

Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 31 MARCH 2010
 Quarter : 1

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

| PARTICULARS | NOTE | UNAUDITED AS AT 31-Mar-10 RMB'000 | AUDITED AS AT 31-Dec-09 RMB'000 | UNAUDITED AS AT 31-Mar-10 RM'000 (1) | AUDITED AS AT 31-Dec-09 RM'000 (1) |
|--|------|--|--|---|---|
| ASSETS AND LIABILITIES | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | | 136,700 | 126,545 | 65,274 | 60,425 |
| Intangible assets | | 24,526 | 23,614 | 11,711 | 11,276 |
| | | <u>161,226</u> | <u>150,159</u> | <u>76,985</u> | <u>71,701</u> |
| Current assets | | | | | |
| Inventories | | 12,064 | 12,160 | 5,760 | 5,806 |
| Trade receivables | | 58,931 | 63,374 | 28,140 | 30,261 |
| Prepayment and other receivables | | 555 | 1,320 | 265 | 630 |
| Cash and bank balances | | 191,717 | 160,706 | 91,545 | 76,737 |
| | | <u>263,267</u> | <u>237,560</u> | <u>125,710</u> | <u>113,434</u> |
| Current liabilities | | | | | |
| Trade payables | | 29,120 | 29,655 | 13,905 | 14,160 |
| Accrued liabilities and other payables | | 16,447 | 20,920 | 7,853 | 9,989 |
| Amount owing to a shareholder cum director | | 18,372 | 18,377 | 8,773 | 8,775 |
| Income tax payable | | 5,056 | 11,388 | 2,414 | 5,438 |
| Interest-bearing bank borrowings | | 15,700 | - | 7,497 | - |
| | | <u>84,695</u> | <u>80,340</u> | <u>40,442</u> | <u>38,362</u> |
| Net current assets | | 178,572 | 157,220 | 85,268 | 75,072 |
| Net assets | | <u>339,798</u> | <u>307,379</u> | <u>162,253</u> | <u>146,773</u> |
| EQUITY | | | | | |
| Share capital | | 123,178 | 123,178 | 58,817 | 58,817 |
| Reserve | | 216,620 | 184,201 | 103,436 | 87,956 |
| Total equity | | <u>339,798</u> | <u>307,379</u> | <u>162,253</u> | <u>146,773</u> |
| Net Assets per share attributable to equity holders of the Group (sen in RMB / RM) | B12 | 94.39 | 94.87 | 45.07 | 45.30 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Notes :

- (1) The presentation currency of this unaudited and audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.4775 as at 31 March 2010.

Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 31 MARCH 2010
 Quarter : 1

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2010

| PARTICULARS | NOTE | INDIVIDUAL QUARTER | | INDIVIDUAL QUARTER | |
|--|------|--|---|---|--|
| | | UNAUDITED | AUDITED | UNAUDITED | AUDITED |
| | | CURRENT QUARTER 31-Mar-10 RMB'000 | PRECEDING YEAR CORRESPONDING QUARTER (1) 31-Mar-09 RMB'000 | CURRENT QUARTER 31-Mar-10 RM'000 (2) | PRECEDING YEAR CORRESPONDING QUARTER (1) 31-Mar-09 RM'000 (2) |
| Revenue | | 133,720 | 81,577 | 63,851 | 38,953 |
| Cost of sales | | (90,902) | (54,420) | (43,406) | (25,985) |
| Gross Profit | | 42,818 | 27,157 | 20,445 | 12,968 |
| Other income | | 329 | 50 | 157 | 24 |
| Selling and distribution expenses | | (2,478) | (1,379) | (1,183) | (659) |
| Administrative expenses | | (2,993) | (1,321) | (1,429) | (631) |
| Finance costs | | (201) | (229) | (96) | (109) |
| Profit before taxation | | 37,475 | 24,278 | 17,894 | 11,593 |
| Income tax expenses | | (5,056) | (3,036) | (2,414) | (1,450) |
| Profit after taxation | | 32,419 | 21,242 | 15,480 | 10,143 |
| Total comprehensive income for the period | | 32,419 | 21,242 | 15,480 | 10,143 |
| Profit attributable to : | | | | | |
| - Equity holders of the Group | | 32,419 | 21,242 | 15,480 | 10,143 |
| Total comprehensive income attributable to : | | | | | |
| - Equity holders of the Group | | 32,419 | 21,242 | 15,480 | 10,143 |

| PARTICULARS | NOTE | INDIVIDUAL QUARTER | | INDIVIDUAL QUARTER | |
|--|------|--|---|---|--|
| | | UNAUDITED | AUDITED | UNAUDITED | AUDITED |
| | | CURRENT QUARTER 31-Mar-10 RMB'000 | PRECEDING YEAR CORRESPONDING QUARTER (1) 31-Mar-09 RMB'000 | CURRENT QUARTER 31-Mar-10 RM'000 (2) | PRECEDING YEAR CORRESPONDING QUARTER (1) 31-Mar-09 RM'000 (2) |
| Earnings per share attributable to equity holders of the Group : | | | | | |
| Basic (sen in RMB / RM) | B12 | 9.01 | 7.02 | 4.30 | 3.35 |
| Diluted (sen in RMB / RM) | B12 | N/A | N/A | N/A | N/A |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Notes :

- (1) *The condensed Combined Statement of Comprehensive Income are prepared in accordance with INT FRS 12 Consolidation - Special Purpose Entities and based on the combined results of Multi Sports Holdings Ltd ("MSPORTS") and its subsidiaries (MSPORTS GROUP). MSPORTS completed its restructuring only on 15 July 2009.*
- (2) *The presentation currency of this unaudited and audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.4775 as at 31 March 2010.*

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Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 31 MARCH 2010
 Quarter : 1

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2010

| PARTICULARS | NOTE | CUMULATIVE QUARTER | | CUMULATIVE QUARTER | |
|--|------|--------------------|---------------|--------------------|---------------|
| | | UNAUDITED | AUDITED | UNAUDITED | AUDITED |
| | | CURRENT | PRECEDING | CURRENT | PRECEDING |
| | | YEAR | YEAR | YEAR | YEAR |
| | | TO DATE | CORRESPONDING | TO DATE | CORRESPONDING |
| | | 31-Mar-10 | PERIOD (1) | 31-Mar-10 | PERIOD (1) |
| | | | 31-Mar-09 | | 31-Mar-09 |
| | | RMB'000 | RMB'000 | RM'000 (2) | RM'000 (2) |
| Revenue | | 133,720 | 81,577 | 63,851 | 38,953 |
| Cost of sales | | (90,902) | (54,420) | (43,406) | (25,985) |
| Gross Profit | | 42,818 | 27,157 | 20,445 | 12,968 |
| Other income | | 329 | 50 | 157 | 24 |
| Selling and distribution expenses | | (2,478) | (1,379) | (1,183) | (659) |
| Administrative expenses | | (2,993) | (1,321) | (1,429) | (631) |
| Finance costs | | (201) | (229) | (96) | (109) |
| Profit before taxation | | 37,475 | 24,278 | 17,894 | 11,593 |
| Income tax expenses | | (5,056) | (3,036) | (2,414) | (1,450) |
| Profit after taxation | | 32,419 | 21,242 | 15,480 | 10,143 |
| Total comprehensive income for the year | | 32,419 | 21,242 | 15,480 | 10,143 |
| Profit attributable to : | | | | | |
| - Equity holders of the Group | | 32,419 | 21,242 | 15,480 | 10,143 |
| Total comprehensive income attributable to : | | | | | |
| - Equity holders of the Group | | 32,419 | 21,242 | 15,480 | 10,143 |

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| PARTICULARS | NOTE | CUMULATIVE QUARTER | | CUMULATIVE QUARTER | |
|---|------|--------------------------------|---|--------------------------------|---|
| | | UNAUDITED | AUDITED | UNAUDITED | AUDITED |
| | | CURRENT YEAR TO DATE 31-Mar-10 | PRECEDING YEAR CORRESPONDING PERIOD (1) 31-Mar-09 | CURRENT YEAR TO DATE 31-Mar-10 | PRECEDING YEAR CORRESPONDING PERIOD (1) 31-Mar-09 |
| | | RMB'000 | RMB'000 | RM'000 (2) | RM'000 (2) |
| Earnings per share attributable to equity holders of the Group: | | | | | |
| Basic (sen in RMB / RM) | B12 | 9.01 | 7.02 | 4.30 | 3.35 |
| Diluted (sen in RMB / RM) | B12 | N/A | N/A | N/A | N/A |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Notes :

- (1) *The condensed Combined Statement of Comprehensive Income are prepared in accordance with INT FRS 12 Consolidation - Special Purpose Entities and based on the combined results of Multi Sports Holdings Ltd ("MSPORTS") and its subsidiaries (MSPORTS GROUP)". MSPORTS completed its restructuring only on 15 July 2009.*
- (2) *The presentation currency of this unaudited and audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.4775 as at 31 March 2010.*

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Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 31 MARCH 2010
 Quarter : 1

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2010

| | ← Attributable to Equity Holders of The Group → | | | | | |
|---------------------------|---|------------------|----------------------|-------------------|----------------------|-----------------|
| | Share Capital | Share Premium | Statutory Reserve | Merger Deficit | Retained Earnings | Total Equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance At 1 January 2010 | 123,178 | 69,689 | 23,353 | (54,916) | 146,075 | 307,379 |
| Net profit for the period | - | - | - | - | 32,419 | 32,419 |
| At 31 March 2010 | 123,178 | 69,689 | 23,353 | (54,916) | 178,494 | 339,798 |

| | ← Attributable to Equity Holders of The Group → | | | | | |
|---------------------------|---|------------------|----------------------|-------------------|----------------------|-----------------|
| | Share Capital | Share Premium | Statutory Reserve | Merger Deficit | Retained Earnings | Total Equity |
| | RM'000 (1) | RM'000 (1) | RM'000 (1) | RM'000 (1) | RM'000 (1) | RM'000 (1) |
| Balance At 1 January 2010 | 58,817 | 33,276 | 11,151 | (26,222) | 69,751 | 146,773 |
| Net profit for the period | - | - | - | - | 15,480 | 15,480 |
| At 31 March 2010 | 58,817 | 33,276 | 11,151 | (26,222) | 85,231 | 162,253 |

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Note :

- (1) The presentation currency of this unaudited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.4775 as at 31 March 2010.

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Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 31 MARCH 2010
 Quarter : 1

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010

AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2009

| | ← Attributable to Equity Holders of The Group → | | | | |
|---|---|----------------------|------------------------------------|----------------------|-----------------|
| | Share Capital | Statutory Reserve | Currency Translation Reserve | Retained Earnings | Total Equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance At 1 January 2009 | 11 | 13,184 | 3 | 42,302 | 55,500 |
| Currency translation reserve | - | - | (3) | 3 | - |
| Net (loss)/gain recognized directly in equity | - | - | (3) | 3 | - |
| Profit for the period | - | - | - | 21,242 | 21,242 |
| Total recognized income for the period | - | - | (3) | 21,245 | 21,242 |
| At 31 March 2009 | 11 | 13,184 | - | 63,547 | 76,742 |

| | ← Attributable to Equity Holders of The Group → | | | | |
|---|---|----------------------|------------------------------------|----------------------|-----------------|
| | Share Capital | Statutory Reserve | Currency Translation Reserve | Retained Earnings | Total Equity |
| | RM'000 (1) | RM'000 (1) | RM'000 (1) | RM'000 (1) | RM'000 (1) |
| Balance At 1 January 2009 | 5 | 6,295 | 2 | 20,199 | 26,501 |
| Currency translation reserve | - | - | (2) | 2 | - |
| Net (loss)/gain recognized directly in equity | - | - | (2) | 2 | - |
| Profit for the period | - | - | - | 10,143 | 10,143 |
| Total recognized income for the period | - | - | (2) | 10,145 | 10,143 |
| At 31 March 2009 | 5 | 6,295 | - | 30,344 | 36,644 |

The audited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.

Note :

- (1) The presentation currency of this audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.4775 as at 31 March 2010.

Company Name : MULTI SPORTS HOLDINGS LTD
Stock Name : MSPORTS
Financial Period Ended : 31 MARCH 2010
Quarter : 1

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED 31 MARCH 2010

| | UNAUDITED | AUDITED | UNAUDITED | AUDITED |
|--|-----------|-----------------|------------|-----------------|
| | CURRENT | PREDEEDING YEAR | CURRENT | PREDEEDING YEAR |
| | PERIOD | CORRESPONDING | PERIOD | CORRESPONDING |
| | 31-Mar-10 | PERIOD | 31-Mar-10 | PERIOD |
| | | 31-Mar-09 | | 31-Mar-09 |
| | RMB'000 | RMB'000 | RM'000 (1) | RM'000 (1) |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 37,475 | 24,278 | 17,894 | 11,593 |
| Adjustments for :- | | | | |
| Depreciation of property, plant and equipment | 2,368 | 2,067 | 1,130 | 987 |
| Amortisation of intangible assets | 48 | 24 | 23 | 11 |
| Interest income | (154) | (38) | (73) | (18) |
| Interest expense | 201 | 229 | 96 | 109 |
| Operating profit before working capital changes | 39,938 | 26,560 | 19,070 | 12,682 |
| Decrease in inventories | 96 | 494 | 46 | 236 |
| Decrease in trade receivables | 4,443 | 798 | 2,121 | 381 |
| Decrease/(increase) in prepayments and other receivables | 759 | (2,024) | 362 | (967) |
| Decrease in trade payables | (535) | (5,976) | (255) | (2,853) |
| (Decrease)/ increase in accrued liabilities and other payables | (4,473) | 1,014 | (2,136) | 484 |
| Net cash generated from operations | 40,228 | 20,866 | 19,208 | 9,963 |
| Income tax paid | (11,387) | (3,888) | (5,437) | (1,856) |
| Interest received | 154 | 38 | 73 | 18 |
| Interest paid | (201) | (229) | (96) | (109) |
| Net cash generated from operating activities | 28,794 | 16,787 | 13,748 | 8,016 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (12,540) | (588) | (5,987) | (281) |
| Acquisition of intangible asset | (960) | - | (458) | - |
| Proceed from disposal of property, plant and equipment | 17 | - | 8 | - |
| Net cash used in investing activities | (13,483) | (588) | (6,437) | (281) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Amount owing to a director | - | (9,433) | - | (4,504) |
| Bank loan obtained | 15,700 | 15,700 | 7,497 | 7,497 |
| Deposit pledged with bank | - | (1,200) | - | (573) |
| Net cash generated from financing activities | 15,700 | 5,067 | 7,497 | 2,420 |

| | UNAUDITED | AUDITED PRECEDING YEAR | UNAUDITED | AUDITED PRECEDING YEAR |
|---|-------------------|------------------------------|-------------------|------------------------------|
| | CURRENT PERIOD | CORRESPONDING PERIOD | CURRENT PERIOD | CORRESPONDING PERIOD |
| | 31-Mar-10 | 31-Mar-09 | 31-Mar-10 | 31-Mar-09 |
| | RMB'000 | RMB'000 | RM'000 (1) | RM'000 (1) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 31,011 | 21,266 | 14,808 | 10,155 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 160,706 | 29,943 | 76,737 | 14,297 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 191,717 | 51,209 | 91,545 | 24,452 |

Cash and cash equivalents comprise:

| | | | | |
|------------------------|---------|--------|--------|--------|
| Cash and bank balances | 191,717 | 51,209 | 91,545 | 24,452 |
|------------------------|---------|--------|--------|--------|

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements. .

Notes :

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A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2010

1. Basis of accounting and changes in accounting estimates

a) Basis of accounting

The interim financial reports are unaudited and have been prepared in accordance with the requirements of International Accounting Standard (“IAS”) 34 : Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2009, and the accompanying explanatory notes attached to this interim financial report.

b) Changes in accounting policies

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods after 1 January 2010 or later periods.

The management does not anticipate that the adoption of the above IFRSs (including consequential amendments) and interpretations will result in any material impact to the financial statements in the period of initial application.

2. Seasonality or cyclicity of operation

The business of the Group was not affected by any significant seasonal and cyclical factors during the period under review.

3. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

4. Changes in estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

5. Changes in share capital and debts

There were no issuances, cancellations, resale and repayments of debt and equity securities for the current financial year-to-date.

6. Dividends

No dividends were proposed by the Board of Directors for the current quarter and financial year-to-date.

7. Segment Information

Business Segments

| | Financial period from 1 January 2010 to 31 March 2010 (Unaudited) | | | | |
|-------------------------------|--|-----------------------|-----------------------|-----------------------|---------|
| | TPR | RB | MD1 | MD2 | TOTAL |
| | Shoe soles RMB'000 | Shoe soles RMB'000 | Shoe soles RMB'000 | Shoe soles RMB'000 | RMB'000 |
| Revenue: | | | | | |
| - External sales | 12,283 | 4,212 | 43,662 | 73,563 | 133,720 |
| Results: | | | | | |
| Interest income | 14 | 5 | 50 | 86 | 155 |
| Interest expenses | 18 | 6 | 65 | 112 | 201 |
| Depreciation and amortisation | 220 | 77 | 781 | 1,338 | 2,416 |
| Segment profit | 3,443 | 1,205 | 12,263 | 21,011 | 37,922 |

| | Financial period ended 31 March 2010 (Unaudited) | | | | |
|---------------------------------------|---|--------|---------|---------|---------|
| Assets: | | | | | |
| Additions to non-current assets * | 1,226 | 429 | 4,365 | 7,480 | 13,500 |
| Reportable segment assets | 38,174 | 13,360 | 135,959 | 232,960 | 420,453 |
| Reportable segment liabilities | 5,473 | 1,915 | 19,490 | 33,395 | 60,273 |

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

| | First and cumulative quarter ended 31 March 2010 RMB'000 (Unaudited) |
|---|--|
| Profit or loss | |
| Total profit for reportable segments | 37,922 |
| Unallocated other expenses | (447) |
| Profit from operations | 37,475 |
| Assets | |
| Total assets for reportable segments | 420,453 |
| Unallocated prepayment and other receivable | 38 |
| Unallocated cash at bank and on hand | 4,002 |
| Group assets | 424,493 |
| Liabilities | |
| Total liabilities for reportable segments | 60,273 |
| Unallocated amount owing to a shareholder | 18,372 |
| Unallocated income tax payable | 5,056 |
| Unallocated accruals and other payables | 994 |
| Group liabilities | 84,695 |

Business Segments
**Financial period from 1 January 2010 to 31 March 2010
(Unaudited)**

| | TPR Shoe soles RM'000 | RB Shoe soles RM'000 | MD1 Shoe soles RM'000 | MD2 Shoe soles RM'000 | TOTAL RM'000 |
|-------------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------|
| Revenue: | | | | | |
| - External sales | 5,865 | 2,011 | 20,849 | 35,126 | 63,851 |
| Results: | | | | | |
| Interest income | 7 | 2 | 24 | 41 | 74 |
| Interest expenses | 9 | 3 | 31 | 53 | 96 |
| Depreciation and amortisation | 104 | 37 | 373 | 639 | 1,153 |
| Segment profit | 1,644 | 575 | 5,856 | 10,033 | 18,108 |

**Financial period ended 31 March 2010
(Unaudited)**

| | | | | | |
|---------------------------------------|--------|-------|--------|---------|---------|
| Assets: | | | | | |
| Additions to non-current assets * | 585 | 204 | 2,084 | 3,572 | 6,445 |
| Reportable segment assets | 18,229 | 6,379 | 64,920 | 111,238 | 200,766 |
| Reportable segment liabilities | 2,613 | 914 | 9,307 | 15,946 | 28,780 |

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

**First and cumulative
quarter ended
31 March 2010
RM'000
(Unaudited)**
Profit or loss

| | |
|--------------------------------------|--------|
| Total profit for reportable segments | 18,108 |
| Unallocated other expenses | (214) |
| Profit from operations | 17,894 |

**As at
31 March 2010
RM'000
(Unaudited)**
Assets

| | |
|--|---------|
| Total assets for reportable segments | 200,766 |
| Unallocated prepayment and other receivables | 18 |
| Unallocated cash at bank and on hand | 1,911 |
| Group assets | 202,695 |

Liabilities

| | |
|---|--------|
| Total liabilities for reportable segments | 28,780 |
| Unallocated amount owing to a shareholder | 8,773 |
| Unallocated income tax payable | 2,414 |
| Unallocated accruals and other payables | 475 |
| Group liabilities | 40,442 |

Business Segments
**Financial period from 1 January 2009 to 31 March 2009
 (Audited)**

| | TPR | RB | MD1 | MD2 | TOTAL |
|-------------------------------|------------|------------|------------|------------|---------|
| | Shoe soles | Shoe soles | Shoe soles | Shoe soles | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue: | | | | | |
| - External sales | 8,838 | 1,792 | 36,317 | 34,630 | 81,577 |
| Results: | | | | | |
| Interest income | 4 | 1 | 17 | 16 | 38 |
| Interest expenses | 25 | 5 | 103 | 96 | 229 |
| Depreciation and amortisation | 230 | 42 | 941 | 878 | 2,091 |
| Other non-cash income | 1 | 1 | 5 | 5 | 12 |
| Segment profit | 2,671 | 486 | 10,928 | 10,200 | 24,285 |

**Financial year ended 31 December 2009
 (Audited)**

| | | | | | |
|---------------------------------------|---------------|--------------|----------------|----------------|----------------|
| Assets: | | | | | |
| Additions to non-current assets * | 11,707 | 2,737 | 43,753 | 56,619 | 114,816 |
| Reportable segment assets | 39,081 | 9,136 | 146,056 | 189,001 | 383,274 |
| Reportable segment liabilities | | | | | |
| | 5,060 | 1,183 | 18,912 | 24,473 | 49,628 |

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

**First and cumulative
 Quarter ended
 31 March 2009
 RMB'000
 (Audited)**

| | |
|--------------------------------------|--------|
| Profit or loss | |
| Total profit for reportable segments | 24,285 |
| Unallocated other expenses | (7) |
| Profit from operations | 24,278 |

**As at
 31 December 2009
 RMB'000
 (Audited)**

| | |
|--|---------|
| Assets | |
| Total assets for reportable segments | 383,274 |
| Unallocated prepayment and other receivables | 68 |
| Unallocated cash and cash balances | 4,377 |
| Group assets | 387,719 |

Liabilities

| | |
|--|--------|
| Total liabilities for reportable segments | 49,628 |
| Unallocated amount owing to a shareholder cum director | 18,377 |
| Unallocated income tax payable | 11,388 |
| Unallocated other payables | 947 |
| Group liabilities | 80,340 |

Business Segments
Financial period from 1 January 2009 to 31 March 2009

(Audited)

| | TPR | RB | MD1 | MD2 | TOTAL |
|-------------------------------|------------|------------|------------|------------|--------|
| | Shoe soles | Shoe soles | Shoe soles | Shoe soles | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue: | | | | | |
| - External sales | 4,220 | 856 | 17,341 | 16,536 | 38,953 |
| Results: | | | | | |
| Interest income | 2 | - | 8 | 8 | 18 |
| Interest expenses | 12 | 2 | 49 | 46 | 109 |
| Depreciation and amortisation | 110 | 20 | 449 | 419 | 998 |
| Other non-cash income | 1 | 1 | 2 | 2 | 6 |
| Segment profit | 1,275 | 232 | 5,218 | 4,871 | 11,596 |

Financial year ended 31 December 2009

(Audited)

| | | | | | |
|---------------------------------------|--------|-------|--------|--------|---------|
| Assets: | | | | | |
| Additions to non-current assets * | 5,590 | 1,307 | 20,892 | 27,036 | 54,825 |
| Reportable segment assets | 18,661 | 4,362 | 69,742 | 90,248 | 183,013 |
| Reportable segment liabilities | 2,416 | 565 | 9,030 | 11,686 | 23,697 |

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

**First and cumulative
quarter ended
31 March 2009
RM'000
(Audited)**
Profit or loss

| | |
|--------------------------------------|--------|
| Total profit for reportable segments | 11,596 |
| Unallocated other expenses | (3) |
| Profit from operations | 11,593 |

**As at
31 December 2009
RM'000
(Audited)**
Assets

| | |
|--|---------|
| Total assets for reportable segments | 183,013 |
| Unallocated prepayment and other receivables | 32 |
| Unallocated cash and cash balances | 2,090 |
| Group assets | 185,135 |

Liabilities

| | |
|--|--------|
| Total liabilities for reportable segments | 23,697 |
| Unallocated amount owing to a shareholder cum director | 8,775 |
| Unallocated income tax payable | 5,438 |
| Unallocated other payables | 452 |
| Group liabilities | 38,362 |

8. Subsequent events

Save as disclosed under note B8, there were no material events subsequent to the end of the financial period under review that have not been reflected in this quarterly report as at the date of this report.

9. Changes in the composition of the Group

There were no significant changes in the composition of the Group during the current quarter.

10. Contingent liabilities or assets

No material contingent liabilities and assets, which upon becoming enforceable may have a material effect on the financial position of the Group since the last annual balance sheet date.

11. Property, plant and equipment

The Group acquired addition of property, plant and equipment as follow:

| | Current Quarter | | Current Year-to-date | |
|-------------------------------|-----------------|--------------|----------------------|--------------|
| | RMB'000 | RM'000 | RMB'000 | RM'000 |
| Property, plant and equipment | 1,445 | 690 | 1,445 | 690 |
| Construction in progress | 11,095 | 5,297 | 11,095 | 5,297 |
| Intangible asset | 960 | 458 | 960 | 458 |
| | <u>13,500</u> | <u>6,445</u> | <u>13,500</u> | <u>6,445</u> |

The Group disposed of property, plant and equipment as follow:

| | Current Quarter | | Current Year-to-date | |
|-------------------------------|-----------------|-------------|----------------------|-------------|
| | RMB'000 | RM'000 | RMB'000 | RM'000 |
| Property, plant and equipment | <u>(32)</u> | <u>(15)</u> | <u>(32)</u> | <u>(15)</u> |

12. Capital commitments

Capital expenditure contracted for as at 31 March 2010 but not recognised in the interim financial report is as follow:

| | RMB'000 | RM'000 |
|---|---------------|---------------|
| Capital commitments in respect of Property, plant and equipment | <u>31,620</u> | <u>15,099</u> |

13. Significant related party transactions

| | Current Quarter | | Current Year-to-date | |
|--------------------------------|-----------------|--------|----------------------|--------|
| | RMB'000 | RM'000 | RMB'000 | RM'000 |
| Rental paid to a related party | 273 | 130 | 273 | 130 |

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B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

For current period performance, the Group recorded revenue of RMB 133.7 (RM 63.9) million and profit after taxation of RMB32.4 (RM 15.5) million. The growth in revenue by 63.9% as compared to Q1 2009 was mainly contributed to the additional set-up of five (5) production lines each for RB and EVA MD II in Q3 2009 which enabled the Group to better fulfil the increased demand of shoe soles from our customers. In line with this expansion of production lines, our sales volume has increased from 4.6 million pairs in Q1 2009 to 7.1 million pairs in Q1 2010.

Despite a general increase in average selling price by approximately 6.8% as compared to Q1 2009, the gross profit margin decreased from 33.3% in Q1 2009 to 32.0% in Q1 2010 as this was mainly due to the increase in average unit cost of sale per pair as a result of the higher production cost arising from wages increment in Jan 2010. The Group decided to revise the production wages upward in view of sale orders are improving as global economies rebounded.

In line with the drop in gross profit margin, the Group's profit after taxation decreased by 1.8% from 26.0% in Q1 2009 compared to 24.2% in Q1 2010.

2. Variation of results against immediate preceding quarter

| | Current quarter 31-Mar-10 RMB'000 | Preceding quarter 31-Dec-09 RMB'000 | Current quarter 31-Mar-10 RM'000 | Preceding quarter 31-Dec-09 RM'000 |
|-----------------------|--|--|---|---|
| Revenue | 133,720 | 160,033 | 63,851 | 76,416 |
| Gross profit | 42,818 | 55,481 | 20,445 | 26,664 |
| Profit after taxation | 32,419 | 42,575 | 15,480 | 20,329 |

For first quarter performance, the Group recorded revenue of RMB 133.7 (RM 63.9) million and profit after taxation of RMB 32.4 (RM 15.5) million.

As compared to Q4 2009, the drop in revenue and sale volume for the current quarter by 16.4% and 1.3 million pairs were mainly attributed to longer holiday break for Chinese New Year in Feb 2010. The gross profit margin reduced by 2.7% to 32.0% as compared to 34.7% in the last corresponding quarter due to the higher production cost as mentioned in note B1. The Group's profit after taxation decreased to 24.2% as compared to 26.6% in the last corresponding period, which is consistent with the drop in gross profit margin.

3. Prospects for FYE 2010

We are optimistic that FYE 2010 will be a promising year for our Group, as the growth rate for China's sports-footwear market should continue to improve in tandem with the economic growth in China, which continues to be robust. As China's per capita disposable income continues to grow, we are optimistic that average consumption of sports shoes per person per annum will continue to grow with the increasing purchasing power of the average person in China. This will bode well for our Group, especially in view of the size of the domestic consumer market in China.

In view of promising market conditions for FYE 2010, we fast-tracked our expansion plans, and expect to complete construction of all factories and dormitories on our new production centre on Xibin Land by end 2010. Our operations are expected to grow significantly with the completion of our new production centre. The commencement of operations on Xibin Land after completion of the buildings on Xibin Land is anticipated to contribute positively to our growth in forthcoming years.

Our production capacity has increased by over 35% in the first quarter of 2010 as compared to the first quarter of 2009. In line with the increase in production capacity, our Group recorded higher growth in revenue in the first quarter of 2010 as compared to the first quarter of 2009. In particular, demand for our EVA MD products continues to show growth – in response, we aim to continue to ramp up production capacity for EVA MD products in FYE 2010.

We expect the performance of the Group to further improve in FYE 2010, as we continue to increase our production capacity to fulfil customer demand, and increase our new range of design offerings to fulfil forecasted market trends. Apart from fashion trends, our R&D efforts are also focused on continuing to develop sport-shoe soles with improved ergonomics and functional features.

Whilst we are optimistic about demand conditions for our sports-shoe soles and sports shoes in China for FYE 2010, we continue to exercise discipline in managing our operating cost base. Despite promising conditions for continued growth in FYE 2010, we believe that prudent financial management will be fundamental to sustainable long-term growth for our Group, and will be essential to weathering any unexpected challenging conditions.

4. Profit forecast and guarantee

No profit forecast or guarantee were previously announced and disclosed by the Group in a public document.

5. Income tax charge

| | Current Quarter | | Current Year-to-date | |
|----------------|-----------------|--------|----------------------|--------|
| | RMB'000 | RM'000 | RMB'000 | RM'000 |
| PRC income tax | 5,056 | 2,414 | 5,056 | 2,414 |

The effective tax rate of the Group for the current quarter was 13.5% as compared to the current Enterprise Income Tax (EIT) rate of 25.0%. The lower effective tax rate is mainly due to Baixing enjoys an EIT rate of 12.5% up to 31 December 2010 under Regular Tax Reduction and Exemption Treatment” (二免三減半) and this has however partially offset by the provision for withholding tax on dividend.

6. Sales of unquoted investments and/or properties

No sales of unquoted investments and/or properties of the Group in the current quarter and financial year-to-date.

7. Purchase or disposal of quoted securities

No purchase or disposal of quoted securities by the Group in the current quarter and financial year-to-date.

8. Status of corporate proposals and utilisation of proceeds

(a) On 6 May 2010, the Company proposed to undertake the following corporate exercise:

(i) Proposed Renounceable Right Issue of up to 90,000,000 new Ordinary Shares of USD0.05 each ("Rights Shares"), at an issue price to be determinate later on the basis of one (1) Rights Share for every four (4) existing Ordinary Shares of USD 0.05 each ("Share") held in the Company ("Rights Issue").

(b) Utilisation of proceeds

The Public Issue raised gross proceeds of RM48.96 million and we have utilised the proceeds raised in the following manner: -

| | | Estimated timeframe for utilisation | Proposed utilisation RM'000 | Actual utilisation RM'000 | Deviation | Explanations |
|-------|---|---|-----------------------------------|---------------------------------|-----------------|--------------|
| (i) | Expansion of production capacity | Within 24 months | | | | |
| | - Production Centre | | 25,000 | 58,670 | (33,670) | (1) |
| | - Production Line | | 5,000 | 3,840 | 1,160 | (1), (2) |
| | | | <u>30,000</u> | <u>62,510</u> | <u>(32,510)</u> | |
| (ii) | Expansion of sales and marketing network in China | Within 18 months | 3,960 | - | 3,960 | (2) |
| (iii) | Advertising and branding | Within 24 months | 3,000 | 440 | 2,560 | (2) |
| (iv) | Enhancement of product development capabilities | Within 24 months | 4,000 | 470 | 3,530 | (2) |
| (v) | Working capital | Within 24 months | 1,000 | 1,000 | Nil | |
| (vi) | Estimated Listing expenses | Immediate | 7,000 | 7,695 | (695) | (3) |
| | Total proceeds | | 48,960 | 72,115 | | |

Notes :

- (1) The new production centre is still in the course of construction and the total expansion cost of production centre increase up to year end was RM58.7 million, out of which RM25 million was financed via the IPO proceeds and the deviation of RM33.7 million was financed via funds generated internally by the Group. The total expansion cost of machinery and equipment amounting to RM3.8 million was financial via IPO proceeds.
- (2) IPO proceeds will be utilised within the estimated timeframe given and the Group does not expect any material deviation as at the date of this report.
- (3) The total listing expenses are RM7.7 million, out of which RM2.7 million was offset against share premium as these transaction costs were directly relating to the public initial offering and the issuance of equity instrument. The deviation of RM0.7 million was financed via the funds generated internally by the Group.

9. Group borrowings and debts securities

Our Group's borrowings and debts securities as at 31 March 2010 were as follow : -

| <u>Short term borrowings and debts securities</u> | RMB'000 | RM'000 |
|---|---------|--------|
| Bank loans - secured | 15,700 | 7,497 |

The bank loans were pledged by the Group's land use rights, guaranteed by a third party, and a related party's land use rights and property.

10. Off-balance sheet financial instruments risks

As at the date of this report, we do not have nor are we using any financial instruments.

11. Changes in material litigation

As at the date of this report, our Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of our Group, and our Directors are not aware of any proceedings pending or threatening or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

12. Net asset and earnings per share

| The Company and the Group | Weighted average no. of shares | |
|--|---|-----------------------------|
| | 31 March 2010 | 31 December 2009 |
| Consolidation and increase (20 ordinary shares for 12 months) ⁽¹⁾ | 20 | 20 |
| Acquisition of Pak Sing (302,399,980 ordinary shares for 12 months) ⁽¹⁾ | 302,399,980 | 302,399,980 |
| Subtotal | 302,400,000 | 302,400,000 |
| Public issue (57,600,000 ordinary shares for 4.5 months on 31 December 2009) | 57,600,000 | 21,600,000 |
| Total | 360,000,000 | 324,000,000 |

(1) Ordinary shares arising from the Reorganisation exercise are assumed to be issued throughout the financial year 31 December 2009 as the Reorganisation exercise was accounted for under common control using the "pooling of interest" method of consolidation.

12. Net asset and earnings per share (Continued)

Net asset per share are calculated based on net asset attributable to equity holders of the Group and weighted average number of 360,000,000 and 324,000,000 ordinary shares in issue and for the financial year ended 31 March 2010 and 31 December 2009 respectively.

Basic earnings per share are calculated based on profit attributable to equity holders of the Group and the number of 360,000,000 ordinary shares fully in issue for the financial periods ended 31 March 2010 and the number of 302,400,000 ordinary shares in issue for the financial periods ended 31 March 2009 prior to the public issue of 57,600,000 ordinary shares.

There is no potential dilutive effect on earnings per share.

13. Audit report of the Group's preceding annual financial statements

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2009.