	-	-	-	-	-	(137,000)	-	(137,000)
Acquisition of minority interest	-	-	-	-	-	-	(979)	(979)
At 31 December 2008 (note b)	*	-	12,371	67,242	(4)	65,441	-	145,050
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)
Statutory reserve	-	-	12,709	-	-	(12,709)	-	-
Total comprehensive income for the period	-	-	-	-	13,134	94,321	-	107,455
At 31 December 2009	211,715	233,499	25,080	(81,403)	13,123	236,534	-	638,548

	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	Retained earnings RM'000	Minority Interest RM'000	Total Equity RM'000
At 30 June 2008	33,755	-	6,210	-	-	56,540	491	96,996
Arising from restructuring	(33,755)	-	-	33,755	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(2)	45,086	-	45,084
Dividends	-	-	-	-	-	(68,774)	-	(68,774)
Acquisition of minority interest	-	-	-	-	-	-	(491)	(491)
At 31 December 2008 (note a and b)	*	-	6,210	33,755	(2)	32,852	-	72,815
At 30 June 2009	74,656	-	6,210	(40,864)	(6)	77,771	-	117,767
Issue of new shares pursuant to the initial public offering	31,625	126,169	-	-	-	-	-	157,794
Share issue expenses	-	(8,954)	-	-	-	-	-	(8,954)
Statutory reserve	-	-	6,380	-	-	(6,380)	-	-
Total comprehensive income for the period	-	-	-	-	6,593	47,350	-	53,943
At 31 December 2009 (note a)	106,281	117,215	12,590	(40,864)	6,587	118,741	-	320,550

* 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 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 SIX MONTHS ENDED 31 DECEMBER 2009

	Six months Ended 31.12.2009	Six months Ended 31.12.2008 *(note b)*	Six months Ended 31.12.2009 *(note a)*	Six months Ended 31.12.2008 *(note a)*
	RMB'000	**RMB'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before tax	119,230	107,747	59,854	54,089
Adjustment for:				
Depreciation of property, plant and equipment	6,095	5,713	3,060	2,868
Amortisation of land use rights	94	94	47	47
Interest expenses on bank borrowings	1,117	2,171	561	1,090
Negative goodwill	-	(518)	-	(260)
Interest income	(589)	(761)	(296)	(382)
Operating profit before working capital changes	125,947	114,446	63,226	57,452
Decrease/(Increase) in inventories	2,699	(4,943)	1,355	(2,481)
Increase in trade and other receivables	(11,011)	(26,033)	(5,528)	(13,069)
Increase in trade and other payables	23,193	17,694	11,643	8,882
Cash generated from operations	140,828	101,164	70,696	50,784
Interest paid	(1,117)	(2,171)	(561)	(1,090)
Income tax paid	(21,062)	(14,674)	(10,573)	(7,366)
Interest received	589	761	296	382
Net cash generated from operating activities	**119,238**	**85,080**	**59,858**	**42,710**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(13,313)	(4,380)	(6,683)	(2,199)
Acquisition of subsidiary	-	(458)	-	(230)
Net cash used in investing activities	**(13,313)**	**(4,838)**	**(6,683)**	**(2,429)**
Cash flows from financing activities				
Issue of shares	-	*	-	*
Advances from shareholders	-	51,878	-	26,043
Repayment of director's loan	(5,341)	-	(2,681)	-
Dividend paid	-	(125,878)	-	(63,191)
Bank loans obtained	77,700	35,700	39,005	17,921
Repayment of bank borrowings	(92,200)	(34,200)	(46,284)	(17,168)
Fixed deposit pledged with bank	13,500	(370)	6,777	(186)
Proceeds from issue of shares pursuant to the initial public offering	314,333	-	157,794	-
Share issue expenses written off to share premium account	(17,835)	-	(8,953)	-
Net cash generated from/(used in) financing activities	**290,157**	**(72,870)**	**145,658**	**(36,581)**
Net increase in cash and cash equivalents	396,082	7,372	198,833	3,700
Cash and cash equivalents at beginning of the financial period	183,347	74,515	92,040	37,407
Effect of exchange rate fluctuations on cash and bank balances	13,134	-	6,593	-
Cash and cash equivalents at end of financial period	**592,563**	**81,887**	**297,466**	**41,107**

* 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 six months ended 31 December 2009 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.502 at 31 December 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 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 SECOND QUARTER ENDED 31 DECEMBER 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 quarter ended 31 December 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) and IFRS 8 for the second quarter ended 31 December 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 requirements of IAS 1 (Revised) and IFRS 8 are 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;

5. segment information is presented on the same basis as that used for internal reporting process and;

6. segment revenue, segment profit and segment assets are also measured on a basis that is consistent with internal reporting.

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 quarter ended 31 December 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 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 statement of comprehensive income 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 statement of comprehensive income 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 financial position;

(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 Group's preceding annual financial statements

The Group'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	Issue 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

a) Operating segments

	Six months ended 31 December 2009			
	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
External revenue	106,602	302,409	211,017	620,028
Inter-segment revenue	51,395	-	-	51,395
Interest income	171	239	167	577
Interest expense	456	386	269	1,111
Depreciation and amortisation	4,508	1,504	177	6,189
Reportable segments profit before tax	29,797	92,443	31,621	153,861

Reconciliation of reportable segment revenue and profit or loss

Revenue	
Total revenue for reportable segments	671,423
Elimination of inter-segment revenue	(51,395)
Consolidated revenue	620,028
Profit or loss	
Total profit or loss for reportable segments	153,861
Unallocated amounts	(34,631)
Consolidated profit before income tax	119,230

	Six months ended 31 December 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
External revenue	87,100	219,012	99,768	405,880
Inter-segment revenue	41,989	-	-	41,989
Interest income	521	164	75	760
Interest expense	1,168	689	314	2,171
Depreciation and amortisation	4,009	1,664	135	5,808
Reportable segments profit before tax	19,724	71,464	18,656	109,844

Reconciliation of reportable segment revenue and profit or loss

Revenue	
Total revenue for reportable segments	447,869
Elimination of inter-segment revenue	(41,989)
Consolidated revenue	405,880
Profit or loss	
Total profit or loss for reportable segments	109,844
Elimination of inter-segment profit	(1,810)
Unallocated amounts	(287)
	107,747

b) Geographical segments

As the business of the Group is engaged entirely the People's Republic of China, no reporting by geographical location of operation is presented.

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 Market 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	1,986	-
Expansion of our sales and distribution network	24 months	33,000	-	-
Expansion of our production capacity	24 months	55,452	5,434	-
Expansion of our research and development capabilities	24 months	15,000	-	-
Working capital	12 months	17,125	8,562	-
Estimated listing expenses	6 months	12,000	12,000	-
Total gross proceeds		**164,577**	**27,982**	**-**

A12. Contingent liabilities

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

	RMB 000
Corporate guarantee	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 Plastic was unable to procure the discharge of the corporate guarantees as at the date of this interim financial report, Baoshu has placed with Xingquan Plastic a sum equal to the sum currently drawndown 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 Plastic 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 Plastic, the balance available pursuant to its facilities. Xingquan Plastic 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 Plastic 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 31 December 2009 are as follows:	
- contracted	154,673

A14. Changes in the composition of the Group

There are no other changes in the composition of the Group during the financial year-to-date.

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.

A16. Related party transactions

The following are the related party transactions during the current quarter:

Description	Transaction value Quarter ended 31 December 2009 RMB 000	Balance outstanding As at 31 December 2009 RMB 000
Advances from director	853	792

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 RMB 357.9 million and RMB 69.5 million respectively for the current quarter ("Q2FY2010"), representing an increase of 61.3% and 27.1% respectively as compared to the corresponding period in preceding year.

The Group achieved revenue and PBT of RMB 620.0 million and RMB 119.2 million respectively for the 6 months period ended 31 December 2009 ("1H 2010"). The revenue of RMB 620.0 million represents an increase of 52.8% as compared to the revenue of RMB 405.9 million recorded for the 6 months period ended 31 December 2008 ("1H 2009"). 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 4.8 million pairs in 1H2009 to approximately 6.2 million pairs in 1H2010 and increase in the sale of outdoor and indoor sports and leisure shoes from approximately 2.7 million pairs in 1H2009 to approximately 3.3 million pairs in 2H2010.

(ii) Increase in average selling price of outdoor and indoor sports and leisure shoes from RMB 80.1 per pair in 1H2009 to RMB 93.0 per pair in 1H2010.

(iii) Increase in penetration in the PRC market. The number of retail locations of our "Addnice" products increased from 1,306 retail locations as at 31 December 2008 to 1,702 retail locations as at 31 December 2009.

The PBT of RMB 119.2 million for 1H2010 represents an increase of 10.7% as compared to the PBT of RMB 107.7 million recorded for 1H2009. The increase in PBT of only 10.7% was mainly due to part of listing expenses amounting to RMB 14.2 million and unrealised exchange loss of RMB 13.1 million arising from the Ringgit Malaysia ("RM") advances by Xingquan International to its wholly owned subsidiary, Addnice Holdings Limited. If the listing expenses and unrealised exchange loss are excluded, the PBT would be RMB 146.5 million for 1H2010, representing an increase of 36.0% as compared to the PBT of RMB 107.7 million recorded for 1H2009. The increase was mainly due to the increase in revenue.

The profit after taxation ("PAT") of RMB 94.3 million for 1H2010 represents an increase of 5.0% as compared to PAT of RMB 89.8 million recorded for 1H2009 due to the higher PBT recorded in 1H2010 as mentioned above.

Based on the Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises, Addnice Sports, Addnice China and Xingquan Plastic 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 Plastic 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 31 December 2009 RMB 000	Preceding quarter 30 September 2009 RMB 000
Revenue	357,889	262,139
Profit before taxation	69,519	49,711
Profit after taxation	56,562	37,759
Other comprehensive income:		
- Translation differences arising from foreign currency financial statements recognized directly in equity	4,417	8,717
Total comprehensive income for the period	60,979	46,476

The Group recorded a revenue of RMB 357.9 million for the quarter ended 31 December 2009 ("Q2FY2010"), representing an increase of 36.5% as compared to the revenue of RMB 262.1 million as recorded for the quarter ended 30 September 2009 ("Q1FY2010").The increase was contributed by the increase in revenue by 16.5% for sports and leisure footwear, 16.6% for shoe soles and 88.0% for sports apparels and accessories. In addition, the increase in revenue was due to the growing brand acceptance and recognition of our ADDNICE products.

The profit before taxation of RMB 69.5 million for Q2FY2010 represents an increase of 39.8% as compared to the profit before taxation of RMB49.7 million recorded for Q1FY2010. This was mainly due to the increase in revenue for most of the product range as 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 favorable.

B4. Profit forecast and profit guarantee

Save for the target of 30% growth in the point-of-sales/outlets by the financial year ending 30 June 2010 and the in tandem growth in revenue and earnings (assuming other factors remain equal) stated in the announcement dated 27 August 2009, the Group has not provided any profit forecast or profit guarantee in any public document for the current financial quarter. Disclosure on explanatory notes for the variance between the actual and targeted growth would be provided in the final quarter announcement for the current financial year ending 30 June 2010. Barring unforeseen circumstances, the Board of Directors is of the opinion that the targeted growth for the financial year ending 30 June 2010 is likely to be achieved.

B5. Taxation

Taxation comprises the following:

	Current Quarter RMB 000	Current year to date RMB 000
PRC income tax	12,957	24,909

The effective tax rates of the Group for the current quarter and current year to date were 18.6% and 20.9% respectively as compared to the applicable tax rate of 25%. The lower effective tax rate was due to Addnice Sports enjoying the tax exemption of 50.0% 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 31 December 2009 were as follows:

	Total RMB 000
Short term bank loans – secured	46,700

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

The Board of Directors is pleased to declare a tax exempt interim dividend of RM0.025 per share in respect of the financial year ending 30 June 2010. The book closure date for the interim dividend is on 18 March 2010 to determine shareholders' entitlement and the said dividend will be paid out on 16 April 2010.

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 Quarter Ended		Individual Quarter Ended	
	31.12.2009 RMB	31.12.2008 RMB	31.12.2009 RM	31.12.2008 RM
Profit attributable to equity holders of the Company	56,562,000	45,467,000	28,394,000	22,824,000
Weighted average number of ordinary shares in issue	307,330,000	215,130,000	307, 330,000	215,130,000
Basic earnings per share	0.18	0.21	0.09	0.11

	Cumulative Quarter 6 Months Ended		Cumulative Quarter 6 Months Ended	
	31.12.2009 RMB	31.12.2008 RMB	31.12.2009 RM	31.12.2008 RM
Profit attributable to equity holders of the Company	94,321,000	89,812,000	47,350,000	45,086,000
Weighted average number of ordinary shares in issue	302,319,130	215,130,000	302,319,130	215,130,000
Basic earnings per share	0.31	0.42	0.16	0.21

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

25 February 2010