

K-STAR SPORTS LIMITED

(Incorporated in Singapore under the Companies Act (Chapter 50) of Singapore)(Company Registration Number 200820976H)

(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)

(Malaysian Branch Registration Number 995214-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2010

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.3.2010	31.3.2009 <i>(note b)</i>	31.3.2010 <i>(note a)</i>	31.3.2009 <i>(note a)</i>
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	144,040	131,042	68,837	62,625
Cost of sales		<u>(105,863)</u>	<u>(101,311)</u>	<u>(50,592)</u>	<u>(48,417)</u>
Gross Profit		38,177	29,731	18,245	14,208
Other income		12	17	6	8
Selling and distribution expenses		(5,747)	(1,823)	(2,747)	(871)
Administrative expenses	B1	(2,789)	(2,152)	(1,333)	(1,028)
Finance costs		<u>(142)</u>	<u>(128)</u>	<u>(68)</u>	<u>(61)</u>
Profit before taxation	B1	29,511	25,645	14,103	12,256
Income tax expenses		<u>(7,451)</u>	<u>(6,450)</u>	<u>(3,561)</u>	<u>(3,083)</u>
Profit after taxation	B1	22,060	19,195	10,542	9,173
Other comprehensive income, net of tax					
- Translation differences arising from foreign currency financial statements recognised directly in equity		-	-	-	-
Total comprehensive income for the period		<u>22,060</u>	<u>19,195</u>	<u>10,542</u>	<u>9,173</u>
Attributable to :					
- Equity holders of the Company		<u>22,060</u>	<u>19,195</u>	<u>10,542</u>	<u>9,173</u>
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.35	0.32	0.17	0.15
Diluted (RMB/RM)	B11	0.30	0.30	0.14	0.14

Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 31 March 2010 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.4779 as at 31 March 2010. 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) As the Group only existed on 9 September 2009, the comparative figures are shown for illustrative purpose only.

(c) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2010					
	Note	Cumulative Quarter		Cumulative Quarter	
		Current Year To date 31.3.2010 RMB'000	Preceding Year Corresponding Period 31.3.2009 (note b) RMB'000	Current Year To date 31.3.2010 RM'000 (note a)	Preceding Year Corresponding Period 31.3.2009 (note a) RM'000
Revenue	B1	144,040	131,042	68,837	62,625
Cost of sales		<u>(105,863)</u>	<u>(101,311)</u>	<u>(50,592)</u>	<u>(48,417)</u>
Gross Profit		38,177	29,731	18,245	14,208
Other income		12	17	6	8
Selling and distribution expenses		(5,747)	(1,823)	(2,747)	(871)
Administrative expenses	B1	(2,789)	(2,152)	(1,333)	(1,028)
Finance costs		<u>(142)</u>	<u>(128)</u>	<u>(68)</u>	<u>(61)</u>
Profit before taxation	B1	29,511	25,645	14,103	12,256
Income tax expenses		<u>(7,451)</u>	<u>(6,450)</u>	<u>(3,561)</u>	<u>(3,083)</u>
Profit after taxation	B1	22,060	19,195	10,542	9,173
Other comprehensive income, net of tax - Translation differences arising from foreign currency financial statements recognised directly in equity		-	-	-	-
Total comprehensive income for the period		<u>22,060</u>	<u>19,195</u>	<u>10,542</u>	<u>9,173</u>
Attributable to :					
-Equity holders of the Company		<u>22,060</u>	<u>19,195</u>	<u>10,542</u>	<u>9,173</u>
Earnings per share attributable to equity holders of the Company :					
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Notes:					
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(b) As the Group only existed on 9 September 2009, the comparative figures are shown for illustrative purpose only.					
(c) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.					

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2010

	Unaudited As At 31.3.2010	Audited As at 31.12.2009	Unaudited As At 31.3.2010 <i>(note)</i>	Audited As at 31.12.2009 <i>(note)</i>
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	61,525	62,570	29,403	29,902
Land use rights	9,000	9,048	4,301	4,324
	70,525	71,618	33,704	34,226
Current assets				
Inventories	4,894	11,006	2,339	5,260
Trade and other receivables	191,526	172,111	91,530	82,252
Other current asset	21,201	25,025	10,132	11,959
Cash and cash equivalents	45,931	35,542	21,950	16,986
	263,552	243,684	125,951	116,457
Current liabilities				
Trade and other payables	29,712	26,421	14,199	12,627
Borrowings	9,300	42,932	4,444	20,517
Corporate income tax payable	7,451	8,027	3,561	3,836
	46,463	77,380	22,204	36,980
Net current assets	217,089	166,304	103,747	79,477
Net assets	287,614	237,922	137,451	113,703
EQUITY				
Share capital	218,367	189,268	104,358	90,451
Reserves	69,247	48,654	33,093	23,252
TOTAL EQUITY	287,614	237,922	137,451	113,703
Net assets per share attributable to equity holders of the Company (RMB/RM)	3.91	3.95	1.87	1.89

Notes:

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

The net assets per share attributable to equity holders of the Company is calculated based on the net assets as at 31 December 2009 and 31 March 2010 divided by the number of ordinary shares of 60,159,000 and 73,479,000 respectively.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2010

	Attributable to Equity Holders of the Company					Total Equity RMB'000
	Non - distributable			Distributable		
	Share capital RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Equity component - convertible loan RMB'000	Retained earnings RMB'000	
At 31 December 2008	15,112	7,556	-	154	125,479	148,301
Total comprehensive income for the period	-	-	-	-	19,195	19,195
At 31 March 2009 (note b)	15,112	7,556	-	154	144,674	167,496
At 31 December 2009	189,268	7,556	(174,156)	1,467	213,787	237,922
Total comprehensive income for the period	-	-	-	-	22,060	22,060
Issue of new shares due to conversion of convertible loans	29,099	-	-	(1,467)	-	27,632
At 31 March 2010	218,367	7,556	(174,156)	-	235,847	287,614

	Attributable to Equity Holders of the Company					Total Equity RM'000
	Non - distributable			Distributable		
	Share capital RM'000	Statutory reserve RM'000	Merger reserve RM'000	Equity component - convertible loan RM'000	Retained earnings RM'000	
At 31 December 2008	7,222	3,611	-	74	59,966	70,873
Total comprehensive income for the period	-	-	-	-	9,173	9,173
At 31 March 2009 (note a and b)	7,222	3,611	-	74	69,139	80,046
At 31 December 2009	90,451	3,611	(83,229)	701	102,169	113,703
Total comprehensive income for the period	-	-	-	-	10,542	10,542
Issue of new shares due to conversion of convertible loans	13,907	-	-	(701)	-	13,206
At 31 March 2010 (note a)	104,358	3,611	(83,229)	-	112,711	137,451

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- (b) As the Group only existed on 9 September 2009, the comparative figures are shown for illustrative purpose only.
- (c) The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE THREE MONTHS ENDED 31 MARCH 2010

	Three months Ended 31.3.2010 RMB'000	Three months Ended 31.3.2009 (note b) RMB'000	Three months Ended 31.3.2010 (note a) RM'000	Three months Ended 31.3.2009 (note a) RM'000
Cash flows from operating activities				
Profit before taxation	29,511	25,645	14,103	12,256
Adjustments for:				
Interest income	(12)	(17)	(6)	(8)
Interest expenses	142	128	68	61
Depreciation of property, plant and equipment	1,045	636	500	304
Amortisation of land use rights	48	46	23	22
Operating profit before working capital changes	30,734	26,438	14,688	12,635
Decrease in inventories	6,112	8,911	2,921	4,259
Increase in trade and other receivables	(19,415)	(36,820)	(9,278)	(17,596)
Decrease in other current assets	3,824	1,235	1,827	590
Increase in trade and other payables	3,291	37,940	1,572	18,131
Cash generated from operations	24,546	37,704	11,730	18,019
Interest received	12	17	6	8
Interest paid	(142)	(128)	(68)	(61)
Income tax paid	(8,027)	(4,567)	(3,836)	(2,183)
Net cash generated from operating activities	16,389	33,026	7,832	15,783
Cash flows from investing activities				
Purchase of property, plant and equipment	-	(6,150)	-	(2,939)
Net cash used in investing activities	-	(6,150)	-	(2,939)
Cash flows from financing activities				
Proceeds from bank borrowings	2,000	8,000	956	3,823
Repayment of bank borrowings	(8,000)	(8,000)	(3,823)	(3,823)
Proceeds from convertible loan	-	212	-	101
Increase of fixed deposit pledged	(900)	(2,140)	(430)	(1,023)
Net cash used in financing activities	(6,900)	(1,928)	(3,297)	(922)
Net increase in cash and cash equivalents	9,489	24,948	4,535	11,922
Cash and cash equivalents at beginning of financial period	34,642	10,441	16,555	4,990
Cash and cash equivalents at end of financial period	44,131	35,389	21,090	16,912

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