XINGQUAN 星泉

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda (Company Registration No. 42756))
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia
(Company No. 995177-V))

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 30 JUNE 2011

	Note	Individual quarter Quarter ended 30.6.2011	Individual quarter Quarter ended 30.6.2010	Individual quarter Quarter ended 30.6.2011 *(note a)*	Individual quarter Quarter ended 30.6.2010 *(note a)*
		RMB'000	**RMB'000**	**RM'000**	**RM'000**
Revenue	B1	392,241	290,604	183,153	135,695
Cost of sales		(274,993)	(204,523)	(128,405)	(95,500)
Gross Profit		117,248	86,081	54,748	40,195
Other income		2,400	4,040	1,121	1,886
Selling and distribution expenses	B1	(12,662)	(25,893)	(5,912)	(12,090)
Administrative expenses		(12,398)	(5,199)	(5,789)	(2,428)
Finance costs		(810)	(747)	(378)	(349)
Profit before taxation	B1	93,778	58,282	43,790	27,214
Income tax expenses		(3,979)	(17,294)	(1,858)	(8,075)
Profit after taxation	B1	89,799	40,988	41,932	19,139
Other comprehensive income, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity		(631)	431	(295)	201
Total comprehensive income for the period		89,168	41,419	41,637	19,340
Attributable to :					
- Equity holders of the Company		89,168	41,419	41,637	19,340
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.29	0.13	0.14	0.06
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 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.4669 at 30 June 2011. 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 YEAR ENDED 30 JUNE 2011

	Note	Cumulative Quarter Current year-to-date		Cumulative Quarter Current year-to-date	
		30.6.2011	30.6.2010	30.6.2011 *(note a)*	30.6.2010 *(note a)*
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	1,496,714	1,235,014	698,877	576,678
Cost of sales		(1,031,428)	(839,126)	(481,616)	(391,822)
Gross Profit		465,286	395,888	217,261	184,856
Other income		1,735	5,037	810	2,352
Selling and distribution expenses	B1	(106,325)	(79,303)	(49,647)	(37,030)
Administrative expenses		(44,312)	(46,697)	(20,691)	(21,805)
Finance costs		(3,939)	(2,524)	(1,839)	(1,179)
Profit before taxation	B1	312,445	272,401	145,894	127,194
Income tax expenses		(59,400)	(55,755)	(27,736)	(26,034)
Profit after taxation	B1	253,045	216,646	118,158	101,160
Other comprehensive income, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity		279	628	130	293
Total comprehensive income for the year		253,324	217,274	118,288	101,453
Attributable to :					
- Equity holders of the Company		253,324	217,274	118,288	101,453
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.82	0.71	0.38	0.33
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 30 JUNE 2011

	Unaudited As At 30.6.2011	Audited As at 30.6.2010	Unaudited As At 30.6.2011 *(note a)*	Audited As at 30.6.2010 *(note a)*
ASSETS AND LIABILITIES	**RMB'000**	**RMB'000**	**RM'000**	**RM'000**
Non-current assets				
Property, plant and equipment	279,909	165,425	130,701	77,244
Land use rights	13,838	14,121	6,462	6,594
	293,747	179,546	137,163	83,838
Current assets				
Inventories	50,723	39,487	23,685	18,439
Trade and other receivables (note c)	358,400	118,358	167,352	55,267
Cash and bank balances	459,338	587,367	214,484	274,266
	868,461	745,212	405,521	347,972
Current liabilities				
Trade and other payables	113,981	114,876	53,222	53,641
Interest-bearing bank borrowings	58,000	63,300	27,083	29,558
Corporate income tax payable	16,966	10,187	7,922	4,757
	188,947	188,363	88,227	87,956
Net current assets	679,514	556,849	317,294	260,016
Non-current liabilities				
Deferred income tax liabilities	3,550	3,550	1,658	1,658
Net assets	969,711	732,845	452,799	342,196
EQUITY				
Share capital	211,715	211,715	98,859	98,859
Reserves	757,996	521,130	353,940	243,337
TOTAL EQUITY	969,711	732,845	452,799	342,196
Net assets per share attributable to equity holders of the Company (RMB/RM)(Note b)	3.16	2.38	1.47	1.11

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 divided by the number of ordinary shares of 307,330,000

(c) The higher trade and other receivables balance as at 30 June 2011 is mainly due to:
i) higher trade receivables amounting to approximately RMB226million as a result of higher revenue generated in May and June 2011 amounting to RMB267 million. The trade receivables are within our credit period and approximately 65% of the total outstanding trade receivables have been collected as at 31 July 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 RMB103.2 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 YEAR ENDED 30 JUNE 2011

	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	Total Equity RMB'000
At 30 June 2009	148,716	-	12,371	(81,403)	(11)	154,922	234,595
Issue of new shares pursuant to the initial public offering	62,999	251,334	-	-	-	-	314,333
Share issue expenses	-	(17,835)	-	-	-	-	(17,835)
Total comprehensive income for the year	-	-	-	-	628	216,646	217,274
Statutory reserve	-	-	22,004	-	-	(22,004)	-
Dividends	-	-	-	-	-	(15,522)	(15,522)
At 30 June 2010	211,715	233,499	34,375	(81,403)	617	334,042	732,845
At 30 June 2010	211,715	233,499	34,375	(81,403)	617	334,042	732,845
Statutory reserve	-	-	27,319	-	-	(27,319)	-
Total comprehensive income for the period	-	-	-	-	279	253,045	253,324
Dividends	-	-	-	-	-	(16,458)	(16,458)
At 30 June 2011	211,715	233,499	61,694	(81,403)	896	543,310	969,711

	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	Total Equity RM'000
At 30 June 2009	69,442	-	5,777	(38,010)	(5)	72,339	109,543
Issue of new shares pursuant to the initial public offering	29,417	117,358	-	-	-	-	146,775
Share issue expenses	-	(8,328)	-	-	-	-	(8,328)
Total comprehensive income for the year	-	-	-	-	293	101,161	101,454
Statutory reserve	-	-	10,275	-	-	(10,275)	-
Dividends	-	-	-	-	-	(7,248)	(7,248)
At 30 June 2010 (note a)	98,859	109,030	16,052	(38,010)	288	155,977	342,196
At 30 June 2010	98,859	109,030	16,052	(38,010)	288	155,977	342,196
Statutory reserve	-	-	12,756	-	-	(12,756)	-
Total comprehensive income for the period	-	-	-	-	130	118,157	118,287
Dividends	-	-	-	-	-	(7,684)	(7,684)
At 30 June 2011 (note a)	98,859	109,030	28,808	(38,010)	418	253,694	452,799

(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 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.4669 at 30 June 2011. 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 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 YEAR ENDED 30 JUNE 2011

	12 months Ended 30.6.2011	12 months Ended 30.6.2010	12 months Ended 30.6.2011 *(note a)*	12 months Ended 30.6.2010 *(note a)*
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	312,445	272,401	145,894	127,194
Adjustment for:				
Depreciation of property, plant and equipment	16,922	12,144	7,902	5,671
Write off of property, plant and equipment	177	-	83	-
Amortisation of intangible assets	283	95	132	44
Gain on disposal of land use rights	-	(3,536)	-	(1,651)
Loss on disposal of property, plant and equipment	1,717	2,391	802	1,116
Interest expenses on bank borrowings	3,939	2,524	1,839	1,179
Interest income	(1,735)	(1,501)	(810)	(701)
Operating profit before working capital changes	333,748	284,518	155,842	132,852
Increase in inventories	(11,237)	(1,062)	(5,247)	(496)
(Increase)/decrease in trade and other receivables (refer to note c in condensed consolidated statements of financial position for the explanation for the increase)	(214,564)	20,669	(100,189)	9,653
Increase in trade and other payables	(908)	(28,532)	(424)	(13,323)
Cash (used in)/ generated from operations	107,039	275,593	49,982	128,686
Interest paid	(3,939)	(2,524)	(1,839)	(1,179)
Income tax paid	(52,608)	(47,578)	(24,565)	(22,216)
Interest received	1,735	1,501	810	701
Net cash (used in)/ generated from operating activities	**52,227**	**226,992**	**24,388**	**105,992**
Cash flows from investing activities				
Proceeds on disposal of property, plant and equipment	-	300	-	140
Expenses related to disposal of property, plant and equipment	-	(15)	-	(7)
Acquisition of property, plant and equipment	(139,504)	(117,518)	(65,140)	(54,874)
Deposit for property, plant and equipment	(25,200)	-	(11,767)	-
Proceeds on disposal of land use rights	6,202	12,215	2,896	5,704
Acquisition of land use rights	-	(14,018)	-	(6,546)
Acquisition of subsidiary	-	-	-	-
Cash used in investing activities	**(158,502)**	**(119,036)**	**(74,011)**	**(55,583)**
Cash flows from financing activities				
Advances to directors	-	(6,232)	-	(2,910)
Dividends paid	(16,454)	(15,522)	(7,683)	(7,248)
Bank loans obtained	48,000	121,000	22,413	56,500
Repayment of bank loans	(53,300)	(118,900)	(24,888)	(55,519)
Fixed deposit pledged with bank	(1,100)	17,520	(514)	8,181
Proceeds from issue of shares pursuant to the initial public offering	-	314,333	-	146,775
Share issue expenses written off to share premium account	-	(17,835)	-	(8,328)
Net cash generated from financing activities	**(22,854)**	**294,364**	**(10,672)**	**137,451**
Net (decrease)/increase in cash and cash equivalents	(129,129)	402,320	(60,295)	187,860
Cash and cash equivalents at beginning of the financial period	585,667	183,347	273,472	85,612
Effect of exchange rate fluctuations on cash and bank balances	-	-	-	-
Cash and cash equivalents at end of financial period	**456,538**	**585,667**	**213,177**	**273,472**

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 YEAR ENDED 30 JUNE 2011

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 2011 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 year ended 30 June 2011 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 2011.

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

	12 months ended 30 June 2011			
	Design, manufacture and sale of shoe soles RMB 000	**Design, manufacture and sale of footwear RMB 000**	**Design and sale of apparels and accessories RMB 000**	**Total RMB 000**
External revenue	304,815	637,100	554,799	1,496,714
Inter-segment revenue	75,879	-	-	75,879
Interest income	857	464	404	1,725
Interest expense	2,834	1,105	-	3,939
Depreciation and amortisation	9,516	7,406	-	16,922
Reportable segments profit before tax	85,939	151,627	77,613	315,179
Reportable segment assets	342,917	408,500	147,201	898,619
Capital expenditure	15,650	123,854	-	139,504
Reportable segment liabilities	80,409	17,588	15,349	113,346

Reconciliation of reportable segment revenue and profit or loss

Revenue	
Total revenue for reportable segments	1,572,593
Elimination of inter-segment revenue	(75,879)
Consolidated revenue	1,496,714
Profit or loss	
Total profit or loss for reportable segments	315,179
Unallocated amounts	(2,734)
Consolidated profit before income tax	312,445
Assets	
Total assets for reportable segments	898,619
Unallocated amounts	263,589
Consolidated total assets	1,162,208
Liabilities	
Total liabilities for reportable segments	113,346
Unallocated amounts	79,151
Consolidated total liabilities	192,497

A9. Segment information (continued)

a) Operating segments (continued)

	12 months ended 30 June 2010			
	Design, manufacture and sale of shoe soles RMB 000	Design, manufacture and sale of Footwear RMB 000	Design and sale of apparels and accessories RMB 000	Total RMB 000
External revenue	227,193	601,255	406,566	1,235,014
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	193,845	39,310	493,946
Capital expenditure	6,929	110,589	-	117,518
Reportable segment Liabilities	78,302	31,890	21,674	131,866

Reconciliation of reportable segment revenue and profit or loss

Revenue	
Total revenue for reportable segments	1,137,396
Elimination of inter-segment revenue	(97,618)
Consolidated revenue	1,235,014
Profit or loss	
Total profit or loss for reportable segments	291,141
Unallocated amounts	(18,740)
Consolidated profit before income tax	272,401
Assets	
Total assets for reportable segments	493,946
Unallocated amounts	430,812
Consolidated total assets	924,758
Liabilities	
Total liabilities for reportable segments	131,866
Unallocated amounts	60,047
Consolidated total liabilities	191,913

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	28,188	-
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	5,376	-
Working capital	12 months	17,125	17,125	-
Estimated listing expenses	6 months	12,000	12,000	-
Total gross proceeds		**164,577**	151,141	-

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

	RMB 000
Authorised capital expenditure not provided for in the financial statements as at 30 June 2011 are as follows:	
- contracted	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

There are no related party transactions during the current quarter.

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 RMB392.2 million and RMB93.8 million respectively for the current quarter ("Q4FY2011"), representing an increase of 35.0% and 60.9% respectively as compared to the corresponding period in the preceding year.

The Group achieved a revenue and PBT of RMB1,496.7 million and RMB312.4 million respectively for the financial year ended 30 June 2011 ("FYE 2011"). The revenue of RMB1,496.7 million represents an increase of 21.2% as compared to the revenue of RMB1,235.0 million recorded for the financial year ended 30 June 2010 ("FYE 2010"). The increase in revenue is contributed by the following:

(i) Increase in sales volume of shoe sole and apparel from approximately 12.5 million pairs and 5.6 million pieces respectively in FYE2010 to approximately 16.8 million pairs and 5.8 million pieces respectively in FYE2011.

(ii) Increase in average selling price of shoe from RMB95.5 per pair in FYE2010 to RMB106.2 per pair in FYE2011, and increase in average selling price of apparels from RMB66.7 per piece in FYE2010 to RMB90.3 per piece in FYE2011. The substantial increase in the selling price of apparels is due to the successful brand upgrade to GERTOP which is in the outdoor casual wear compared to the previous outdoor sports wear. Outdoor casual wear in general tends to have higher selling prices compared to outdoor sports wear.

The PBT of RMB312.4 million for FYE2011 represents an increase of 14.7% as compared to the PBT of RMB272.4 million recorded for FYE2010. The increase in PBT was mainly due to the increase in revenue as mentioned above.

The increase in selling and distribution expenses from RMB79.3 million in FYE2010 to RMB106.3 million in FYE2011 is mainly due to higher expenses in relation to renovation subsidies for the outlet amounting to RMB27.4 million, display shelf for the outlet amounting to RM12.7 million and expansion of sales network expenses amounting to RMB51.8 million.

The profit after taxation ("PAT") of RMB253.0 million for FYE2011 represents an increase of 16.8% as compared to PAT of RMB216.7 million recorded for FYE2010 due to higher profit before tax.

Sales incentives amounting to RMB49.5 million for the financial year ended 30 June 2011 has been netted off against revenue instead of included under selling and distribution expense as was the previous classification as the management is of the opinion that the nature of the expense is akin to sales rebate. The comparative amount of RMB39.9m for the financial year ended 30 June 2010 was accordingly reclassified from selling and distribution expense to revenue.

The effective tax rate decreases from 20.5% in FYE2010 to 19.0% in FYE2011 due to higher contribution from Addnice China that is entitled to a 50% reduction in income tax.

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 China is exempted from the state corporate income tax for its first two profitable calendar years of operation (i.e. from 1 January 2008 to 31 December 2009) 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 2010 to 31 December

2012). Addnice Sports and Xingquan Plastic had fully utilised its tax incentives and are subject to the full state corporate income tax.

B2. Variation of results against immediate preceding quarter

	Current quarter 30 June 2011 RMB 000	Preceding quarter 31 March 2011 RMB 000
Revenue	392,241	373,655
Profit before taxation	93,778	78,999
Profit after taxation	89,799	61,905
Other comprehensive income:		
- Translation differences arising from foreign currency financial statements recognized directly in equity	(631)	678
Total comprehensive income for the period	89,168	62,583

The Group recorded a revenue of RMB392.2 million for Q4FY2011, representing an increase of 4.9% as compared to the revenue of RMB373.7 million recorded for the quarter ended 31 March 2011 ("Q3FY2011"). The increase in revenue was due to an increase in the sales of the shoe soles, apparels and accessories.

The profit before taxation of RMB93.8 million for Q4FY2011 represents an increase of 18.7% as compared to the profit before taxation of RMB79.0 million recorded for Q3FY2011. This was mainly due to the higher revenue and lower selling and distribution costs for Q4FY2011.

There is an increase in profit after taxation from RMB62.6 million for Q3FY2011 to RMB89.2 million for Q4FY2011 which is mainly due to the higher revenue and lower selling and distribution costs as explained above.

B3. Prospects for FYE 2012

Our new factory has started production in February 2011. The factory will provide additional capacity for our shoe products. We will continue to expand our market presence and invest on brand promotion.

Based on market research conducted by Converging Knowledge Pte Ltd, the outdoor casual wear market is estimated to be worth RMB27 billion in 2010. Generally, growth rates for the northern region in China tend to be higher as Chinese consumers in the said region have a preference for a more "rugged" outlook, which outdoor casual wear can offer. On the average, the outdoor casual wear market is expected to see growth of 30% annually for the next two years (2011-2012), thereafter slowing down to 20% in the third year (2013). On this basis, this market is expected to reach in approximately RMB55 billion by 2013.

Nevertheless, we are aware that the global economic uncertainties may impact the spending pattern of the Chinese consumers which may then impact our business. As such, we will continue to be wary of the changes in the economic conditions. In view of the above, our Board of Directors believes that the Group's prospects for the financial year ending 30 June 2012 would remain positive provided there are no adverse changes in the demand of our products.

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:

	Current Quarter	Current year to date
	RMB 000	**RMB 000**
Deferred tax expenses	(13,228)	-
PRC income tax	17,207	59,400
	3,979	59,400

The effective income tax rate of the Group for the current quarter and current year to date was 4.2% and 19.0% respectively as compared to the applicable tax rate of 25%. The lower effective tax rate was due to reversal of the provision for deferred tax and higher profit contribution by Addnice China that is currently entitled to a 50% relief from the state corporate income tax. 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 30 June 2011 were as follows:

	Total
	RMB 000
Short term bank loans – secured	58,000

B9. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B10. Dividend

Our Group is at the crucial stage of implementing our expansion plan. We plan to invest additional shoe and shoe sole production lines amounting to RMB50 million. In addition, we have the point of sales makeover expenses as part of our brand upgrade initiative, expansion of sales network expenses and other selling and distribution expenses amounting to over RMB150 million.

The prices of raw material such as rubber and EVA are volatile. As such, the current market practice is to pay substantial prepayments to our suppliers to maintain a competitive edge.

In addition, it is currently difficult to obtain reasonable funding from the capital market and borrowings from the financial institutions.

After considering the above factors, our Directors decided to conserve the available cash for meeting the cash flow requirements of the Group and to ensure that there are sufficient funds for our expansion plan. As such, our Directors do not recommend any dividend for the financial year ended 30 June 2011. (Dividend for financial year ended 30 June 2010: 5 sen)

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	
	30.6.2011 RMB	30.6.2010 RMB	30.6.2011 RM	30.6.2010 RM
Profit attributable to equity holders of the Company before other comprehensive income	89,799,000	40,988,000	41,932,000	19,138,000
Weighted average number of ordinary shares in issue	307,330,000	307,330,000	307,330,000	307,330,000
Basic earnings per share	0.29	0.13	0.14	0.06

	Cumulative Quarter 12 Months Ended		Cumulative Quarter 12 Months Ended	
	30.6.2011 RMB	30.6.2010 RMB	30.6.2011 RM	30.6.2010 RM
Profit attributable to equity holders of the Company before other comprehensive income	253,045,000	216,646,000	118,157,000	101,160,000
Weighted average number of ordinary shares in issue	307,330,000	304,804,000	307,330,000	304,804,000
Basic earnings per share	0.82	0.71	0.39	0.33

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 12 Months Ended		Cumulative Quarter 12 Months Ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	RMB 000	RMB 000	RM 000	RM 000
Total Retained Profit/(Loss)				
Realised	550,019	340,155	256,826	158,831
Unrealised	(6,709)	(6,113)	(3,132)	(2,854)
	543,310	334,042	253,694	155,977

By Order of the Board

Kang Shew Meng
Seow Fei San
Secretaries

26 August 2011