



(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 MARCH 2010**

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.3.2010 RMB'000	31.3.2009 (note b) RMB'000	31.3.2010 (note a) RM'000	31.3.2009 (note a) RM'000
Revenue	B1	355,484	222,780	170,170	106,645
Cost of sales		(236,965)	(144,553)	(113,435)	(69,198)
Gross Profit		118,519	78,227	56,735	37,447
Other income		408	176	195	84
Selling and distribution expenses		(28,836)	(17,980)	(13,804)	(8,607)
Administrative expenses	B1	(8,599)	(3,564)	(4,116)	(1,706)
Finance costs		(660)	(1,085)	(316)	(519)
Profit before taxation	B1	80,832	55,774	38,694	26,699
Income tax expenses		(13,552)	(9,034)	(6,487)	(4,325)
Profit after taxation	B1	67,280	46,740	32,207	22,374
Other comprehensive income, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		1,119	-	536	-
Total comprehensive income for the period		68,399	46,740	32,743	22,374
Attributable to :					
- Equity holders of the Company		68,399	46,740	32,743	22,374
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.22	0.22	0.10	0.10
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 March 2010 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM 0.4787 at 31 March 2010. 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 NINE MONTHS ENDED 31 MARCH 2010**

	Note	Cumulative Quarter		Cumulative Quarter	
		Current Year To date 31.3.2010	Preceding Year Corresponding Period 31.3.2009 (note b)	Current Year To date 31.3.2010 (note a)	Preceding Year Corresponding Period 31.3.2009 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	975,512	628,660	466,978	300,940
Cost of sales		(634,603)	(394,923)	(303,784)	(189,050)
Gross Profit		340,909	233,737	163,194	111,890
Other income		997	1,463	477	700
Selling and distribution expenses		(84,512)	(54,226)	(40,456)	(25,958)
Administrative expenses	B1	(41,498)	(14,196)	(19,865)	(6,796)
Finance costs		(1,777)	(3,256)	(851)	(1,559)
Profit before taxation	B1	214,119	163,522	102,499	78,277
Income tax expenses		(38,461)	(26,969)	(18,411)	(12,910)
Profit after taxation	B1	175,658	136,553	84,088	65,367
Other comprehensive income, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		197	(4)	94	(2)
Total comprehensive income for the period		175,855	136,549	84,182	65,365
Attributable to :					
-Equity holders of the Company		175,855	136,549	84,182	65,365
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.58	0.63	0.28	0.30
Diluted (RMB/RM)	B11	N/A	N/A	N/A	N/A

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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 MARCH 2010

	Unaudited As At 31.3.2010	Audited As at 30.6.2009	Unaudited As At 31.3.2010 <i>(note)</i>	Audited As at 30.6.2009 <i>(note)</i>
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	110,787	62,727	53,034	30,027
Land use rights	22,248	8,877	10,650	4,249
	133,035	71,604	63,684	34,276
Current assets				
Inventories	34,590	38,425	16,558	18,394
Trade and other receivables	157,869	138,399	75,572	66,252
Cash and bank balances	599,143	202,567	286,810	96,969
	791,602	379,391	378,940	181,615
Current liabilities				
Trade and other payables	166,151	146,090	79,536	69,933
Interest-bearing bank borrowings	53,300	61,200	25,515	29,296
Corporate income tax payable	13,552	9,110	6,487	4,361
	233,003	216,400	111,538	103,590
Net current assets	558,599	162,991	267,402	78,025
Net assets	691,634	234,595	331,086	112,301
EQUITY				
Share capital	211,715	148,716	101,348	71,191
Reserves	479,919	85,879	229,738	41,110
TOTAL EQUITY	691,634	234,595	331,086	112,301
Net assets per share attributable to equity holders of the Company (RMB/RM)	2.25	1.09	1.08	0.52

Notes:

The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") as at 31 March 2010 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM 0.4787 at 31 March 2010. 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 March 2010 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 NINE MONTHS ENDED 31 MARCH 2010**

	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)	136,553	-	136,549
Dividends	-	-	-	-	-	(137,000)	-	(137,000)
Acquisition of minority interest	-	-	-	-	-	-	(979)	(979)
At 31 March 2009 (note b)	*	-	12,371	67,242	(4)	112,182	-	191,791
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	-	-	-	-	197	175,658	-	175,855
Dividend	-	-	-	-	-	(15,314)	-	(15,314)
At 31 March 2010	211,715	233,499	25,080	(81,403)	186	302,557	-	691,634

	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	32,189	-	5,922	-	-	53,916	469	92,496
Arising from restructuring	(32,189)	-	-	32,189	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(2)	65,368	-	65,366
Dividends	-	-	-	-	-	(65,582)	-	(65,582)
Acquisition of minority interest	-	-	-	-	-	-	(469)	(469)
At 31 March 2009 (note a and b)	*	-	5,922	32,189	(2)	53,702	-	91,811
At 30 June 2009	71,191	-	5,922	(38,968)	(5)	74,161	-	112,301
Issue of new shares pursuant to the initial public offering	30,157	120,315	-	-	-	-	-	150,472
Share issue expenses	-	(8,538)	-	-	-	-	-	(8,538)
Statutory reserve	-	-	6,084	-	-	(6,084)	-	-
Total comprehensive income for the period	-	-	-	-	94	84,088	-	84,182
Dividend	-	-	-	-	-	(7,331)	-	(7,331)
At 31 March 2010 (note a)	101,348	111,777	12,006	(38,968)	89	144,834	-	331,086

* Amount less than RMB/RM 1,000

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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 NINE MONTHS ENDED 31 MARCH 2010**

	Nine months Ended 31.3.2010	Nine months Ended 31.3.2009 <i>(note b)</i>	Nine months Ended 31.3.2010 <i>(note a)</i>	Nine months Ended 31.3.2009 <i>(note a)</i>
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	214,119	163,522	102,499	78,277
Adjustment for:				
Depreciation of property, plant and equipment	9,162	8,593	4,386	4,113
Amortisation of land use rights	141	141	67	67
Loss on disposal of property, plant and equipment	-	121	-	58
Interest expenses on bank borrowings	1,777	3,256	851	1,559
Negative goodwill	-	(518)	-	(248)
Interest income	(996)	(937)	(477)	(449)
Operating profit before working capital changes	224,203	174,178	107,326	83,377
Decrease in inventories	3,835	1,508	1,836	722
Increase in trade and other receivables	(19,470)	(41,215)	(9,320)	(19,730)
Increase/(Decrease) in trade and other payables	9,370	(10,817)	4,485	(5,178)
Cash generated from operations	217,938	123,654	104,327	59,191
Interest paid	(1,777)	(3,256)	(851)	(1,559)
Income tax paid	(34,019)	(23,895)	(16,285)	(11,439)
Interest received	996	937	477	449
Net cash generated from operating activities	183,138	97,440	87,668	46,642
Cash flows from investing activities				
Acquisition of property, plant and equipment	(57,222)	(5,494)	(27,392)	(2,630)
Acquisition of land use right	(13,512)	-	(6,468)	-
Acquisition of subsidiary	-	(458)	-	(219)
Net cash used in investing activities	(70,734)	(5,952)	(33,860)	(2,849)
Cash flows from financing activities				
Issue of shares	-	*	-	*
Advances from shareholders	-	51,878	-	24,834
Repayment of director's loan	(4,623)	-	(2,213)	-
Dividend paid	-	(125,878)	-	(60,258)
Bank loans obtained	101,000	57,000	48,349	27,286
Repayment of bank borrowings	(108,900)	(45,700)	(52,130)	(21,877)
Fixed deposit pledged with bank	16,120	6,530	7,717	3,126
Proceeds from issue of shares pursuant to the initial public offering	314,333	-	150,471	-
Share issue expenses written off to share premium account	(17,835)	-	(8,538)	-
Net cash generated from/(used in) financing activities	300,095	(56,170)	143,656	(26,889)
Net increase in cash and cash equivalents	412,499	35,318	197,464	16,904
Cash and cash equivalents at beginning of the financial period	183,347	74,515	87,768	35,670
Effect of exchange rate fluctuations on cash and bank balances	197	-	94	-
Cash and cash equivalents at end of financial period	596,043	109,833	285,326	52,574

* Amount less than RMB/RM 1,000

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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 THIRD QUARTER ENDED 31 MARCH 2010

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 March 2010 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 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 March 2010.

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 profit or loss.

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

	Nine months ended 31 March 2010			
	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	159,877	474,725	340,910	975,512
Inter-segment revenue	81,014	-	-	81,014
Interest income	287	404	290	981
Interest expense	824	551	395	1,770
Depreciation and amortisation	6,833	2,200	270	9,303
Reportable segments profit before tax	44,343	139,035	54,647	238,025

Reconciliation of reportable segment revenue and profit or loss

Revenue

Total revenue for reportable segments	1,056,526
Elimination of inter-segment revenue	(81,014)
Consolidated revenue	975,512

Profit or loss

Total profit or loss for reportable segments	238,025
Unallocated amounts	(23,906)
Consolidated profit before income tax	214,119

Nine months ended 31 March 2009

	Design, manufacture and sale of shoe soles RMB 000	Design, manufacture and sale of sports and leisure footwear RMB 000	Design and sale of sports apparels and accessories RMB 000	Total RMB 000
External revenue	128,683	337,858	162,119	628,660
Inter-segment revenue	58,716	-	-	58,716
Interest income	578	242	117	937
Interest expense	1,685	1,062	509	3,256
Depreciation and amortisation	6,087	2,438	209	8,734
Reportable segments profit				
before tax	30,871	104,389	28,178	163,438

Reconciliation of reportable segment revenue and profit or loss

Revenue

Total revenue for reportable segments	687,376
Elimination of inter-segment revenue	(58,716)
Consolidated revenue	628,660

Profit or loss

Total profit or loss for reportable segments	163,438
Unallocated amounts	84
Consolidated profit before income tax	163,522

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.

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	3,790	-
Expansion of our sales and distribution network	24 months	33,000	-	-
Expansion of our production capacity	24 months	55,452	28,681	-
Expansion of our research and development capabilities	24 months	15,000	5,625	-
Working capital	12 months	17,125	12,843	-
Estimated listing expenses	6 months	12,000	12,000	-
Total gross proceeds		164,577	62,939	-

A12. Contingent liabilities

Other than the guarantee to third parties which expired at the end of February 2010, there were no material changes in the contingent liabilities or contingent assets since the last financial year ended 30 June 2009.

A13. Capital commitments

Authorised capital expenditure not provided for in the financial statements as at 31 March 2010 are as follows:

- contracted **RMB 000**

108,204

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	Balance outstanding
	Quarter ended 31 March 2010 RMB 000	As at 31 March 2010 RMB 000
Advances from director	908	1,628

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

B1. Review of performance

The Group achieved a revenue and profit before taxation ("PBT") of RMB355.5 million and RMB80.8 million respectively for the current quarter ("Q3FY2010"), representing an increase of 59.6% and 44.9% respectively as compared to the corresponding period in preceding year.

The Group achieved a revenue and PBT of RMB975.5 million and RMB214.1 million respectively for the 9 months financial period ended 31 March 2010 ("FPE 2010"). The revenue of RMB975.5 million represents an increase of 55.2% as compared to the revenue of RMB628.7 million recorded for the 9 months financial period ended 31 March 2009 ("FPE 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 7.2 million pairs in FPE2009 to approximately 8.9 million pairs in FPE2010 and increase in the sale of outdoor and indoor sports and leisure shoes from approximately 4.1 million pairs in FPE2009 to approximately 4.9 million pairs in FPE2010.
- (ii) Increase in average selling price of outdoor and indoor sports and leisure shoes from RMB81.23 per pair in FPE2009 to RMB97.0 per pair in FPE2010.
- (iii) Increase in penetration in the PRC market. The number of retail locations of our "Addnice" products increased from 1,450 retail locations as at 31 March 2009 to 1,801 retail locations as at 31 March 2010.

The PBT of RMB214.1 million for FPE2010 represents an increase of 30.9% as compared to the PBT of RMB163.5 million recorded for FPE2009. The increase in PBT of 30.9% was mainly due to the increase in revenue. In addition, if part of listing expenses amounting to RMB14.2 million is excluded, the PBT would be RMB228.3 million for FPE2010, representing an increase of 39.6% as compared to the PBT of RMB163.5 million recorded for FPE2009.

The profit after taxation ("PAT") of RMB175.7 million for FPE2010 represents an increase of 28.6% as compared to PAT of RMB136.6 million recorded for FPE2009 due to the higher PBT recorded in FPE2010 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 March 2010 RMB 000	Preceding quarter 31 December 2009 RMB 000
Revenue	355,484	357,889
Profit before taxation	80,832	69,519
Profit after taxation	67,280	56,562
Other comprehensive income:		
- Translation differences arising from foreign currency financial statements recognized directly in equity	1,119	4,417
Total comprehensive income for the period	68,399	60,979

The Group recorded a revenue of RMB355.5 million for the quarter ended 31 March 2010 ("Q3FY2010"), representing a slight decrease of 0.7% as compared to the revenue of RMB357.9 million as recorded for the quarter ended 31 December 2009 ("Q2FY2010"). There was not much change in the revenue and considered to be consistent with both quarters.

The profit before taxation of RMB80.8 million for Q3FY2010 represents an increase of 16.3% as compared to the profit before taxation of RMB69.5 million recorded for Q2FY2010. This was mainly due to the decrease in the selling and distribution expenses and the exclusion of unrealized exchange loss arising from the Ringgit Malaysia ("RM") advances by Xingquan International to its wholly-owned subsidiary, Addnice Holdings Limited which is now disclosed separately under other comprehensive income

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 encouraging 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	Current year
	RMB 000	to date
		RMB 000
PRC income tax	13,552	38,461

The effective tax rates of the Group for the current quarter and current year to date were 16.8% and 18.0% 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 March 2010 were as follows:

	Total
	RMB 000
Short term bank loans – secured	53,300

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

On 25 February 2010, the Board of Directors declared 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 was on 18 March 2010 to determine shareholders' entitlement and the said dividend was 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 before other comprehensive income by weighted average number of ordinary shares in issue during the period:-

	Individual Quarter Ended		Individual Quarter Ended	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company before other comprehensive income	67,280,000	46,740,000	32,207,000	22,374,000
Weighted average number of ordinary shares in issue	307,330,000	215,130,000	307,330,000	215,130,000
Basic earnings per share	0.22	0.22	0.10	0.10
	Cumulative Quarter 9 Months Ended		Cumulative Quarter 9 Months Ended	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company before other comprehensive income	175,658,000	136,553,000	84,088,000	65,367,000
Weighted average number of ordinary shares in issue	303,965,036	215,130,000	303,965,036	215,130,000
Basic earnings per share	0.58	0.63	0.28	0.30

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

17 May 2010