

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

**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 2015 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 2014 and the accompanying explanatory notes attached to the interim financial statements.

**b) Changes in accounting policies**

There are no changes in accounting policies for the financial year ended 30 June 2015.

**c) Basis of consolidation**

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is disclosed in Note 6.

The Group was formed as a result of the reorganisation exercise undertaken in 2009 for the purpose of the Company's listing on the Main Market of the Bursa Malaysia Securities Berhad. The acquisition of 100% equity in Addnice Holdings Limited by Xingquan International Sports Holdings Limited pursuant to the reorganisation exercise under common control has been accounted for using the pooling-of-interests method of consolidation. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the reorganisation has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group's next reorganisation exercise.

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 or in which control ceases, respectively.

Business combination is 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 non-controlling interest.

Any 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 represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in profit and loss on the date of acquisition.

Where the accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

**d) Functional currency and translation to presentation currency**

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Malaysia Ringgit. The financial statements are presented in Renminbi instead of Malaysia Ringgit as the primary economic environment in which the Group operates is the People's Republic of China.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the financial position date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in term of historical cost in a foreign currency are translated using the exchange rates at the date of the translation.

(iii) Group entities

The results and financial positions of all the entities within the Group that have functional currencies different from the presentation currency are translated into the presentation currency as follows:-

- (a) Assets and liabilities are translated at the closing rate at the reporting date;
- (b) Income and expenses 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
- (c) 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 2014 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 period under review.

## A8. Segment information

### a) Operating segments

	12 months ended 30 June 2015				
	Shoe soles	Casual Footwear	Apparels and Accessories	Eliminated	Total
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
External revenue	233,959	391,472	667,427		1,292,858
Inter-segment revenue	16,339	52,891	52,492	(121,722)	-
	250,298	444,363	719,919	(121,722)	1,292,858
<b>Results</b>					
Segment results	66,210	133,094	267,603	-	466,907
Other income					49,077
Selling and distribution expenses					(142,908)
Administrative expenses					(45,720)
Finance costs					(1,067)
Profit before taxation					326,289
Income tax expenses					(75,378)
Profit after taxation					250,911
<b>Other information</b>					
Segment assets	152,769	130,889	223,156	(7,000)	499,814
Unallocated assets					
- Land use rights					12,707
- Other receivables					46,196
- Cash and bank					1,456,946
Total assets					2,015,663
Segment liabilities	14,203	4,990	8,508	-	27,701
Unallocated liabilities					
- Borrowing					18,000
- Other payables					40,548
- Current tax payable					7,003
- Deferred tax liability					3,189
Total liabilities					96,441
Capital expenditure	24,142	180	-		24,322
Depreciation of property, plant and equipment	9,392	5,738	9,782		24,912
Property, plant and equipment written off	908	214	365		1,487
Amortisation of land use					282

12 months ended 30 June 2014

	Shoe soles	Casual footwear	Apparels and Accessories	Eliminated	Total
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
External revenue	209,295	334,683	685,440		1,229,418
Inter-segment revenue	20,299	43,281	41,734	(105,314)	-
	229,594	377,964	727,174	(105,314)	1,229,418
<b>Results</b>					
Segment results	54,188	112,112	255,676	(4,000)	417,976
Other income					6,905
Selling and distribution expenses					(126,404)
Administrative expenses					(55,043)
Finance costs					(986)
Profit before taxation					242,448
Income tax expenses					(65,808)
Profit after taxation					176,640
<b>Other information</b>					
Segment assets	128,019	147,681	284,127	(7,000)	552,827
Unallocated assets					
- Land use rights					12,990
- Other receivables					97,445
- Cash and bank					1,156,243
Total assets					1,819,505
Segment liabilities	9,714	3,905	7,512	-	21,131
Unallocated liabilities					
- Borrowing					18,000
- Other payables					37,170
- Current tax payable					12,510
- Deferred tax liability					3,237
Total liabilities					92,048
Capital expenditure	8,009	2	3	-	8,014
Depreciation of property, plant and equipment	11,680	5,024	9,667	-	26,371
Property, plant and equipment written off	1,077	2	5	-	1,084
Loss on disposal on property,	9,084	-	-	-	9,084
Amortisation of land use rights	-	-	-	-	211

**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.

**A9. 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 2014.

**A10. Corporate proposals**

There were no corporate proposals announced but not completed as at the date of this report.

**A11. Contingent liabilities**

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 30 June 2014.

**A12. Capital commitments**

There were no authorised capital expenditures contracted but not provided for in the financial statements as at 30 June 2015.

**A13. Changes in the composition of the Group**

The company has incorporated a new wholly owned subsidiary in Bermuda on 10 July 2014, Gertop International Holdings Limited ("GHIL"). GHIL has an authorised capital of AUD\$10,000.00 (equivalent to RM29,800.00) divided into shares of AUD\$0.01 each and a paid up capital of AUD\$0.01 (equivalent to RM0.029).

Save for the above, there are no other changes in the composition of the Group during the financial period to-date.

**A14. 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 profits after taxation prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

**Merger reserve**

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting

**Foreign currency translation reserve**

Foreign currency translation reserve arises from the translation of the financial statements of foreign entities with functional currencies different from the presentation currency of the Group.

**Share premium**

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.

## **A15. 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**

#### **a) Financial Year-to-date vs. Previous Financial Year-to-date**

The Group achieved a revenue and profit before tax ("PBT") of RMB1,292.9 million and RMB326.3 million respectively for the 12 months financial year ended 30 June 2015 ("FYE2015"). The revenue of RMB1,292.9 million represents an increase of 5.2% as compared to the revenue of RMB1,229.4 million recorded for the 12 months financial period ended 30 June 2014 ("FYE2014").

The increase in revenue is contributed by the following:

- (i) Increase in sales volume of shoe sole from 12.9 million in FYE2014 to 15.1 million in FYE2015.
- (ii) Increase in average selling price of apparel from RMB163.7 per piece in FYE2014 to RMB191.3 per piece in FYE2015. The increase in the selling price of apparel is due to the success of the GERTOP brand which is in the outdoor casual wear segment compared to the previous outdoor sports wear.

The PBT of RMB326.3 million for FYE2015 represents an increase of 34.6% as compared to the PBT of RMB242.5 million recorded for FYE2014. The increase in PBT was mainly due to the increase in overall revenue and unrealised gain on foreign exchange differences.

The increase in selling and distribution expenses from RMB126.4 million in FYE2014 to RMB142.9 million in FYE2015 is mainly due to higher expenses in relation to display shelf for the sales outlets and expansion of sales network expenses.

The profit after taxation ("PAT") of RMB250.9 million for FYE2015 represents an increase of 42.1% as compared to PAT of RMB176.6 million recorded for FYE2014 due to increase in overall revenue and unrealised gain on foreign exchange differences.

The effective tax rate decreases from 27.1% for FYE2014 to 23.1% FYE2015 due to the unrealised gain on foreign exchange difference is not subject to income tax.

Performance of the respective operating business segments for FYE2015 as compared to FYE2014 is analysed as follows:

Shoe sole – The increase in revenue from RMB209.3 million for FYE2014 to RMB234.0 million for FYE2015 was mainly due to increase in sales volume from 12.9 million pairs for FYE2014 to 15.1 million pairs for FYE2015.

Shoe – The increase in revenue from RMB334.7 million for FYE2014 to RMB391.5 million for FYE2015 was mainly due to increase in increase in average selling price of apparel from RMB161.8 per piece in FYE2014 to RMB175.0 per piece in FYE2015.

Apparel - The decrease in revenue from RMB656.7 million for FYE2014 to RMB640.5 million for FYE2015 was mainly due to decrease in in sales volume from 4.0 million pairs for FYE2014 to 3.3 million pairs for FYE2015.

**b) Current Quarter vs. Previous Year Corresponding Quarter**

The Group achieved a revenue and profit before taxation ("PBT") of RMB260.6 million and RMB26.3 million respectively for the current quarter ("Q4FY2015"), representing a decrease of 19.9% in revenue and a decrease in PBT of 28.8% respectively as compared to the corresponding period in the preceding year.

The decrease in revenue is contributed by the decrease in sales volume of apparels in Q4FY2015.

The PBT of RMB26.3 million for Q4FY2015 represents a decrease of 28.8% as compared to the PBT of RMB36.9 million recorded for Q4FY2014. The decrease in PBT was mainly due to the decrease in overall revenue.

Performance of the respective operating business segments for Q4FY2015 as compared to Q4FY2014 is analysed as follows:

Shoe sole – The increase in revenue was mainly due to increase in sales volume.

Shoe – The decrease in revenue was mainly due to decrease in sales volume.

Apparel - The decrease in revenue was mainly due to decrease in sales volume.

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

	<b>Current quarter 30 June 2015 RMB 000</b>	<b>Preceding quarter 31 March 2015 RMB 000</b>
Revenue	260,560	324,873
Profit before taxation	26,245	110,939

The Group recorded revenue of RMB260.6 million for Q4FY2015, representing a decrease of 19.8% as compared to the revenue of RMB324.9 million recorded for the quarter ended 31 March 2015 ("Q3FY2015"). The decrease in revenue was due to decrease in average selling price of apparel.

The profit before taxation of RMB26.2 million for Q4FY2015 represents a decrease of 76.3% as compared to the profit before taxation of RMB110.9 million recorded for Q3FY2015. This was mainly due to the increase in selling and distribution expenses.

**B3. Prospects for FYE 2016**

We are aware that the Chinese 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. Nevertheless, our Board of Directors believes that the Group's prospects for the financial year ending 30 June 2016 should remain positive due to the success of the GERTOP brand which is in the outdoor casual wear segment as well as the market recognition of our shoe sole business.

**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. Profit before taxation**

The Group's profit before taxation is arrived at after charging/(crediting):



	<b>Current year quarter</b>	<b>Current year to date</b>
	<b>RMB 000</b>	<b>RMB 000</b>
Write off of property, plant and equipment	-	1,487
Depreciation of property, plant and equipment	6,267	24,912
Amortisation of land use rights	71	282
Interest expenses	262	1,066
Interest income	(1,279)	(4,579)
Unrealised gain on foreign exchange differences	(5,505)	(45,617)

Save for the above items, there are no other items required to be disclosed according to Note 16 of Appendix 9B on Quarterly Report issued by Bursa Malaysia.

#### **B6. Taxation**

Taxation comprises the following:

	<b>Current Quarter</b>	<b>Current year to date</b>
	<b>RMB 000</b>	<b>RMB 000</b>
PRC income tax	7,570	75,378

The effective income tax rate of the Group for the current quarter was 28.8% as compared to the applicable tax rate of 25%. This is higher than the applicable tax rate because of higher non-tax deductible administration expenses incurred during the quarter.

The effective income tax rate of the Group for the current year to date was 23.1%. This is below the applicable tax rate due to the unrealised gain on foreign exchange difference is not subject to income tax.

#### **B7. Status of Issuance of issuance of 30,733,000 ordinary shares**

<b>Purpose</b>	<b>Intended Timeframe</b>	<b>Proposed Utilisation (RM'000)</b>	<b>Actual Utilisation (RM'000)</b>
Business Expansion	Within 18 months	30,233	30,233
Estimated expense for the proposal	Within 1 month	500	500
Total		<u>30,733</u>	<u>30,733</u>

#### **B8. Group borrowings**

The Group's borrowings as at 30 June 2015 were as follows:

	<b>Total RMB 000</b>
Short term bank loans – secured	<u>18,000</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**

A tax exempt interim dividend of RM0.02 per ordinary share for the financial year ending 30 June 2015 has been declared on 26 December 2014 and was paid on 25 March 2015 to the shareholders of the Company who are on the Company's Register of Members on 2 March 2015.

**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 by weighted average number of ordinary shares in issue during the period:-

	Individual Quarter Ended		Individual Quarter Ended	
	30.6.2015 RMB	30.6.2014 RMB	30.6.2015 RM	30.6.2014 RM
Profit after tax	18,675,000	23,808,000	10,458,000	13,332,000
Weighted average number of ordinary shares in issue	338,063,000	311,119,000	338,063,000	311,119,000
Basic earnings per share	0.06	0.08	0.03	0.04
	Cumulative Quarter 12 Months Ended		Cumulative Quarter 12 Months Ended	
	30.6.2015 RMB	30.6.2014 RMB	30.6.2015 RM	30.6.2014 RM
Profit after tax	250,911,000	176,640,000	140,504,000	98,913,000
Weighted average number of ordinary shares in issue	338,063,000	311,119,000	338,063,000	311,119,000
Basic earnings per share	0.74	0.57	0.42	0.32

**b) Diluted**

As of 30 June 2015, the Group has 169,031,500 of warrant in issue, which entitles the holders the rights for conversion into one (1) ordinary share for every one (1) warrant at an exercise price of RM1.00 each. This gives rise to potential ordinary

shares which, upon conversion, could result in dilution to earnings per share in future financial periods.

In accordance with MFRS 133, options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options and warrants (i.e. they are 'in the money').

The volume-weighted average market price of the Company's ordinary shares during September 2014 was slightly lower than the warrant exercise price. As such, the issued warrants are not regarded as dilutive and accordingly, no diluted earnings per share is being presented for the current quarter under review. Relevant disclosure and information, where applicable, would be made in future interim financial reports and annual financial statements.

## B12. Realised and unrealised profits

	Cumulative Quarter		Cumulative Quarter	
	12 Months Ended		12 Months Ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RMB 000	RMB 000	RM 000	RM 000
Total Retained Profit/(Loss)				
Realised	1,425,354	1,186,857	869,808	724,267
Unrealised	(78,760)	(33,143)	(48,063)	(20,225)
	<u>1,346,954</u>	<u>1,153,714</u>	<u>821,745</u>	<u>704,042</u>
Consolidation adjustments	32,103	(13,854)	19,591	(8,454)
	<u><u>1,378,697</u></u>	<u><u>1,139,860</u></u>	<u><u>841,336</u></u>	<u><u>695,588</u></u>

By Order of the Board

Kang Shew Meng  
Seow Fei San  
Secretaries

24 August 2015