



(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 SECOND QUARTER ENDED 31 DECEMBER 2010**

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.12.2010	31.12.2009	31.12.2010 (note a)	31.12.2009 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	408,511	357,889	190,734	167,098
Cost of sales		(270,659)	(232,470)	(126,371)	(108,540)
Gross Profit		137,852	125,419	64,363	58,558
Other income		5,746	377	2,683	176
Selling and distribution expenses	B1	(56,752)	(37,618)	(26,498)	(17,564)
Administrative expenses		(14,712)	(18,273)	(6,869)	(8,532)
Finance costs		(1,018)	(386)	(475)	(180)
Profit before taxation	B1	71,116	69,519	33,204	32,458
Income tax expenses		(25,152)	(12,957)	(11,743)	(6,050)
Profit after taxation	B1	45,964	56,562	21,461	26,408
Other comprehensive income, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		(397)	4,417	(185)	2,062
Total comprehensive income for the period		45,567	60,979	21,276	28,470
Attributable to :					
- Equity holders of the Company		45,567	60,979	21,276	28,470
<b>Earnings per share attributable to equity holders of the Company :</b>					
Basic (RMB/RM)	B11	0.15	0.18	0.07	0.09
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 2010 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.4669 at 31 December 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 2010 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

	Note	Cumulative Quarter Current year-to-date		Cumulative Quarter Current year-to-date	
		31.12.2010	31.12.2009	31.12.2010	31.12.2009
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	755,309	620,028	352,654	289,491
Cost of sales		(504,337)	(397,638)	(235,475)	(185,657)
Gross Profit		250,972	222,390	117,179	103,834
Other income		6,246	589	2,916	275
Selling and distribution expenses	B1	(93,587)	(55,676)	(43,696)	(25,995)
Administrative expenses		(22,058)	(46,956)	(10,299)	(21,924)
Finance costs		(1,905)	(1,117)	(889)	(522)
Profit before taxation	B1	139,668	119,230	65,211	55,668
Income tax expenses		(38,327)	(24,909)	(17,895)	(11,630)
Profit after taxation	B1	101,341	94,321	47,316	44,038
Other comprehensive income, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		232	13,134	108	6,132
Total comprehensive income for the year		101,573	107,455	47,424	50,170
Attributable to :					
- Equity holders of the Company		101,573	107,455	47,424	50,170
<b>Earnings per share attributable to equity holders of the Company :</b>					
Basic (RMB/RM)	B11	0.33	0.31	0.15	0.15
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 2010 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 2010**

	Unaudited As At 31.12.2010	Audited As at 30.6.2010	Unaudited As At 31.12.2010 <i>(note a)</i>	Audited As at 30.6.2010 <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	237,690	165,425	110,977	77,237
Land use rights	13,979	14,121	6,526	6,593
	<u>251,669</u>	<u>179,546</u>	<u>117,503</u>	<u>83,830</u>
<b>Current assets</b>				
Inventories	53,730	39,487	25,087	18,437
Trade and other receivables (note c)	390,528	118,358	182,338	55,261
Cash and bank balances	378,053	587,367	176,513	274,242
	<u>822,311</u>	<u>745,212</u>	<u>383,938</u>	<u>347,940</u>
<b>Current liabilities</b>				
Trade and other payables	132,419	114,876	61,826	53,636
Interest-bearing bank borrowings	78,000	63,300	36,418	29,555
Corporate income tax payable	12,365	10,187	5,773	4,756
	<u>222,784</u>	<u>188,363</u>	<u>104,017</u>	<u>87,947</u>
Net current assets	599,527	556,849	279,921	259,993
<b>Non-current liabilities</b>				
Deferred income tax liabilities	16,778	3,550	7,834	1,657
Net assets	<u>834,418</u>	<u>732,845</u>	<u>389,590</u>	<u>342,166</u>
<b>EQUITY</b>				
Share capital	211,715	211,715	98,850	98,850
Reserves	622,703	521,130	290,740	243,316
<b>TOTAL EQUITY</b>	<u>834,418</u>	<u>732,845</u>	<u>389,590</u>	<u>342,166</u>
<b>Net assets per share attributable to equity holders of the Company (RMB/RM)(Note b)</b>	<u>2.72</u>	<u>2.38</u>	<u>1.27</u>	<u>1.11</u>

**Notes:**

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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 2010 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 31 December 2010 divided by the number of ordinary shares of 307,330,000.

(c) The higher trade and other receivables balance as at 31 December 2010 is mainly due to:

i) higher trade receivables amounting to approximately RMB261.3 million as a result of higher revenue generated in November and December 2010 amounting to RMB278.3 million. The trade receivables are within our credit period of 60 days and approximately 63% of the total outstanding trade receivables have been collected as at 31 January 2011;

ii) higher prepayments which relates to (i) higher down payment to suppliers for apparel and outsourced shoe manufacturers in order to obtain better discounts from suppliers amounting to approximately RMB90.7 million and (ii) deposit for the acquisition of part of the existing factory amounting to approximately RMB25.2 million.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

	Attributable to Equity Holders of the Company					Retained earnings RMB'000	Total Equity RMB'000
	Non - distributable				Currency translation reserve RMB'000		
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000			
<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)
Total comprehensive income for the year	-	-	-	-	13,134	94,321	107,455
Statutory reserve	-	-	12,709	-	-	(12,709)	-
<b>At 31 December 2009</b>	<b>211,715</b>	<b>233,499</b>	<b>25,080</b>	<b>(81,403)</b>	<b>13,123</b>	<b>236,534</b>	<b>638,548</b>
<b>At 30 June 2010</b>	211,715	233,499	34,375	(81,403)	617	334,042	732,845
Statutory reserve	-	-	25,231	-	-	(25,231)	-
Total comprehensive income for the period	-	-	-	-	232	101,341	101,573
<b>At 31 December 2010</b>	<b>211,715</b>	<b>233,499</b>	<b>59,606</b>	<b>(81,403)</b>	<b>849</b>	<b>410,152</b>	<b>834,418</b>

	Attributable to Equity Holders of the Company					Retained earnings RM'000	Total Equity RM'000
	Non - distributable				Currency translation reserve RM'000		
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000			
<b>At 30 June 2009</b>	69,436	-	5,776	(38,007)	(5)	72,333	109,533
Issue of new shares pursuant to the initial public offering	29,414	117,348	-	-	-	-	146,762
Share issue expenses	-	(8,327)	-	-	-	-	(8,327)
Total comprehensive income for the year	-	-	-	-	6,132	44,038	50,170
Statutory reserve	-	-	5,934	-	-	(5,934)	-
<b>At 31 December 2009 (note a)</b>	<b>98,850</b>	<b>109,021</b>	<b>11,710</b>	<b>(38,007)</b>	<b>6,127</b>	<b>110,437</b>	<b>298,138</b>
<b>At 30 June 2010</b>	98,850	109,021	16,050	(38,007)	288	155,964	342,166
Statutory reserve	-	-	11,780	-	-	(11,780)	-
Total comprehensive income for the period	-	-	-	-	108	47,316	47,424
<b>At 31 December 2010 (note a)</b>	<b>98,850</b>	<b>109,021</b>	<b>27,830</b>	<b>(38,007)</b>	<b>396</b>	<b>191,500</b>	<b>389,590</b>

**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 2010 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

	6 months Ended 31.12.2010	6 months Ended 31.12.2009	6 months Ended 31.12.2010 (note a)	6 months Ended 31.12.2009 (note a)
	RMB'000	RMB'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	139,668	119,230	65,211	55,668
Adjustment for:				
Depreciation of property, plant and equipment	5,891	6,095	2,751	2,846
Amortisation of land use rights	1	94	-	44
Interest expenses on bank borrowings	1,905	1,117	889	522
Interest income	(904)	(589)	(422)	(275)
Operating profit before working capital changes	146,561	125,947	68,429	58,805
(Increase)/Decrease in inventories	(14,243)	2,699	(6,650)	1,260
Increase in trade and other receivables (refer to note c in condensed consolidated statements of financial position for the explanation for the increase)	(246,597)	(11,011)	(115,136)	(5,141)
Increase in trade and other payables	17,543	23,193	8,191	10,829
Cash (used in)/ generated from operations	(96,736)	140,828	(45,167)	65,753
Interest paid	(1,905)	(1,117)	(889)	(522)
Income tax paid	(22,921)	(21,062)	(10,702)	(9,834)
Interest received	904	589	422	275
<b>Net cash (used in)/ generated from operating activities</b>	<b>(120,658)</b>	<b>119,238</b>	<b>(56,335)</b>	<b>55,672</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(78,156)	(13,313)	(36,491)	(6,216)
Deposit for property, plant and equipment	(25,200)			
<b>Cash used in investing activities</b>	<b>(103,356)</b>	<b>(13,313)</b>	<b>(36,491)</b>	<b>(6,216)</b>
<b>Cash flows from financing activities</b>				
Repayment of director's loan	-	(5,341)	-	(2,494)
Bank loans obtained	34,700	77,700	16,201	36,278
Repayment of bank loans	(20,000)	(92,200)	(9,338)	(43,048)
Fixed deposit pledged with bank	(4,300)	13,500	(2,008)	6,303
Proceeds from issue of shares pursuant to the initial public offering	-	314,333	-	146,762
Share issue expenses written off to share premium account	-	(17,835)	-	(8,327)
<b>Net cash generated from financing activities</b>	<b>10,400</b>	<b>290,157</b>	<b>4,855</b>	<b>135,474</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(213,614)</b>	<b>396,082</b>	<b>(87,971)</b>	<b>184,930</b>
Cash and cash equivalents at beginning of the financial period	585,667	183,347	273,448	85,605
Effect of exchange rate fluctuations on cash and bank balances	-	13,134	-	6,132
<b>Cash and cash equivalents at end of financial period</b>	<b>372,053</b>	<b>592,563</b>	<b>185,477</b>	<b>276,667</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 2010 and the accompanying explanatory notes attached to the interim financial statements.

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 December 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 2010 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 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 31 December 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 2010 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**

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury share and resale of treasury shares for the current financial year to date.

**A7. Subsequent material events**

There are no other material events as at the date of this announcement that will affect the results in the financial 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**

	6 months ended 31 December 2010			
	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	140,009	338,533	276,767	755,309
Inter-segment revenue	40,701	-	-	40,701
Interest income	357	298	244	899
Interest expense	1,335	312	255	1,902
Depreciation and amortisation	4,615	1,083	194	5,892
Reportable segments profit				
before tax	39,033	70,154	33,086	142,272
Reportable segment assets	325,961	365,111	106,326	797,398
Capital expenditure	4,007	74,149	-	78,156
Reportable segment liabilities	107,108	16,143	13,198	136,449
<b>Reconciliation of reportable segment revenue and profit or loss</b>				
<b>Revenue</b>				
Total revenue for reportable segments				796,010
Elimination of inter-segment revenue				(40,701)
Consolidated revenue				755,309
<b>Profit or loss</b>				
Total profit or loss for reportable segments				142,273
Unallocated amounts				(2,605)
Consolidated profit before income tax				139,668
<b>Assets</b>				
Total assets for reportable segments				797,398
Unallocated amounts				276,582
Consolidated total assets				1,073,980
<b>Liabilities</b>				
Total liabilities for reportable segments				136,449
Unallocated amounts				103,113
Consolidated total liabilities				239,562

**A9. Segment information (continued)**

**a) Operating segments (continued)**

	6 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
Reportable segment assets	215,538	107,051	53,970	376,559
Capital expenditure	4,908	98	-	5,006
Reportable segment Liabilities	75,166	40,755	28,438	144,359
<b>Reconciliation of reportable segment revenue and profit or loss</b>				
<b>Revenue</b>				
Total revenue for reportable segments				671,422
Elimination of inter-segment revenue				<u>(51,395)</u>
Consolidated revenue				<u>620,028</u>
<b>Profit or loss</b>				
Total profit or loss for reportable segments				153,861
Unallocated amounts				<u>(34,631)</u>
Consolidated profit before income tax				<u>119,230</u>
<b>Assets</b>				
Total assets for reportable segments				376,559
Unallocated amounts				<u>485,586</u>
Consolidated total assets				<u>862,145</u>
<b>Liabilities</b>				
Total liabilities for reportable segments				144,359
Unallocated amounts				<u>79,242</u>
Consolidated total liabilities				<u>223,601</u>

## 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 2010.

### A11. Utilisation of proceeds

The status of the utilization of the gross proceeds from the Initial Public Offering amounting to RM164.577 million are as follows:

	Estimated time for utilisation	Proposed Utilisation RM 000	Actual Utilisation RM 000	Deviation RM 000
Marketing and advertising activities	24 months	32,000	14,545	-
Expansion of our sales and distribution network	24 months	33,000	33,000	-
Expansion of our production capacity	24 months	55,452	55,452	-
Expansion of our research and development capabilities	24 months	15,000	3,922	-
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>136,044</b>	<b>-</b>

### A12. Contingent liabilities

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 30 June 2010.

### A13. Capital commitments

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

- contracted RMB 000

45,085

### 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 save as announced on 14 September 2010, whereby the Company's wholly-owned subsidiary, Addnice Holdings Limited, had established a new subsidiary, Germany Top (Fujian) Outdoor Products Co. Ltd ("GTF"). GTF, a company incorporated in PRC, has a registered capital of HKD8.0 million (approximately equivalent to RM3.304 million at the rate of RM41.30:HKD100) and the intended principal activities of GTF are manufacturing of shoes, sports wear and sports related products.

**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:

<b>Description</b>	<b>Transaction value Quarter ended 31 December 2010 RMB 000</b>	<b>Balance outstanding As at 31 December 2010 RMB 000</b>
Advances from director	1,505	-

## 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 RMB408.5 million and RMB71.1 million respectively for the current quarter ("Q2FY2011"), representing an increase of 14.1% and 2.3% respectively as compared to the corresponding period in the preceding year.

The Group achieved a revenue and PBT of RMB755.3 million and RMB139.7 million respectively for the 6 months financial period ended 31 December 2010 ("FPE 2011"). The revenue of RMB755.3 million represents an increase of 21.8% as compared to the revenue of RMB620.0 million recorded for the 6 months financial period ended 31 December 2009 ("FPE 2010"). The increase in revenue is in line with the Group's increase in the following:

- (i) Increase in sales volume of shoe sole and the outdoor sports and leisure product segments, particularly the increase in the sale of shoe soles from approximately 6.2 million pairs in FPE2010 to approximately 7.7 million pairs in FPE2011 and increase in the sale of sports apparels and accessories from approximately 3.3 million units in FPE2010 to approximately 4.3 million units in FPE2011.
- (ii) Increase in average selling price of shoe sole from RMB17.3 per pair in FPE2010 to RMB18.3 per pair in FPE2011, increase in average selling price of outdoor and indoor sports and leisure shoes from RMB93.0 per pair in FPE2010 to RMB112.2 per pair in FPE2011.

The PBT of RMB139.7 million for FPE2011 represents an increase of 17.2% as compared to the PBT of RMB119.2 million recorded for FPE2010. The increase in PBT was mainly due to the increase in revenue as mentioned above.

The increase in selling and distribution expenses from RMB55.7 million in FPE2010 to RMB93.6 million in FPE2011 is mainly due to higher expenses in relation to renovation subsidies for the outlet amounting to RMB14.8 million, display shelf for the outlet amounting to RMB10 million and expansion of sales network expenses amounting to RMB33.3 million.

The profit after taxation ("PAT") of RMB101.3 million for FPE2011 represents an increase of 7.4% as compared to PAT of RMB94.3 million recorded for FPE2010 due to the higher PBT recorded in FPE2011 as mentioned above. The effective tax rate increases from 20.8% in FPE2010 to 27.4% in FPE2011 due to provision for deferred tax liabilities (at a rate of 10%) of RMB3.5 million and RMB9.7 million provided in FPE2011 relating to (i) additional deferred tax liabilities of 5% on the dividends declared in Financial Year Ended 2010, and (ii) the PAT of Xingquan Plastics and Addnice Sport in the period respectively. Based on the Circular 601 issued by the Chinese State Administration of Taxation on 27<sup>th</sup> October 2009, a company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with the income of the company, in which case a withholding tax at the rate of 10% will be applied to any dividends paid by PRC resident enterprise to the company, unless the company is entitled to reduction or elimination of such tax, including by tax treaties, pursuant to the PRC Enterprise Income Tax Law which became effective on 1 January 2008.

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.

**B2. Variation of results against immediate preceding quarter**

	<b>Current quarter 31 December 2010 RMB 000</b>	<b>Preceding quarter 30 September 2010 RMB 000</b>
Revenue	408,511	346,798
Profit before taxation	71,116	68,552
Profit after taxation	45,964	55,377
Other comprehensive income:		
- Translation differences arising from foreign currency financial statements recognized directly in equity	(397)	629
Total comprehensive income for the period	45,567	56,006

The Group recorded a revenue of RMB408.5 million for Q2FY2011, representing an increase of 17.8% as compared to the revenue of RMB346.8 million recorded for the quarter ended 30 September 2010 ("Q1FY2011"). The increase in revenue was due to the increase in the sales quantity of shoe sole and the apparels and accessories product segments.

The profit before taxation of RMB71.1 million for Q2FY2011 represents an increase of 3.7% as compared to the profit before taxation of RMB68.6 million recorded for Q1FY2011. This was mainly due to the increase in revenue as mentioned in the above paragraph.

However, there is a decrease in profit after taxation from RMB55.4 million for Q1FY2011 to RMB45.9 million for Q2FY2011 which is mainly due to the higher deferred taxation as explained in notes B1 and B5.

**B3. Prospects for FYE 2011**

As our new factory has just started production in February 2011, there will be increase in production capacities for our shoe soles and shoe products. With the new capacities, our Board of Directors believes that the Group's prospects for the financial year ending 30 June 2011 would remain positive.

**B4. Profit forecast and profit guarantee**

The Group has not provided any profit forecast or profit guarantee in any public document for the current financial quarter.

**B5. Taxation**

Taxation comprises the following:

	<b>Current Quarter RMB 000</b>	<b>Current year to date RMB 000</b>
Deferred tax expenses	13,228	13,228
PRC income tax	11,924	25,099
	<u>25,152</u>	<u>38,327</u>

The effective income tax rate of the Group for the current quarter and current year to date was 35.3% and 27.4% respectively as compared to the applicable tax rate of 25%. The higher effective tax rate was due to the provision of additional deferred tax liabilities in respect of undistributed profits of the PRC subsidiaries. Please see Note B1 for details.

**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 2010 were as follows:

	<b>Total RMB 000</b>
Short term bank loans – secured	<u>78,000</u>

**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 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 was approved by the shareholders at the Annual General Meeting on 15 December 2010. This tax exempt final dividend were paid on 18 January 2011.

**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	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company before other comprehensive income	45,964,000	56,562,000	21,461,000	26,408,000
Weighted average number of ordinary shares in issue	307,330,000	307,330,000	307,330,000	307,330,000
Basic earnings per share	0.15	0.18	0.07	0.09

	Cumulative Quarter		Cumulative Quarter	
	6 Months Ended	6 Months Ended	6 Months Ended	6 Months Ended
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company before other comprehensive income	101,341,000	94,321,000	47,316,000	44,038,000
Weighted average number of ordinary shares in issue	307,330,000	302,319,130	307,330,000	302,319,130
Basic earnings per share	0.33	0.31	0.15	0.15

**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.



**B12 Realised and unrealised profits/(losses)**

	Cumulative Quarter 6 Months Ended		Cumulative Quarter 6 Months Ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RMB 000	RMB 000	RM 000	RM 000
Total Retained Profit/(Loss)				
Realised	430,014	251,002	200,774	117,192
Unrealised	(19,862)	(14,468)	(9,274)	(6,755)
	<u>410,152</u>	<u>236,534</u>	<u>191,500</u>	<u>110,437</u>

By Order of the Board

Kang Shew Meng  
Seow Fei San  
Secretaries

18 February 2011