



(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 2016**

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		30.09.2016	30.09.2015	30.09.2016 (note a)	30.09.2015 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	83,095	214,652	53,006	136,927
Cost of sales		<u>(64,897)</u>	<u>(143,347)</u>	<u>(41,398)</u>	<u>(91,441)</u>
Gross profit		18,198	71,305	11,608	45,486
Other income		12,757	26,511	8,138	16,911
Selling and distribution expenses	B1	(4,164)	(48,957)	(2,656)	(31,230)
Administrative expenses		(7,777)	(7,860)	(4,961)	(5,014)
Finance costs		<u>(204)</u>	<u>(259)</u>	<u>(130)</u>	<u>(165)</u>
Profit before taxation	B1	18,810	40,740	11,999	25,988
Income tax expenses		<u>(175)</u>	<u>(4,642)</u>	<u>(112)</u>	<u>(2,961)</u>
Profit after taxation	B1	18,635	36,098	11,887	23,027
Other comprehensive losses, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		<u>(10,629)</u>	<u>(24,746)</u>	<u>(6,780)</u>	<u>(15,785)</u>
Total comprehensive income for the period		<u>8,006</u>	<u>11,352</u>	<u>5,107</u>	<u>7,242</u>
Attributable to :					
- Equity holders of the Company		<u>8,006</u>	<u>11,352</u>	<u>5,107</u>	<u>7,242</u>
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.04	0.11	0.02	0.07
Diluted (RMB/RM)	B11	*	*	*	*

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 2016 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6379 at 30 September 2016. 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 financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

* Refer to Note B11 (b) for further details.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

	Note	Cumulative Quarter Current year-to-date		Cumulative Quarter Current year-to-date	
		30.09.2016	30.09.2015	30.09.2016 (note a)	30.09.2015 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	83,095	214,652	53,006	136,927
Cost of sales		(64,897)	(143,347)	(41,398)	(91,441)
Gross profit		18,198	71,305	11,608	45,486
Other income		12,757	26,511	8,138	16,911
Selling and distribution expenses	B1	(4,164)	(48,957)	(2,656)	(31,230)
Administrative expenses		(7,777)	(7,860)	(4,961)	(5,014)
Finance costs		(204)	(259)	(130)	(165)
Profit before taxation	B1	18,810	40,740	11,999	25,988
Income tax expenses		(175)	(4,642)	(112)	(2,961)
Profit after taxation	B1	18,635	36,098	11,887	23,027
Other comprehensive losses, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity		(10,629)	(24,746)	(6,780)	(15,785)
Total comprehensive income for the year		8,006	11,352	5,107	7,242
Attributable to :					
- Equity holders of the Company		8,006	11,352	5,107	7,242
(Losses)/Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.04	0.11	0.02	0.07
Diluted (RMB/RM)	B11	*	*	*	*

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 2016 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6379 at 30 September 2016. 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 financial year ended 30 June 2016 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 2016

	Unaudited As At 30.09.2016	Audited As at 30.6.2016	Unaudited As At 30.09.2016 <i>(note a)</i>	Audited As at 30.6.2016 <i>(note a)</i>
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	309,093	225,353	190,649	138,998
Land use rights	12,353	12,424	7,619	7,663
	321,446	237,777	198,268	146,661
Current assets				
Inventories	37,590	29,251	23,186	18,043
Trade and other receivables	108,758	119,217	67,082	73,533
Cash and bank balances	1,036,605	1,141,751	639,378	704,232
	1,182,953	1,290,219	729,646	795,808
Current liabilities				
Trade and other payables	35,107	66,615	21,656	41,089
Interest-bearing bank borrowings	18,000	18,000	11,102	11,103
Corporate income tax payable	175	287	108	178
	53,282	84,902	32,866	52,370
Net current assets	1,129,671	1,205,317	696,780	743,438
Non-current liability				
Deferred income tax liabilities	3,482	3,465	2,148	2,137
Net assets	1,447,635	1,439,629	892,900	887,962
EQUITY				
Share capital	31,699	230,886	19,551	19,551
Reserves	1,415,936	1,208,743	873,349	868,411
TOTAL EQUITY	1,447,635	1,439,629	892,900	887,962
Net assets per share attributable to equity holders of the Company (RMB/RM)				
	2.98	4.26	1.84	2.63

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 2016 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6168 at 30 September 2016. 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 Financial Position should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

	Attributable to Equity Holders of the Company									Total Equity RMB'000
	Non - distributable					Distributable				
	Share capital RMB'000	Share premium RMB'000	Contribution surplus account RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Currency translation reserve RMB'000	Warrants reserve RMB'000	Discount on shares RMB'000	Retained earnings RMB'000	
At 1 July 2015	230,886	273,851	-	146,738	(81,403)	(17,140)	71,923	(71,923)	1,368,479	1,921,411
Total comprehensive income for the period	-	-	-	-	-	(11,553)	-	-	(542,102)	(553,655)
Transfer to statutory reserve	-	-	-	260	-	-	-	-	(260)	-
Par value reduction of share capital	(208,664)	-	208,664	-	-	-	-	-	-	-
Rights issue with warrants, net of shares issuance expenses	9,477	62,396	-	-	-	-	15,500	(15,500)	-	71,873
At 30 June 2016	31,699	336,247	208,664	146,998	(81,403)	(28,693)	87,423	(87,423)	826,117	1,439,629
At 1 July 2016	31,699	336,247	208,664	146,998	(81,403)	(28,693)	87,423	(87,423)	826,117	1,439,629
Total comprehensive loss for the period	-	-	-	-	-	(10,629)	-	-	18,635	8,006
At 30 September 2016	31,699	336,247	208,664	146,998	(81,403)	(39,322)	87,423	(87,423)	844,752	1,447,635

	Attributable to Equity Holders of the Company									Total Equity RM'000
	Non - distributable					Distributable				
	Share capital RM'000	Share premium RM'000	Contribution surplus account RM'000	Statutory reserve RM'000	Merger reserve RM'000	Currency translation reserve RM'000	Warrants reserve RM'000	Discount on shares RM'000	Retained earnings RM'000	
At 1 July 2015	142,410	168,911	-	90,508	(50,209)	(10,572)	44,362	(44,362)	844,078	1,185,126
Total comprehensive income for the period	-	-	-	-	-	(7,126)	-	-	(334,369)	(341,495)
Transfer to statutory reserve	-	-	-	160	-	-	-	-	(160)	-
Par value reduction of share capital	(128,704)	-	128,704	-	-	-	-	-	-	-
Rights issue with warrants, net of shares issuance expenses	5,845	38,486	-	-	-	-	9,560	(9,560)	-	44,331
At 30 June 2016	19,551	207,397	128,704	90,668	(50,209)	(17,698)	53,922	(53,922)	509,549	887,962
At 1 July 2016	19,551	207,397	128,704	90,668	(50,209)	(17,698)	53,922	(53,922)	509,549	887,962
Total comprehensive income for the period	-	-	-	-	-	(6,556)	-	-	11,494	4,938
At 30 September 2016	19,551	207,397	128,704	90,668	(50,209)	(24,254)	53,922	(53,922)	521,043	892,900

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(b) The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 30 June 2016 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 30 SEPTEMBER 2016**

	3 months Ended 30.09.2016	3 months Ended 30.09.2015	3 months Ended 30.09.2016 <i>(note a)</i>	3 months Ended 30.09.2015 <i>(note a)</i>
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	18,810	40,740	11,999	25,988
Adjustments for:				
Depreciation of property, plant and equipment	5,137	6,183	3,277	3,944
Loss on disposal of property, plant and equipment	847	-	-	-
Amortisation of land use rights	71	71	45	45
Unrealised gain on foreign exchange differences	(11,460)	(25,410)	(7,310)	(16,209)
Interest expenses on bank borrowings	212	259	135	165
Interest income	(845)	(1,307)	(539)	(834)
Operating profit before working capital changes	12,772	20,536	7,607	13,099
Increase in inventories	(8,339)	(30,462)	(5,319)	(19,432)
Decrease in trade and other receivables	10,459	25,691	6,672	16,386
Decrease in trade and other payables	(31,507)	(11,461)	(20,098)	(7,310)
Cash (used in)/generated from operations	(16,615)	4,304	(11,138)	2,743
Interest paid	(212)	(259)	(135)	(165)
Income tax paid	(288)	(7,003)	(184)	(4,467)
Interest received	845	1,307	539	834
Net cash used in operating activities	(16,270)	(1,651)	(10,918)	(1,055)
Cash flows from investing activities				
Proceeds on disposal of property, plant and equipment	-	-	-	-
Acquisition of property, plant and equipment	(88,877)	-	(56,695)	-
Cash used in investing activity	(88,877)	-	(56,695)	-
Cash flows from financing activities				
Proceeds from Rights issue net of share issuance expenses	-	-	-	-
Bank loans obtained	4,700	4,700	2,998	2,998
Repayment of bank loans	(4,700)	(4,700)	(2,998)	(2,998)
Dividends paid	-	-	-	(6,834)
Net cash used in financing activities	-	-	-	(6,834)
Net decrease in cash and cash equivalents	(105,147)	(1,651)	(67,613)	(7,889)
Translation differences	1	(12)	2,759	6,863
Cash and cash equivalents at beginning of the financial period	1,141,751	1,456,947	704,232	898,645
Cash and cash equivalents at end of financial period	1,036,605	1,455,284	639,378	897,619

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 financial year ended 30 June 2016 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 2016

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 2016 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 2016 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 period ended 30 September 2016.

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.

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 2016 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 save for A10.

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

	3 months ended 30 September 2016				
	Shoe soles	Casual Footwear	Apparels and Accessories	Eliminated	Total
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
External revenue	22,041	18,344	42,710	-	83,095
Inter-segment revenue	1,221	16,106	-	(17,327)	-
	23,262	34,450	42,710	(17,327)	83,095
Results					
Segment results	1,599	4,297	12,302	-	18,198
Other income					12,757
Selling and distribution expenses					(4,164)
Administrative expenses					(7,777)
Finance costs					(204)
					18,810
Profit before taxation					(175)
Income tax expenses					
Profit after taxation					18,635
Other information					
Segment assets	97,709	101,363	235,998	(5,000)	430,070
Unallocated assets					
- Land use rights					12,353
- Other receivables					25,371
- Cash and bank					1,036,605
Total assets					1,504,399
Segment liabilities	4,241	1,632	3,801	-	9,674
Unallocated liabilities					
- Borrowing					18,000
- Other payables					25,434
- Current tax payable					175
- Deferred tax liability					3,482
Total liabilities					56,765
Capital expenditure	88,877	-	-		88,877
Depreciation of property, plant and equipment	2,190	886	2,061		5,137
Amortisation of land use rights	-	-	-		71
Loss on disposal of property, plant and equipment	-	-	847		847

3 months ended 30 September 2015

	Shoe soles	Casual Footwear	Apparels and Accessories	Eliminated	Total
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
External revenue	47,036	47,566	120,050		214,652
Inter-segment revenue	3,768	9,414	10,837	(24,019)	-
	50,804	56,980	130,887	(24,019)	214,652
Results					
Segment results	11,698	14,627	44,980	-	71,305
Other income					26,511
Selling and distribution expenses					(48,957)
Administrative expenses					(7,860)
Finance costs					(259)
Profit before taxation					40,740
Income tax expenses					(4,642)
Profit after taxation					36,098
Other information					
Segment assets	139,333	99,555	251,262	(5,000)	485,150
Unallocated assets					
- Land use rights					12,637
- Other receivables					61,450
- Cash and bank					1,455,284
Total assets					2,014,521
Segment liabilities	9,822	4,218	10,647	-	24,687
Unallocated liabilities					
- Borrowing					18,000
- Other payables					31,110
- Current tax payable					4,642
- Deferred tax liability					3,319
Total liabilities					81,758
Depreciation of property, plant and equipment	2,287	1,106	2,790	-	6,183
Amortisation of land use rights					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.

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 2016.

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 2016.

A12. Capital commitments

There were no authorised capital expenditures contracted but not provided for in the financial statements as at 30 September 2016.

A13. Changes in the composition of the Group

There are no 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 Period-to-date vs. Previous Financial Period-to-date

The Group achieved a revenue and profit before tax ("PBT") of RMB83.1 million and RMB18.8 million respectively for the 3 months financial period ended 30 September 2016 ("FPE2017"). The revenue of RMB83.1 million represents a decrease of 61.3% as compared to the revenue of RMB214.7 million recorded for the 3 months financial period ended 30 September 2015 ("FPE2016").

The decrease in revenue is contributed by the following:

- (i) Decrease in sales volume of shoe soles from 3.1 million pairs in FPE2016 to 1.5 million pairs in FPE2017.
- (ii) Decrease in sales volume of apparels from 0.6 million pieces in FPE2016 to 0.3 million pieces in FPE2017.

The PBT of RMB18.8 million for FPE2017 represents a decrease of 53.8% as compared to the Profit before taxation ("PBT") of RMB40.7 million recorded for FPE2016. The decrease in PBT was mainly due to the decrease in overall revenue.

The decrease in selling and distribution expenses from RMB49.0 million in FPE2016 to RMB4.2 million in FPE2017 is mainly due to lower expenses in relation to market development costs and subsidy of renovation.

The profit after taxation ("PAT") of RMB18.6 million for FPE2017 represents a decrease of 48.4% as compared to PAT of RM36.1 million recorded for FPE2016 due to the reason stated above.

The effective tax rate decreased from 11% for FPE2016 to 1% for FPE2017 due to higher unrealised gain on foreign exchange differences.

Performance of the respective operating business segments for FPE2017 as compared to FPE2016 is analysed as follows:

Shoe soles – The decrease in revenue from RMB47.0 million for FPE2016 to RMB22.0 million for FPE2017 was mainly due to decrease in production from 3.1 million pairs for FPE2016 to 1.5 million pairs for FPE2017.

This was caused by the relocation of the machineries from Huian factory to Jinjiang factory for better management and efficiency in the future.

Shoes – The decrease in revenue from RMB47.6 million for FPE2016 to RMB18.3 million for FPE2017 was mainly due to decrease in average selling price.

Apparels - The decrease in revenue from RMB115.9 million for FPE2016 to RMB41.3 million for FPE2017 was mainly due to decrease in sales volume from 0.6 million piece for FPE2016 to 0.3 million piece for FPE2017.

b) Current Quarter vs. Previous Year Corresponding Quarter

Please refer to **B1 a)** above.

B2. Variation of results against immediate preceding quarter

	Current quarter 30 September 2016 RMB 000	Preceding quarter 30 June 2016 RMB 000
Revenue	83,095	129,739
Profit/(loss) before taxation	18,810	(602,317)

The Group recorded revenue of RMB83.1 million for Q1FY2017, representing a decrease of 36.0% as compared to the revenue of RMB129.7 million recorded for the quarter ended 30 June 2016 ("Q4FY2016"). The decrease in revenue was due to decrease in volume for shoes soles, shoes and apparels.

The PBT is RMB18.8 million for this quarter, as compared to the LBT of RMB602.3 million recorded for Q4FY2016.

B3. Prospects for FYE 2017

The China economic uncertainties which impact the spending pattern of the Chinese consumers have adversely impact our business. In addition, the change of consumer shopping behavior and stiff competition from e-commerce players have also negatively affected our performance. Our Board of Directors believes the Group's prospect for the financial year ending 30 June 2017 to be challenging.

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):

	Current year quarter RMB 000	Current year to date RMB 000
Depreciation of property, plant and equipment	5,137	5,137
Amortisation of land use rights	71	71
Loss on disposal of property, plant and equipment	847	847
Interest expenses	212	212
Interest income	(845)	(845)
Unrealised gain on foreign exchange differences	(11,460)	(11,460)

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:

	Current Quarter	Current year to date
	RMB 000	RMB 000
PRC income tax	175	175

The effective tax rate decreased from 11% for FPE2016 to 1% for FPE2017 due to higher unrealised gain on foreign exchange differences.

B7. Status of Issuance of issuance of 147,106,235 ordinary shares

Purpose	Intended Timeframe	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)
Business Expansion	Within 18 months	43,132	43,132
Estimated expense for the proposal	Within 1 month	1,000	1,000
Total		<u>44,132</u>	<u>44,132</u>

B8. Group borrowings

The Group's borrowings as at 30 September 2016 were as follows:

	Total RMB 000
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

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

	Individual Quarter Ended		Individual Quarter Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RMB	RMB	RM	RM
Profit after tax	18,635,000	36,098,000	11,887,000	23,027,000
Weighted average number of ordinary shares in issue	485,169,235	338,063,000	485,169,235	338,063,000
Basic earnings per share	0.04	0.11	0.02	0.07

	Cumulative Quarter 3 Months Ended		Cumulative Quarter 3 Months Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RMB	RMB	RM	RM
Profit after tax	18,635,000	36,098,000	11,887,000	23,027,000
Weighted average number of ordinary shares in issue	485,169,235	338,063,000	485,169,235	338,063,000
Basic earnings per share	0.04	0.11	0.02	0.07

b) Diluted

As of 30 June 2016, the Group has 192,361,093 of Warrant A 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 RM0.88 each. The Group also has 49,035,342 of Warrant B 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 RM0.40 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 IAS33, 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	
	3 Months Ended		3 Months Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RMB 000	RMB 000	RM 000	RM 000
Total Retained Profit				
Realised	839,397	1,337,730	517,740	825,112
Unrealised	6,601	42,597	4,072	26,274
	<u>845,998</u>	<u>1,380,327</u>	<u>521,812</u>	<u>851,386</u>
Consolidation adjustments	(1,246)	(11,848)	(769)	(7,308)
	<u>844,752</u>	<u>1,368,479</u>	<u>521,043</u>	<u>844,078</u>

By Order of the Board

Kang Shew Meng
Seow Fei San
Secretaries

18 November 2016