



(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 FIRST QUARTER ENDED 30 SEPTEMBER 2011**

| | Note | Individual quarter Quarter ended | | Individual quarter Quarter ended | |
|--|------|-------------------------------------|-----------|-------------------------------------|-----------------------|
| | | 30.9.2011 | 30.9.2010 | 30.9.2011 (note a) | 30.9.2010 (note a) |
| | | RMB'000 | RMB'000 | RM'000 | RM'000 |
| Revenue | B1 | 426,299 | 336,085 | 213,213 | 168,093 |
| Cost of sales | | (290,108) | (233,678) | (145,098) | (116,874) |
| Gross Profit | | 136,191 | 102,407 | 68,115 | 51,219 |
| Other income | | 5,245 | 500 | 2,623 | 250 |
| Selling and distribution expenses | B1 | (41,884) | (26,122) | (20,948) | (13,065) |
| Administrative expenses | | (9,552) | (7,346) | (4,777) | (3,674) |
| Finance costs | | (809) | (887) | (405) | (444) |
| Profit before taxation | B1 | 89,191 | 68,552 | 44,608 | 34,286 |
| Income tax expenses | | (16,285) | (13,175) | (8,145) | (6,589) |
| Profit after taxation | B1 | 72,906 | 55,377 | 36,463 | 27,697 |
| Other comprehensive income, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity | | (2,694) | 629 | (1,347) | 315 |
| Total comprehensive income for the period | | 70,212 | 56,006 | 35,116 | 28,012 |
| Attributable to : | | | | | |
| - Equity holders of the Company | | 70,212 | 56,006 | 35,116 | 28,012 |
| Earnings per share attributable to equity holders of the Company : | | | | | |
| Basic (RMB/RM) | B11 | 0.23 | 0.18 | 0.11 | 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 30 September 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5002 at 30 September 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 2011 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 30 SEPTEMBER 2011**

| | Note | Cumulative Quarter Current year-to-date | | Cumulative Quarter Current year-to-date | |
|--|------|--|----------------------|--|---------------------------------|
| | | 30.9.2011 RMB'000 | 30.9.2010 RMB'000 | 30.9.2011 (note a) RM'000 | 30.9.2010 (note a) RM'000 |
| Revenue | B1 | 426,299 | 336,085 | 213,213 | 168,093 |
| Cost of sales | | <u>(290,108)</u> | <u>(233,678)</u> | <u>(145,098)</u> | <u>(116,874)</u> |
| Gross Profit | | 136,191 | 102,407 | 68,115 | 51,219 |
| Other income | | 5,245 | 500 | 2,623 | 250 |
| Selling and distribution expenses | B1 | (41,884) | (26,122) | (20,948) | (13,065) |
| Administrative expenses | | (9,552) | (7,346) | (4,777) | (3,674) |
| Finance costs | | <u>(809)</u> | <u>(887)</u> | <u>(405)</u> | <u>(444)</u> |
| Profit before taxation | B1 | 89,191 | 68,552 | 44,608 | 34,286 |
| Income tax expenses | | <u>(16,285)</u> | <u>(13,175)</u> | <u>(8,145)</u> | <u>(6,589)</u> |
| Profit after taxation | B1 | 72,906 | 55,377 | 36,463 | 27,697 |
| Other comprehensive income, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity | | (2,694) | 629 | (1,347) | 315 |
| Total comprehensive income for the year | | <u>70,212</u> | <u>56,006</u> | <u>35,116</u> | <u>28,012</u> |
| Attributable to : | | | | | |
| - Equity holders of the Company | | <u>70,212</u> | <u>56,006</u> | <u>35,116</u> | <u>28,012</u> |
| Earnings per share attributable to equity holders of the Company : | | | | | |
| Basic (RMB/RM) | B11 | 0.23 | 0.18 | 0.11 | 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 30 September 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5002 at 30 September 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 2011 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

| | Unaudited As At 30.9.2011 | Audited As at 30.6.2011 | Unaudited As At 30.9.2011 (note a) | Audited As at 30.6.2011 (note a) |
|--|---------------------------------|-------------------------------|---|---|
| | RMB'000 | RMB'000 | RM'000 | RM'000 |
| ASSETS AND LIABILITIES | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 276,234 | 279,909 | 138,159 | 139,996 |
| Land use rights | 13,767 | 13,838 | 6,886 | 6,921 |
| | 290,001 | 293,747 | 145,045 | 146,917 |
| Current assets | | | | |
| Inventories | 51,202 | 50,724 | 25,609 | 25,370 |
| Trade and other receivables (note b) | 473,439 | 358,400 | 236,788 | 179,254 |
| Cash and bank balances | 399,776 | 459,338 | 199,948 | 229,738 |
| | 924,417 | 868,462 | 462,345 | 434,362 |
| Current liabilities | | | | |
| Trade and other payables | 117,694 | 115,003 | 58,865 | 57,519 |
| Interest-bearing bank borrowings | 38,000 | 58,000 | 19,006 | 29,009 |
| Corporate income tax payable | 16,285 | 16,979 | 8,145 | 8,493 |
| | 171,979 | 189,982 | 86,016 | 95,021 |
| Net current assets | 752,438 | 678,480 | 376,329 | 339,341 |
| Non-current liabilities | | | | |
| Deferred income tax liabilities | 3,550 | 3,550 | 1,776 | 1,776 |
| Net assets | 1,038,889 | 968,677 | 519,598 | 484,482 |
| EQUITY | | | | |
| Share capital | 211,715 | 211,715 | 105,889 | 105,889 |
| Reserves | 827,174 | 756,962 | 413,709 | 378,593 |
| TOTAL EQUITY | 1,038,889 | 968,677 | 519,598 | 484,482 |
| Net assets per share attributable to equity holders of the Company (RMB/RM) | | | | |
| | 3.38 | 3.15 | 1.69 | 1.58 |

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 September 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5002 at 30 September 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.

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 2011 and the accompanying explanatory notes attached to the interim financial statements.

(b) The higher trade and other receivables balance as at 30 September 2011 is mainly due to:

i) higher trade receivables amounting to approximately RMB294.6 million as a result of higher revenue generated in August and September 2011 amounting to RMB295.7 million. The trade receivables are within our credit period and approximately 58% of the total outstanding trade receivables have been collected as at 31 October 2011;

ii) higher prepayments which relates to higher down payment to suppliers for apparel and outsourced shoe manufacturers in order to obtain better discounts from suppliers amounting to approximately RMB121.1 million.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

| | 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 | |
| At 30 June 2010 | 211,715 | 233,499 | 34,375 | (81,403) | 896 | 334,042 | 733,124 |
| Total comprehensive income for the year | - | - | - | - | - | 252,009 | 252,009 |
| Statutory reserve | - | - | 27,319 | - | - | (27,319) | - |
| Dividends | - | - | - | - | - | (16,456) | (16,456) |
| At 30 June 2011 | 211,715 | 233,499 | 61,694 | (81,403) | 896 | 542,276 | 968,677 |
| At 30 June 2011 | 211,715 | 233,499 | 61,694 | (81,403) | 896 | 542,276 | 968,677 |
| Statutory reserve | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | (2,694) | 72,906 | 70,212 |
| Dividends | - | - | - | - | - | - | - |
| At 30 September 2011 | 211,715 | 233,499 | 61,694 | (81,403) | (1,798) | 615,182 | 1,038,889 |

| | 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 | |
| At 30 June 2010 | 105,889 | 116,785 | 17,193 | (40,714) | 448 | 167,071 | 366,672 |
| Total comprehensive income for the year | - | - | - | - | - | 126,042 | 126,042 |
| Statutory reserve | - | - | 13,664 | - | - | (13,664) | - |
| Dividends | - | - | - | - | - | (8,232) | (8,232) |
| At 30 June 2010 (note a) | 105,889 | 116,785 | 30,857 | (40,714) | 448 | 271,217 | 484,482 |
| At 30 June 2010 | 105,889 | 116,785 | 30,857 | (40,714) | 448 | 271,217 | 484,482 |
| Statutory reserve | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | (1,347) | 36,463 | 35,116 |
| Dividends | - | - | - | - | - | - | - |
| At 30 September 2011 (note a) | 105,889 | 116,785 | 30,857 | (40,714) | (899) | 307,680 | 519,598 |

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 September 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5002 at 30 September 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 2011 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 30 SEPTEMBER 2011**

| | 3 months Ended 30.9.2011 | 3 months Ended 30.9.2010 | 3 months Ended 30.9.2011 <i>(note a)</i> | 3 months Ended 30.9.2010 <i>(note a)</i> |
|---|--------------------------------|--------------------------------|---|---|
| | RMB'000 | RMB'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| Profit before tax | 89,191 | 68,552 | 44,608 | 34,286 |
| Adjustment for: | | | | |
| Depreciation of property, plant and equipment | 6,037 | 2,807 | 3,020 | 1,404 |
| Amortisation of land use rights | 71 | 71 | 36 | 36 |
| Interest expenses on bank borrowings | 772 | 887 | 386 | 444 |
| Interest income | (606) | (500) | (303) | (250) |
| Operating profit before working capital changes | 95,465 | 71,817 | 47,747 | 35,920 |
| (Increase)/Decrease in inventories | (478) | 7,271 | (239) | 3,637 |
| Increase in trade and other receivables (refer to note b in condensed consolidated statements of financial position for the explanation for the increase) | (117,732) | (71,615) | (58,884) | (35,816) |
| Increase in trade and other payables | 2,691 | 60,051 | 1,346 | 30,035 |
| Cash (used in)/ generated from operations | (20,054) | 67,524 | (10,030) | 33,776 |
| Interest paid | (772) | (887) | (386) | (444) |
| Income tax paid | (16,979) | (10,396) | (8,492) | (5,200) |
| Interest received | 606 | 500 | 303 | 250 |
| Net cash (used in)/ generated from operating activities | (37,199) | 56,741 | (18,605) | 28,382 |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment | (2,363) | (12,436) | (1,182) | (6,220) |
| Cash used in investing activities | (2,363) | (12,436) | (1,182) | (6,220) |
| Cash flows from financing activities | | | | |
| Advances to a director | - | 172 | - | 86 |
| Repayment of director's loan | - | (169) | - | (85) |
| Bank loans obtained | 4,700 | 10,000 | 2,351 | 5,002 |
| Repayment of bank loans | (24,700) | (10,000) | (12,354) | (5,002) |
| Fixed deposit pledged with bank | 2,800 | (1,200) | 1,400 | (600) |
| Net cash used in financing activities | (17,200) | (1,197) | (8,603) | (599) |
| Net (decrease)/increase in cash and cash equivalents | (56,762) | 43,108 | (28,390) | 21,563 |
| Cash and cash equivalents at beginning of the financial period | 456,538 | 585,667 | 228,338 | 292,921 |
| Effect of exchange rate fluctuations on cash and bank balances | - | (857) | - | (429) |
| Cash and cash equivalents at end of financial period | 399,776 | 627,918 | 199,948 | 314,055 |

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 September 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5002 at 30 September 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 Cash Flows should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 first quarter ended 30 September 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 2011 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 September 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 2011 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**

3 months ended 30 September 2011

| | Shoe soles | Sports and leisure footwear | Sports apparels and Accessories | Eliminated | Total |
|---|------------|-----------------------------|---------------------------------|------------|-----------|
| | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 |
| External revenue | 103,666 | 157,588 | 164,045 | - | 426,299 |
| Inter-segment revenue | 23,138 | - | - | (23,138) | - |
| | 126,804 | 157,588 | 164,045 | (23,138) | 426,299 |
| Results | | | | | |
| Segment results | 32,823 | 55,026 | 48,342 | - | 136,191 |
| Other income | | | | | 5,245 |
| Selling and distribution expenses | | | | | (41,884) |
| Administrative expenses | | | | | (9,552) |
| Finance costs | | | | | (809) |
| Profit before taxation | | | | | 89,191 |
| Income tax expenses | | | | | (16,285) |
| Profit after taxation | | | | | 72,906 |
| Other information | | | | | |
| Segment assets | 143,420 | 258,117 | 257,014 | (11,267) | 647,284 |
| Unallocated assets | | | | | |
| - Land use rights | | | | | 13,767 |
| - Other receivables | | | | | 153,591 |
| - Cash and bank | | | | | 399,776 |
| Total assets | | | | | 1,214,418 |
| Segment liabilities | 24,680 | 21,149 | 10,349 | (11,267) | 44,911 |
| Unallocated liabilities | | | | | |
| - Borrowing | | | | | 38,000 |
| - Other payables | | | | | 72,783 |
| - Current tax payable | | | | | 16,285 |
| - Deferred tax liability | | | | | 3,550 |
| Total liabilities | | | | | 175,529 |
| Capital expenditure | 1,724 | 312 | 327 | | 2,363 |
| Depreciation of property, plant and equipment | 2,666 | 1,647 | 1,724 | | 6,037 |
| Amortisation of land use | - | 35 | 36 | | 71 |

3 months ended 30 September 2010

| | Shoe soles | Sports and leisure footwear | Sports apparels and Accessories | Eliminated | Total |
|---|------------|-----------------------------|---------------------------------|------------|-----------|
| | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 |
| External revenue | 71,407 | 149,368 | 115,310 | - | 336,085 |
| Inter-segment revenue | 21,649 | - | - | (21,649) | - |
| | 93,056 | 149,368 | 115,310 | (21,649) | 336,085 |
| Results | | | | | |
| Segment results | 23,722 | 48,928 | 29,757 | - | 102,407 |
| Other income | | | | | 500 |
| Selling and distribution expenses | | | | | (26,122) |
| Administrative expenses | | | | | (7,346) |
| Finance costs | | | | | (887) |
| Profit before taxation | | | | | 68,552 |
| Income tax expenses | | | | | (13,175) |
| Profit after taxation | | | | | 55,377 |
| Other information | | | | | |
| Segment assets | 100,239 | 175,612 | 125,544 | (11,769) | 389,626 |
| Unallocated assets | | | | | |
| - Land use rights | | | | | 14,050 |
| - Other receivables | | | | | 7,616 |
| - Cash and bank | | | | | 630,818 |
| Total assets | | | | | 1,042,110 |
| Segment liabilities | 20,133 | 60,415 | 37,554 | (11,769) | 106,333 |
| Unallocated liabilities | | | | | |
| - Borrowing | | | | | 63,300 |
| - Other payables | | | | | 65,047 |
| - Current tax payable | | | | | 16,075 |
| - Deferred tax liability | | | | | 3,991 |
| Total liabilities | | | | | 254,746 |
| Capital expenditure | 273 | 6,864 | 5,299 | | 12,436 |
| Depreciation of property, plant and equipment | 2,385 | 238 | 184 | | 2,807 |
| Amortisation of land use | - | 35 | 36 | | 71 |

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 2011.

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 utilization | Proposed Utilisation RM 000 | Actual Utilisation RM 000 | Deviation RM 000 |
|--|--------------------------------------|-----------------------------------|---------------------------------|---------------------|
| Marketing and advertising activities | 24 months | 32,000 | 32,000 | - |
| 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 | 6,792 | *8,208 |
| Working capital | 12 months | 17,125 | 17,125 | - |
| Estimated listing expenses | 6 months | 12,000 | 12,000 | - |
| Balance utilized as working capital | | - | 8,208 | |
| Total gross proceeds | | 164,577 | 164,577 | |

**Balance of the expansion of our research and development capabilities has been utilised as working capital.*

A12. Contingent liabilities

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 30 June 2011.

A13. Capital commitments

Authorised capital expenditure not provided for in the financial statements as at 30 September 2011 are as follows:

- contracted

RMB 000

37,800

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

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 RMB426.3 million and RMB89.2 million respectively for the current quarter ("Q1FY2012"), representing an increase of 26.8% and 30.1% respectively as compared to the corresponding period in the preceding year.

The revenue of RMB426.3 million represents an increase of 26.8% as compared to the revenue of RMB336.1 million recorded for the financial period ended 30 September 2010 ("Q1FY2011").

The increase in revenue is contributed by the following:

- (i) Increase in sales volume of shoe sole and apparel from approximately 3.9 million pairs and 1.2 million pieces respectively in Q1FY2011 to approximately 5.8 million pairs and 1.5 million pieces respectively in Q1FY2012.
- (ii) Increase in average selling price of shoe from RMB103.7 per pair in Q1FY2011 to RMB108.9 per pair in Q1FY2012, and increase in average selling price of apparels from RMB93.0 per piece in Q1FY2011 to RMB102.0 per piece in Q1FY2012. 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 segment 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 RMB89.2 million for Q1FY2012 represents an increase of 30.1% as compared to the PBT of RMB68.6 million recorded for Q1FY2011. The increase in PBT was mainly due to the increase in revenue as mentioned above.

The increase in selling and distribution expenses from RMB26.1 million in Q1FY2011 to RMB41.9 million in Q1FY2012 is mainly due to higher expenses in relation to renovation subsidies for the sales outlets amounting to RMB7.9 million, display shelf for the sales outlets amounting to RMB12.9 million and expansion of sales network expenses amounting to RMB11.1 million.

The profit after taxation ("PAT") of RMB72.9 million for Q1FY2012 represents an increase of 31.7% as compared to PAT of RMB55.4 million recorded for Q1FY2011 due to higher profit before tax.

In the current quarter, sales incentives have 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 RMB10.7m for the financial period ended 30 September 2010 was accordingly reclassified from selling and distribution expense to revenue.

The effective tax rate decreases from 19.2% in Q1FY2011 to 18.3% in Q1FY2012 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 their tax incentives and are subject to the full state corporate income tax.

B2. Variation of results against immediate preceding quarter

| | Current quarter 30 September 2011 RMB 000 | Preceding quarter 30 June 2011 RMB 000 |
|--|---|--|
| Revenue | 426,299 | 392,241 |
| Profit before taxation | 89,191 | 92,742 |
| Profit after taxation | 72,906 | 88,763 |
| Other comprehensive income: | | |
| - Translation differences arising from foreign currency financial statements recognized directly in equity | (2,694) | (631) |
| Total comprehensive income for the period | 70,212 | 88,132 |

The Group recorded a revenue of RMB426.3 million for Q1FY2012, representing an increase of 8.7% as compared to the revenue of RMB392.2 million recorded for the quarter ended 30 June 2011 ("Q4FY2011"). The increase in revenue was due to an increase in the sales of shoe soles, apparels and accessories.

The profit before taxation of RMB89.2 million for Q1FY2012 represents a decrease of 3.8% as compared to the profit before taxation of RMB92.7 million recorded for Q4FY2011. This was mainly due to the higher selling and distribution costs for Q1FY2012.

There is a decrease in profit after taxation from RMB88.8 million for Q4FY2011 to RMB72.9 million for Q1FY2012 which is mainly due to the higher selling and distribution costs as explained above.

B3. Prospects for FYE 2012

Our production capacity for our shoe products has increased significantly following the completion of our new factory and installation of 6 new production lines.

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, the 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 should 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:

| | Current Quarter | Current year to date |
|-----------------------|----------------------------|-------------------------------------|
| | RMB 000 | RMB 000 |
| Deferred tax expenses | - | - |
| PRC income tax | 16,285 | 16,285 |
| | <u>16,285</u> | <u>16,285</u> |

The effective income tax rate of the Group for the current quarter and current year to date was 18.3% as compared to the applicable tax rate of 25%. The lower effective tax rate was due to 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 September 2011 were as follows:

| | Total RMB 000 |
|---------------------------------|--------------------------|
| Short term bank loans – secured | <u>38,000</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

There was no dividend declared by the Company for the current quarter.

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 | |
|--|--------------------------|-------------|--------------------------|-------------|
| | 30.9.2011 | 30.9.2010 | 30.9.2011 | 30.9.2010 |
| | RMB | RMB | RM | RM |
| Profit attributable to equity holders of the Company before other comprehensive income | 72,906,000 | 55,377,000 | 36,463,000 | 27,697,000 |
| Weighted average number of ordinary shares in issue | 307,330,000 | 307,330,000 | 307,330,000 | 307,330,000 |
| Basic earnings per share | 0.23 | 0.18 | 0.11 | 0.09 |

| | Cumulative Quarter | | Cumulative Quarter | |
|--|--------------------|----------------|--------------------|----------------|
| | 3 Months Ended | 3 Months Ended | 3 Months Ended | 3 Months Ended |
| | 30.9.2011 | 30.9.2010 | 30.9.2011 | 30.9.2010 |
| | RMB | RMB | RM | RM |
| Profit attributable to equity holders of the Company before other comprehensive income | 72,906,000 | 55,377,000 | 36,463,000 | 27,697,000 |
| Weighted average number of ordinary shares in issue | 307,330,000 | 307,330,000 | 307,330,000 | 307,330,000 |
| Basic earnings per share | 0.23 | 0.18 | 0.11 | 0.09 |

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 | | Cumulative Quarter | |
|------------------------------|--------------------|----------------|--------------------|----------------|
| | 3 Months Ended | 3 Months Ended | 3 Months Ended | 3 Months Ended |
| | 30.9.2011 | 30.9.2010 | 30.9.2011 | 30.9.2010 |
| | RMB 000 | RMB 000 | RM 000 | RM 000 |
| Total Retained Profit/(Loss) | | | | |
| Realised | 617,573 | 396,493 | 308,876 | 198,306 |
| Unrealised | (2,391) | (7,075) | (1,196) | (3,539) |
| | 615,182 | 389,418 | 307,680 | 194,767 |

By Order of the Board
Kang Shew Meng
Seow Fei San
Secretaries
18 November 2011