



(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 FOURTH QUARTER ENDED 30 JUNE 2010**

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		30.6.2010	30.6.2009	30.6.2010 (note a)	30.6.2009 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	299,355	215,168	143,062	102,829
Cost of sales		(204,523)	(139,846)	(97,742)	(66,832)
Gross Profit		94,832	75,322	45,320	35,997
Other income		4,040	208	1,931	99
Selling and distribution expenses		(34,644)	(14,695)	(16,556)	(7,023)
Administrative expenses	B1	(5,199)	(7,911)	(2,485)	(3,781)
Finance costs		(747)	(1,076)	(357)	(514)
Profit before taxation	B1	58,282	51,848	27,853	24,778
Income tax expenses		(13,744)	(9,110)	(6,568)	(4,354)
Profit after taxation	B1	44,538	42,738	21,285	20,424
Other comprehensive income, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		431	(7)	206	(3)
Total comprehensive income for the period		44,969	42,731	21,491	20,421
Attributable to :					
- Equity holders of the Company		44,969	42,731	21,491	20,421
<b>Earnings per share attributable to equity holders of the Company :</b>					
Basic (RMB/RM)	B11	0.15	0.20	0.07	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 30 June 2010 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM 0.4779 at 30 June 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) 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 YEAR ENDED 30 JUNE 2010**

	Note	Cumulative Quarter		Cumulative Quarter	
		Current year-to-date		Current year-to-date	
		30.6.2010	30.6.2009	30.6.2010	30.6.2009
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	1,274,867	843,828	609,259	403,265
Cost of sales		(839,126)	(534,769)	(401,018)	(255,566)
Gross Profit		435,741	309,059	208,241	147,699
Other income		5,037	1,671	2,407	799
Selling and distribution expenses		(119,156)	(68,921)	(56,945)	(32,937)
Administrative expenses	B1	(46,697)	(22,107)	(22,316)	(10,565)
Finance costs		(2,524)	(4,332)	(1,206)	(2,070)
Profit before taxation	B1	272,401	215,370	130,181	102,926
Income tax expenses		(52,205)	(36,080)	(24,949)	(17,243)
Profit after taxation	B1	220,196	179,290	105,232	85,683
Other comprehensive income, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		628	(11)	300	(5)
Total comprehensive income for the year		220,824	179,279	105,532	85,678
Attributable to :					
-Equity holders of the Company		220,824	179,282	105,532	85,679
-Minority Interests		-	(3)	-	(1)
		220,824	179,279	105,532	85,678
<b>Earnings per share attributable to equity holders of the Company :</b>					
Basic (RMB/RM)	B11	0.72	0.83	0.34	0.40
Diluted (RMB/RM)	B11	N/A	N/A	N/A	N/A

**Notes:**

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(b) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 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 JUNE 2010**

	Unaudited As At 30.6.2010	Audited As at 30.6.2009	Unaudited As At 30.6.2010 <i>(note a)</i>	Audited As at 30.6.2009 <i>(note a)</i>
	RMB'000	RMB'000	RM'000	RM'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	165,425	62,727	79,057	29,977
Land use rights	14,121	8,877	6,748	4,242
	<u>179,546</u>	<u>71,604</u>	<u>85,805</u>	<u>34,219</u>
<b>Current assets</b>				
Inventories	39,487	38,425	18,871	18,363
Trade and other receivables	118,358	138,399	56,563	66,141
Cash and bank balances	587,367	202,567	280,703	96,807
	<u>745,212</u>	<u>379,391</u>	<u>356,137</u>	<u>181,311</u>
<b>Current liabilities</b>				
Trade and other payables	114,876	146,090	54,899	69,816
Interest-bearing bank borrowings	63,300	61,200	30,251	29,247
Corporate income tax payable	10,187	9,110	4,868	4,354
	<u>188,363</u>	<u>216,400</u>	<u>90,018</u>	<u>103,417</u>
Net current assets	556,849	162,991	266,119	77,894
Net assets	<u>736,395</u>	<u>234,595</u>	<u>351,924</u>	<u>112,113</u>
<b>EQUITY</b>				
Share capital	211,715	148,716	101,179	71,072
Reserves	524,680	85,879	250,745	41,041
<b>TOTAL EQUITY</b>	<u>736,395</u>	<u>234,595</u>	<u>351,924</u>	<u>112,113</u>
<b>Net assets per share attributable to equity holders of the Company (RMB/RM)(Note b)</b>	<u>2.40</u>	<u>1.09</u>	<u>1.15</u>	<u>0.52</u>

**Notes:**

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 30 June 2010 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM 0.4779 at 30 June 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.

(b) 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 30 June 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 YEAR ENDED 30 JUNE 2010**

	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	
<b>At 30 June 2008</b>	67,242	-	12,371	-	-	112,629	979	193,221
Issue of shares	71	-	-	-	-	-	-	71
Arising from restructuring	81,403	-	-	(81,403)	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(11)	179,293	(3)	179,279
Dividends	-	-	-	-	-	(137,000)	-	(137,000)
Acquisition of minority interest	-	-	-	-	-	-	(976)	(976)
<b>At 30 June 2009</b>	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	-	-	22,004	-	-	(22,004)	-	-
Total comprehensive income for the year	-	-	-	-	628	220,196	-	220,824
Dividend	-	-	-	-	-	(15,522)	-	(15,522)
<b>At 30 June 2010</b>	211,715	233,499	34,375	(81,403)	617	337,592	-	736,395

	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	
<b>At 30 June 2008</b>	32,135	-	5,912	-	-	53,825	468	92,340
Issue of shares	34	-	-	-	-	-	-	34
Arising from restructuring	38,903	-	-	(38,903)	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(5)	85,684	(1)	85,678
Dividends	-	-	-	-	-	(65,472)	-	(65,472)
Acquisition of minority interest	-	-	-	-	-	-	(467)	(467)
<b>At 30 June 2009</b>	71,072	-	5,912	(38,903)	(5)	74,037	-	112,113
Issue of new shares pursuant to the initial public offering	30,107	120,113	-	-	-	-	-	150,220
Share issue expenses	-	(8,523)	-	-	-	-	-	(8,523)
Statutory reserve	-	-	10,516	-	-	(10,516)	-	-
Total comprehensive income for the year	-	-	-	-	300	105,232	-	105,532
Dividend	-	-	-	-	-	(7,418)	-	(7,418)
<b>At 30 June 2010 (note a)</b>	101,179	111,590	16,428	(38,903)	295	161,335	-	351,924

\* Amount less than RMB/RM 1,000

**Notes:**

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



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2010**

	12 months Ended 30.6.2010	12 months Ended 30.6.2009	12 months Ended 30.6.2010 (note a)	12 months Ended 30.6.2009 (note a)
	RMB'000	RMB'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	272,401	215,370	130,181	102,926
Adjustment for:				
Depreciation of property, plant and equipment	12,144	11,510	5,804	5,501
Amortisation of land use rights	95	189	45	90
Gain on disposal of land use right	(3,536)	-	(1,690)	-
Loss on disposal of property, plant and equipment	2,391	121	1,143	58
Interest expenses on bank borrowings	2,524	4,332	1,206	2,070
Negative goodwill	-	(518)	-	(248)
Interest income	(1,501)	(1,145)	(717)	(547)
Operating profit before working capital changes	284,518	229,859	135,972	109,850
Increase in inventories	(1,062)	(9,540)	(508)	(4,559)
Decrease/(Increase) in trade and other receivables	20,041	(29,354)	9,578	(14,028)
(Decrease)/Increase in trade and other payables	(28,532)	26,859	(13,635)	12,836
Cash generated from operations	274,965	217,824	131,407	104,099
Interest paid	(2,524)	(4,332)	(1,206)	(2,070)
Income tax paid	(47,578)	(32,929)	(22,738)	(15,737)
Interest received	1,501	1,145	717	547
<b>Net cash generated from operating activities</b>	<b>226,364</b>	<b>181,708</b>	<b>108,180</b>	<b>86,839</b>
<b>Cash flows from investing activities</b>				
Proceeds on disposal of property, plant and equipment	300	-	143	-
Expenses related to disposal of property, plant and equipment	(15)	-	(7)	-
Acquisition of property, plant and equipment	(117,518)	(9,070)	(56,162)	(4,335)
Proceeds on disposal of land use rights	12,215	-	5,838	-
Acquisition of land use rights	(14,018)	-	(6,699)	-
Acquisition of subsidiary	-	(458)	-	(219)
<b>Net cash used in investing activities</b>	<b>(119,036)</b>	<b>(9,528)</b>	<b>(56,887)</b>	<b>(4,554)</b>
<b>Cash flows from financing activities</b>				
Proceed from issue of shares	-	71	-	34
Advances from shareholders	-	51,878	-	24,792
Repayment of director's loan	(6,232)	6,073	(2,978)	2,902
Dividends paid	(15,522)	(137,000)	(7,418)	(65,472)
Bank loans obtained	121,000	66,200	57,826	31,637
Repayment of bank loans	(118,900)	(54,900)	(56,822)	(26,237)
Fixed deposit pledged with bank	17,520	4,330	8,373	2,069
Proceeds from issue of shares pursuant to the initial public offering	314,333	-	150,220	-
Share issue expenses written off to share premium account	(17,835)	-	(8,523)	-
<b>Net cash from/(used in) financing activities</b>	<b>294,364</b>	<b>(63,348)</b>	<b>140,678</b>	<b>(30,275)</b>
Net increase in cash and cash equivalents	401,692	108,832	191,971	52,010
Cash and cash equivalents at beginning of the financial year	183,347	74,515	87,621	35,611
Effect of exchange rate fluctuations on cash and bank balances	628	-	300	-
<b>Cash and cash equivalents at end of financial year</b>	<b>585,667</b>	<b>183,347</b>	<b>279,892</b>	<b>87,621</b>

**Notes:**

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

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 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 fourth quarter ended 30 June 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 year ended 30 June 2010 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 30 June 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 year 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**

	12 months ended 30 June 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	227,193	623,747	423,927	1,274,867
Inter-segment revenue	97,618	-	-	97,618
Interest income	434	624	424	1,482
Interest expense	1,279	741	504	2,524
Depreciation and amortisation	9,143	2,747	349	12,239
Reportable segments profit				
before tax	63,555	163,659	63,927	291,141
Reportable segment assets	260,791	83,364	39,310	383,465
Capital expenditure	6,929	108	-	7,037
Reportable segment liabilities	78,302	31,890	21,674	131,866
<b>Reconciliation of reportable segment revenue and profit or loss</b>				
<b>Revenue</b>				
Total revenue for reportable segments				1,372,485
Elimination of inter-segment revenue				<u>(97,618)</u>
Consolidated revenue				<u>1,274,867</u>
<b>Profit or loss</b>				
Total profit or loss for reportable segments				291,141
Unallocated amounts				<u>(18,740)</u>
Consolidated profit before income tax				<u>272,401</u>
<b>Assets</b>				
Total assets for reportable segments				383,465
Other unallocated amounts				<u>541,293</u>
Consolidated total assets				<u>924,758</u>
<b>Liabilities</b>				
Total liabilities for reportable segments				131,866
Other unallocated amounts				<u>56,497</u>
Consolidated total liabilities				<u>188,363</u>

**A9. Segment information (continued)****a) Operating segments (continued)**

	12 months ended 30 June 2009			Total RMB 000
	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	
External revenue	169,616	448,741	225,471	843,828
Inter-segment revenue	82,686	-	-	82,686
Interest income	677	311	157	1,145
Interest expense	2,153	1,450	729	4,332
Depreciation and amortisation	8,213	3,198	288	11,699
Reportable segments profit				
before tax	41,445	138,685	38,826	218,956
Reportable segment assets	150,582	104,510	42,200	297,292
Capital expenditure	9,020	50	-	9,070
Reportable segment Liabilities	94,783	35,461	17,818	148,062
<b>Reconciliation of reportable segment revenue and profit or loss</b>				
<b>Revenue</b>				
Total revenue for reportable segments				926,514
Elimination of inter-segment revenue				(82,686)
Consolidated revenue				843,828
<b>Profit or loss</b>				
Total profit or loss for reportable segments				218,956
Unallocated amounts				(3,586)
Consolidated profit before income tax				215,370
<b>Assets</b>				
Total assets for reportable segments				297,292
Other unallocated amounts				153,703
Consolidated total assets				450,995
<b>Liabilities</b>				
Total liabilities for reportable segments				148,062
Other unallocated amounts				68,338
Consolidated total liabilities				216,400

**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.

(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.

#### A11. Status of corporate exercise (continued)

##### (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	9,646	-
Expansion of our sales and distribution network	24 months	33,000	10,594	-
Expansion of our production capacity	24 months	55,452	55,452	-
Expansion of our research and development capabilities	24 months	15,000	2,701	-
Working capital	12 months	17,125	17,125	-
Estimated listing expenses	6 months	12,000	12,000	-
<b>Total gross proceeds</b>		<b>164,577</b>	<b>107,518</b>	<b>-</b>

#### 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 30 June 2010 are as follows:

- contracted

RMB 000

47,285

#### 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 30 June 2010 RMB 000	As at 30 June 2010 RMB 000
Advances from director	1,628	*

\* Amount less than RMB 1,000

**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 RMB299.4 million and RMB58.3 million respectively for the current quarter ("Q4FY2010"), representing an increase of 39.1% and 12.4% respectively as compared to the corresponding period in the preceding year.

The Group achieved a revenue and PBT of RMB1,274.9 million and RMB272.4million respectively for the financial year ended 30 June 2010 ("FYE 2010"). The revenue of RMB1,274.9 million represents an increase of 51.1% as compared to the revenue of RMB843.8 million recorded for the financial year ended 30 June 2009 ("FYE 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 9.8 million pairs in FYE2009 to approximately 12.5 million pairs in FYE2010, increase in the sale of outdoor and indoor sports and leisure shoes from approximately 5.4 million pairs in FYE2009 to approximately 6.3 million pairs in FYE2010 and increase in the sale of sports apparels and accessories from approximately 5.0 million units in FYE2009 to approximately 7.9 million units in FYE2010.
- (ii) Increase in average selling price of outdoor and indoor sports and leisure shoes from RMB82.7 per pair in FYE2009 to RMB99.11 per pair in FYE2010.
- (iii) Increase in penetration in the PRC market. The number of retail locations of our "Addnice" products increased from 1,596 retail locations as at 30 June 2009 to 2,003 retail locations as at 30 June 2010.

The PBT of RMB272.4 million for FYE2010 represents an increase of 26.5% as compared to the PBT of RMB215.4 million recorded for FYE2009. The increase in PBT of 26.5% was mainly due to the increase in revenue. In addition, if part of listing expenses amounting to RMB14.2 million were to be excluded, the PBT would have been RMB286.6 million for FYE2010, representing an increase of 33.1% as compared to the PBT of RMB215.4 million recorded for FYE2009.

The profit after taxation ("PAT") of RMB220.2 million for FYE2010 represents an increase of 22.8% as compared to PAT of RMB179.3 million recorded for FYE2009 due to the higher PBT recorded in FYE2010 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**

	<b>Current quarter 30 June 2010 RMB 000</b>	<b>Preceding quarter 31 March 2010 RMB 000</b>
Revenue	299,355	355,484
Profit before taxation	58,282	80,832
Profit after taxation	44,538	67,280
Other comprehensive income:		
- Translation differences arising from foreign currency financial statements recognized directly in equity	431	1,119
Total comprehensive income for the period	<u>44,969</u>	<u>68,399</u>

The Group recorded a revenue of RMB299.4 million for the quarter ended 30 June 2010 ("Q4FY2010"), representing a decrease of 15.8% as compared to the revenue of RMB355.5 million as recorded for the quarter ended 31 March 2010 ("Q3FY2010"). The decrease in revenue was mainly due to the decrease in the sales of the sports and leisure shoes and the sport apparels and accessories as the contribution for Q4FY2010 is from Summer/Spring products that has lower selling prices as compared to Autumn/Winter products. Autumn/Winter products such as jackets, sweaters and leather-based shoes will have higher selling prices as compared to Spring/Summer products such as T-shirt and shirt.

The profit before taxation of RMB58.2 million for Q4FY2010 represents a decrease of 27.9% as compared to the profit before taxation of RMB80.8 million recorded for Q3FY2010. This was mainly due to the decrease in revenue as mentioned in the above paragraph.

**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 2011 would remain favourable.



#### B4. Profit forecast and profit guarantee

Save for the target of 30% growth in the point-of-sales/outlets by the financial year ended 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.

The point of sales/outlets of our "Addnice" products has increased from 1,596 points of sales/outlets as at 30 June 2009 to 2,003 points of sales/outlets as at 30 June 2010, representing an increase of 25.5%.

	12 months ended 30/6/2010 RMB'000	12 months ended 30/6/2009 RMB'000	Variance	
			RMB'000	%
Revenue	1,274,867	843,828	431,039	51.1%
Cost of sales	<u>(839,126)</u>	<u>(534,769)</u>		
Gross Profit	435,741	309,059	126,682	41.0%
Other income	5,037	1,671		
Selling and distribution expenses	(119,156)	(68,921)		
Administrative expenses	(46,697)	(22,107)		
Finance costs	<u>(2,524)</u>	<u>(4,332)</u>		
Profit before taxation	272,401	215,370	57,031	26.5%
Income tax expenses	<u>(52,205)</u>	<u>(36,080)</u>		
Profit after taxation	220,196	179,290		
Other comprehensive income, net of tax				
- Translation differences arising from foreign currency financial statements recognised directly in equity	<u>628</u>	<u>(11)</u>		
Total comprehensive income for the period	<u>220,824</u>	<u>179,279</u>		

Both the revenue and gross profit had increased by 51.1% and 41.0% respectively for the FYE2010 as compared to FYE2009, and the Group has achieved the 30% growth target as announced. For PBT, the increase was 26.5%. This was mainly due to part of listing expenses amounting to RMB14.2 million. If the listing expenses were to be excluded, the PBT would have been RMB286.6 million, and the increase would have been 33.1%, which should have exceeded the growth target by 3.3%.

**B5. Taxation**

Taxation comprises the following:

	<b>Current Quarter RMB 000</b>	<b>Current year to date RMB 000</b>
PRC income tax	13,744	52,205

The effective tax rates of the Group for the current quarter and current year to date were 23.6% and 19.2% respectively as compared to the applicable tax rate of 25%. The lower effective tax rate was due to Addnice Sports is 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 30 June 2010 were as follows:

	<b>Total RMB 000</b>
Short term bank loans – secured	63,300

**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 2.5 sen per share in respect of the financial year ended 30 June 2010 and was paid out on 16 April 2010.

On 16 August 2010, the Board of Directors proposed a tax exempt final dividend of 2.5 sen per share in respect of the financial year ended 30 June 2010 which is subject to shareholders' approval at the forthcoming Annual General Meeting. The entitlement date and payment date for the proposed tax exempt final dividend will be announced at a later date.

As such, the total tax exempt dividend (including the 2.5 sen tax exempt interim dividend) will be 5 sen per share for FYE2010, representing approximately 14.6% of the profit after tax attributable to shareholders for FYE2010.

**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	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company before other comprehensive income	44,538,000	42,738,000	21,285,000	20,424,000
Weighted average number of ordinary shares in issue	307,330,000	215,130,000	307,330,000	215,130,000
Basic earnings per share	0.15	0.20	0.07	0.10

  

	Cumulative Quarter		Cumulative Quarter	
	12 Months Ended	12 Months Ended	12 Months Ended	12 Months Ended
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company before other comprehensive income	220,196,000	179,290,000	105,232,000	85,683,000
Weighted average number of ordinary shares in issue	304,803,973	215,130,000	304,803,973	215,130,000
Basic earnings per share	0.72	0.83	0.34	0.40

**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

16 August 2010