

## 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 30 JUNE 2010

	Note	Individual quarter		Individual quarter	
		Quarter ended		Quarter ended	
		30.6.2010	30.6.2009	30.6.2010	30.6.2009
			<i>(note b)</i>	<i>(note a)</i>	<i>(note a)</i>
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	175,185	145,429	83,598	69,399
Cost of sales		<u>(129,446)</u>	<u>(111,529)</u>	<u>(61,771)</u>	<u>(53,222)</u>
Gross Profit		45,739	33,900	21,827	16,177
Other income		133	25	63	12
Selling and distribution expenses		(7,794)	(2,637)	(3,719)	(1,258)
Administrative expenses	B1	(16,525)	(2,319)	(7,886)	(1,107)
Finance costs		<u>(178)</u>	<u>(131)</u>	<u>(85)</u>	<u>(63)</u>
Profit before taxation	B1	21,375	28,838	10,200	13,761
Income tax expenses		<u>(8,927)</u>	<u>(7,681)</u>	<u>(4,260)</u>	<u>(3,665)</u>
Profit after taxation	B1	<u>12,448</u>	<u>21,157</u>	<u>5,940</u>	<u>10,096</u>
Total comprehensive income for the period		<u>12,448</u>	<u>21,157</u>	<u>5,940</u>	<u>10,096</u>
Attributable to :					
- Equity holders of the Company		<u>12,448</u>	<u>21,157</u>	<u>5,940</u>	<u>10,096</u>
<b>Earnings per share attributable to equity holders of the Company :</b>					
Basic (RMB/RM)	B11	0.16	0.35	0.08	0.17
Diluted (RMB/RM)	B11	0.16	0.34	0.08	0.16

**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 June 2010 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.4772 as at 30 June 2010. This translation should not be construed as a representation that the RMB amounts represented have been or could be converted into RM at this or any other rate.

(b) As the reporting 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 unaudited financial statements.

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Cumulative Quarter		Cumulative Quarter	
		Current Year To date 30.6.2010	Preceding Year Corresponding Period 30.6.2009 (note b)	Current Year To date 30.6.2010 (note a)	Preceding Year Corresponding Period 30.6.2009 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	319,225	276,471	152,334	131,932
Cost of sales		<u>(235,309)</u>	<u>(212,840)</u>	<u>(112,289)</u>	<u>(101,567)</u>
Gross Profit		83,916	63,631	40,045	30,365
Other income		145	42	69	20
Selling and distribution expenses		(13,541)	(4,460)	(6,462)	(2,128)
Administrative expenses	B1	(19,314)	(4,471)	(9,216)	(2,134)
Finance costs		<u>(320)</u>	<u>(259)</u>	<u>(153)</u>	<u>(124)</u>
Profit before taxation	B1	50,886	54,483	24,283	25,999
Income tax expenses		<u>(16,378)</u>	<u>(14,131)</u>	<u>(7,816)</u>	<u>(6,743)</u>
Profit after taxation	B1	<u>34,508</u>	<u>40,352</u>	<u>16,467</u>	<u>19,256</u>
Total comprehensive income for the period		<u>34,508</u>	<u>40,352</u>	<u>16,467</u>	<u>19,256</u>
Attributable to :					
-Equity holders of the Company		<u>34,508</u>	<u>40,352</u>	<u>16,467</u>	<u>19,256</u>
<b>Earnings per share attributable to equity holders of the Company :</b>					
Basic (RMB/RM)	B11	0.49	0.67	0.23	0.32
Diluted (RMB/RM)	B11	0.49	0.64	0.23	0.31

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(b) As the reporting 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 unaudited interim financial statements.

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### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Unaudited As At 30.6.2010	Audited As at 31.12.2009	Unaudited As At 30.6.2010 <i>(note)</i>	Audited As at 31.12.2009 <i>(note)</i>
	RMB'000	RMB'000	RM'000	RM'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	60,845	62,570	29,035	29,858
Land use rights	8,951	9,048	4,272	4,318
	69,796	71,618	33,307	34,176
<b>Current assets</b>				
Inventories	7,516	11,006	3,586	5,252
Trade and other receivables	196,553	172,111	93,795	82,131
Other current asset	24,092	25,025	11,497	11,942
Cash and cash equivalents	113,072	35,542	53,958	16,961
	341,233	243,684	162,836	116,286
<b>Current liabilities</b>				
Trade and other payables	19,180	26,421	9,153	12,608
Borrowings	15,300	42,932	7,301	20,487
Corporate income tax payable	9,752	8,027	4,653	3,830
	44,232	77,380	21,107	36,925
Net current assets	297,001	166,304	141,729	79,361
Net assets	366,797	237,922	175,036	113,537
<b>EQUITY</b>				
Share capital	285,102	189,268	136,051	90,319
Reserves	81,695	48,654	38,985	23,218
<b>TOTAL EQUITY</b>	366,797	237,922	175,036	113,537
<b>Net assets per share attributable to equity holders of the Company (RMB/RM)</b>	4.13	3.95	1.97	1.89

**Notes:**

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- (b) 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 unaudited interim financial statements.
- (c) 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 30 June 2010 divided by the number of ordinary shares of 60,159,000 and 88,800,000 respectively.

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	40,352	40,352
At 30 June 2009 (note b)	15,112	7,556	-	154	165,831	188,653
At 31 December 2009	189,268	7,556	(174,156)	1,467	213,787	237,922
Total comprehensive income for the period	-	-	-	-	34,508	34,508
Issue of new shares due to conversion of convertible loans	29,099	-	-	(1,467)	-	27,632
Issue of new shares pursuant to initial public offering	68,990	-	-	-	-	68,990
Share issue expenses pursuant to initial public offering	(2,255)	-	-	-	-	(2,255)
At 30 June 2010	285,102	7,556	(174,156)	-	248,295	366,797

	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	7,211	3,606	-	73	59,879	70,769
Total comprehensive income for the period	-	-	-	-	19,256	19,256
At 30 June 2009 (note a and b)	7,211	3,606	-	73	79,135	90,025
At 31 December 2009	90,319	3,606	(83,107)	700	102,019	113,537
Total comprehensive income for the period	-	-	-	-	16,467	16,467
Issue of new shares due to conversion of convertible loans	13,886	-	-	(700)	-	13,186
Issue of new shares pursuant to initial public offering	32,922	-	-	-	-	32,922
Share issue expenses pursuant to initial public offering	(1,076)	-	-	-	-	(1,076)
At 30 June 2010 (note a)	136,051	3,606	(83,107)	-	118,486	175,036

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(b) As the reporting 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 unaudited interim financial statements.

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months Ended 30.6.2010 RMB'000	Six months Ended 30.6.2009 (note b) RMB'000	Six months Ended 30.6.2010 (note a) RM'000	Six months Ended 30.6.2009 (note a) RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	50,886	54,483	24,283	25,999
Adjustments for:				
Interest income	(142)	(42)	(68)	(20)
Interest expenses	320	259	153	124
Depreciation of property, plant and equipment	2,095	1,277	1,000	609
Amortisation of land use rights	97	93	46	45
Operating profit before working capital changes	53,256	56,070	25,414	26,757
Decrease in inventories	3,490	3,282	1,666	1,566
Increase in trade and other receivables	(24,442)	(55,494)	(11,664)	(26,482)
Decrease/(increase) in other current assets	933	(8,354)	445	(3,987)
(Decrease)/increase in trade and other payables	(7,459)	24,843	(3,559)	11,855
Foreign exchange loss	1,581	-	754	-
Cash generated from operations	27,359	20,347	13,056	9,709
Interest received	142	42	68	20
Interest paid	(320)	(259)	(153)	(123)
Income tax paid	(14,653)	(11,482)	(6,993)	(5,479)
<b>Net cash generated from operating activities</b>	<b>12,528</b>	<b>8,648</b>	<b>5,978</b>	<b>4,127</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(370)	(10,904)	(177)	(5,203)
<b>Net cash used in investing activities</b>	<b>(370)</b>	<b>(10,904)</b>	<b>(177)</b>	<b>(5,203)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares pursuant to initial public offering	68,990	-	32,922	-
Share issue expenses pursuant to initial public offering	(2,255)	-	(1,076)	-
Proceeds from bank borrowings	8,000	8,000	3,818	3,818
Repayment of bank borrowings	(8,000)	(8,000)	(3,818)	(3,818)
Proceeds from convertible loan	-	1,249	-	596
Increase of fixed deposit pledged	(2,100)	(3,390)	(1,002)	(1,618)
<b>Net cash generated from/(used in) financing activities</b>	<b>64,635</b>	<b>(2,141)</b>	<b>30,844</b>	<b>(1,022)</b>
Net increase/(decrease) in cash and cash equivalents	76,793	(4,397)	36,645	(2,098)
Cash and cash equivalents at beginning of financial period	34,642	10,441	16,531	4,982
Effect of exchange rate changes on cash and cash equivalents	(1,363)	-	(650)	-
<b>Cash and cash equivalents at end of financial period</b>	<b>110,072</b>	<b>6,044</b>	<b>52,526</b>	<b>2,884</b>

**Notes:**

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(b) As the reporting Group only existed on 9 September 2009, the comparative figures are shown for illustrative purpose only.

(c) The Unaudited Condensed Consolidated Statements of Cash Flow 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 unaudited interim financial statements.

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**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A1. Basis of accounting and changes in accounting policies**

**a) Basis of accounting**

The interim financial statements of K-Star Sports Limited (the "Company" or "K-Star") for the quarter ended 30 June 2010 are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and Appendix 9B of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009, disclosed in the Prospectus dated 11 May 2010 and the accompanying explanatory notes attached to the unaudited interim financial statements.

**b) Changes in accounting policies**

There are no changes in accounting policies for the quarter ended 30 June 2010.

**c) Basis of consolidation**

The consolidated financial statements of the Group have been prepared using the historical cost method similar to the "pooling-of-interest" as acquisition of subsidiary is accounted for as reconstructions of businesses. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts.

The consolidated financial statements include the results of operations, and the assets and liabilities of the pooled enterprises as part of the Group for the whole of the current period.

Other than accounting of subsidiaries using the historical cost method as disclosed above, the results of the subsidiaries acquired during the financial year are included in the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group.

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

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group.

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

#### **(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Renminbi.

#### **(ii) Transactions and balances**

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective statement of financial position dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### **(iii) Group companies**

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

- (1)** Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
- (2)** Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (3)** All resulting exchange differences are recognised as a separate component of equity.

### **A2. Audit report of the Group's preceding annual financial statements**

The Group's audited consolidated financial statements for the financial year ended 31 December 2009 were not subject to any audit qualification.

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### 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

Save as disclosed below, there were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial year to date.

Details of the movements in the Company's shares since incorporation up to the date of this report are as follows:

Date of issue	Event	No. of shares issued	Issued and paid-up share capital SGD
3 November 2008	Incorporation	1	1
9 September 2009	Acquisition of Fujian Jinjiang Dixing Shoes Plastics Co., Ltd. ("Fujian Dixing")	60,158,999	39,670,573
10 March 2010	Conversion of convertible loans	13,320,000	6,104,578
31 May 2010	Issue pursuant to the initial public offering	15,321,000	14,128,308
		<hr/>	<hr/>
		88,800,000	59,903,460

### 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. Financial instruments with off-balance sheet risks

There are no financial instruments with off-balance sheet risks as at the date of this report.



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**A9. Segment information****a) Operating segments**

Six months ended 30 June 2010

	Design, manufacture, and sale of sports footwear	Design and sale of sports apparel and accessories	Total
	RMB 000	RMB 000	RMB 000
External revenue	309,396	9,829	319,225
Inter-segment revenue	-	-	-
Interest income	38	-	38
Interest expense	320	-	320
Depreciation and amortization	2,192	-	2,192
Reportable segments profit before tax	61,687	3,137	64,824

**Reconciliation of reportable segment revenue and profit or loss****Revenue**

Total revenue for reportable segments	319,225
Elimination of inter-segment revenue	-
Consolidated revenue	319,225

**Profit or loss**

Total profit or loss for reportable segments	64,824
Unallocated amounts	(13,938)
Consolidated profit before income tax	50,886

Six months ended 30 June 2010

	Design, manufacture, and sale of sports footwear	Design and sale of sports apparel and accessories	Total
	RM 000	RM 000	RM 000
External revenue	147,644	4,690	152,334
Inter-segment revenue	-	-	-
Interest income	18	-	18
Interest expense	153	-	153
Depreciation and amortization	1,046	-	1,046
Reportable segments profit before tax	29,437	1,497	30,934

**Reconciliation of reportable segment revenue and profit or loss****Revenue**

Total revenue for reportable segments	152,334
Elimination of inter-segment revenue	-
Consolidated revenue	152,334

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<b>Profit or loss</b>	<b>Total RM 000</b>
Total profit or loss for reportable segments	30,934
Unallocated amounts	<u>(6,651)</u>
Consolidated profit before income tax	<u>24,283</u>

**Six months ended 30 June 2009**

	<b>Design, manufacture, and sale of sports footwear</b>	<b>Total</b>
	<b>RMB 000</b>	<b>RMB 000</b>
External revenue	<u>276,471</u>	<u>276,471</u>
Inter-segment revenue	-	-
Interest income	42	42
Interest expense	259	259
Depreciation and amortization	<u>1,370</u>	<u>1,370</u>
Reportable segments profit before tax	<u>54,955</u>	<u>54,955</u>

**Reconciliation of reportable segment revenue and profit or loss****Revenue**

Total revenue for reportable segments	276,471
Elimination of inter-segment revenue	<u>-</u>
Consolidated revenue	<u>276,471</u>

**Profit or loss**

Total profit or loss for reportable segments	54,955
Unallocated amounts	<u>(472)</u>
Consolidated profit before income tax	<u>54,483</u>

**Six months ended 30 June 2009**

	<b>Design, manufacture, and sale of sports footwear</b>	<b>Total</b>
	<b>RM 000</b>	<b>RM 000</b>
External revenue	<u>131,932</u>	<u>131,932</u>
Inter-segment revenue	-	-
Interest income	20	20
Interest expense	124	124
Depreciation and amortization	<u>654</u>	<u>654</u>
Reportable segments profit before tax	<u>26,224</u>	<u>26,224</u>

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<b>Reconciliation of reportable segment revenue and profit or loss</b>	<b>Total</b>
<b>Revenue</b>	<b>RM 000</b>
Total revenue for reportable segments	131,932
Elimination of inter-segment revenue	-
Consolidated revenue	<u>131,932</u>
<b>Profit or loss</b>	
Total profit or loss for reportable segments	26,224
Unallocated amounts	<u>(225)</u>
Consolidated profit before income tax	<u>25,999</u>

### b) Geographical segments

As the business of the Group is engaged entirely in the People's Republic of China ("PRC"), no reporting by geographical location of operation is presented.

#### A10. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the Company's audited consolidated financial statements for the year ended 31 December 2009.

#### A11. Status of corporate exercise

As an integral part of the listing of and quotation for the entire issued and paid up share capital of the Company on the Main Market of Bursa Securities (as stated in the Company's Prospectus dated 11 May 2010), the Company had undertaken the following:

##### (i) Conversion of Loan

The Conversion of Loan is the conversion of loans pursuant to the investment and convertible loan agreements made between our Company and various Pre-Initial Public Offering ("Pre-IPO") investors, amounting to SGD 1,500,000 and RM11,000,000 into 13,320,000 new Shares, representing approximately 15% of the enlarged issued and paid-up share capital of our Company. The details are as follows:

##### (a) Investment Agreement and Supplementary Investment Agreement

On 30 August 2009, our Company entered into a Supplementary Investment Agreement with Fujian Dixing, Ding Jianping, Chan Kai Fly, Fortune United Investment Limited and Ng Der Sian (collectively referred to as "Pre-IPO Investors A"), under which our Company assumed the obligations of Fujian Dixing, under an Investment Agreement dated 26 October 2008 between Fujian Dixing, Ding Jianping and the Pre-IPO Investors A, where the Pre-IPO Investors A had agreed to make a loan of SGD1,500,000 to Fujian Dixing to facilitate the latter's payment of fees for its proposed IPO exercise, in return for which Fujian Dixing and Ding Jianping had agreed to procure the Company to issue 5% of our Shares to the Pre-IPO Investors A. The Pre-IPO Investors A had also agreed to a six (6) months lock-up period on 50% of the Shares issued to them whereby they shall not sell any of the issued Shares.

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### (b) Convertible Loan Agreements

On 18 September 2009, our Company together with our Promoter and substantial shareholder, K-Star Sports International Limited had entered into Convertible Loan Agreements with Skylitech Resources Sdn Bhd, Golden Eagle Resources Sdn Bhd (now known as A1 Capital Sdn Bhd) and Ng Chin Nam respectively (collectively referred to as "Pre-IPO Investors B"), whereby the Pre-IPO Investors B will invest an aggregate of RM11,000,000 in our Company and is convertible to the higher of 8,880,000 new Shares or 10% of our enlarged share capital after the IPO. The Pre-IPO Investors B had also agreed to a six (6) months lock-up period on all the converted Shares whereby they shall not sell any of the converted Shares unless otherwise agreed by the respective parties to the Convertible Loan Agreements.

The Conversion of Loan pursuant to the Investment Agreement, the Supplementary Agreement and the Convertible Loan Agreements are summarised as follows:

Pre-IPO Investor	Loan / Investment amount	No. of Shares upon Conversion of Loan	Shareholdings %
Fortune United Investment Limited	SGD1,200,000	3,552,000	4.00
Ng Der Sian	SGD300,000	888,000	1.00
Skylitech Resources Sdn Bhd	RM4,950,000	4,400,000	4.955
Golden Eagle Resources Sdn Bhd (now known as A1 Capital Sdn Bhd)	RM4,950,000	4,400,000	4.955
Ng Chin Nam	RM1,100,000	80,000	0.09

The completion of the Conversion of Loan on 10 March 2010 resulted in the issued and paid-up share capital of K-Star increasing from SGD39,670,574 comprising 60,159,000 Shares to SGD45,775,152 comprising 73,479,000 Shares.

#### (ii) Public Issue

Our company implemented a public issue of 15,321,000 new Shares at an issue price of RM2.15 per Share.

#### (iii) Listing

In conjunction with the Public Issue, our company sought the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 88,800,000 shares on the Main Market of Bursa Securities and was listed on 4 June 2010.

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### (iv) Utilisation of proceeds

The total gross proceeds from the Public Issue amounting to approximately RM32.94 million are expected to be fully utilized for our core business in the following manner:

	Estimated time for utilisation	Proposed Utilisation RM 000	Actual Utilisation RM 000	Deviation RM 000
Expansion of production capacity	18 months	9,000	-	-
Expansion of sales and marketing network	12 months	5,000	-	-
Branding and advertising	12 months	3,000	-	-
Enhance product design and development capabilities	12 months	4,500	-	-
General working capital	12 months	5,440	-	-
Estimated listing expenses	6 months	6,000	5,971	-
<b>Total gross proceeds</b>		<b>32,940</b>	<b>5,971</b>	<b>-</b>

### A12. Contingent liabilities

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 31 December 2009.

### A13. Capital commitments

Authorised capital expenditure not provided for in the financial statements as at 30 June 2010 are as follows:-

	RMB 000	RM 000
- contracted	<u>20,543</u>	<u>9,803</u>

### A14. Changes in the composition of the Group

There are no other changes in the composition of the Group during the financial year-to-date.

### A15. Reserves

#### Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

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**Merger reserve**

The merger reserve arises from the difference between the cost of investment of subsidiary and the share capital of the subsidiary acquired under the pooling interest method of accounting.

**A16. Related party transactions**

There were no related party transactions during the current quarter and the financial year to date.

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### B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

#### B1. Review of performance

The Group achieved revenue and profit before taxation ("PBT") of RMB175.2 million and RMB21.4 million respectively for the current quarter ended 30 June 2010 ("2Q2010"), representing an increase of 20.5% and decrease of 25.7% respectively as compared to the corresponding period in preceding year ("2Q2009").

The Group achieved revenue and profit before taxation ("PBT") of RMB319.2 million and RMB50.9 million respectively for the six months financial period ended 30 June 2010 ("1H2010"), representing an increase of 15.4% and decrease of 6.6% respectively as compared to the corresponding period in preceding year ("1H2009").

The increase in revenue is in line with the following:

- (i) Revenue contribution of RMB9.8 million from the initial soft launch of our apparel and accessories in the PRC market in 1H2010.
- (ii) Increase in penetration in the PRC market. The number of retail locations increased from 646 retail locations as at 30 June 2009 to 800 retail locations as at 30 June 2010.
- (iii) Increase in average selling price of shoes from RMB70.2 per pair in 1H2009 to RMB74.9 per pair in 1H2010.

The PBT of RMB50.9 million for 1H2010 represents a decrease of 6.6% as compared to the PBT of RMB54.5 million recorded for 1H2009 due to an increase in sales and distribution expenses and administrative expenses. The higher sales and distribution expenses was attributed to an increase in advertising and promotion expenses. The increase in administrative expenses was attributed to unrealized exchange loss arising from weakening of United States Dollars bank balances and an increase in business development expenses as well as part of listing expenses pursuant to our initial public offering of approximately RMB10.1 million ("Listing Expenses") been expensed off in 2Q2010. Had the Listing Expenses been excluded, our PBT for 1H2010 would have increased to RMB61.0 million representing an increase of 11.9% as compared to 1H2009. This 11.9% increase in PBT was mainly due to maiden revenue contribution of our sports apparel and accessories, higher revenue contribution by our footwear segment as well as an increase in our overall gross profit margin from 23.0% in 1H2009 to 26.3% in 1H2010.

The profit after taxation ("PAT") of RMB34.5 million for 1H2010 represents a decrease of 14.6% as compared to PAT of RMB40.4 million recorded for 1H2009 due to the lower PBT recorded in 1H2010 as mentioned above.

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

	<b>Current quarter 30 June 2010 RMB 000</b>	<b>Preceding quarter 31 March 2010 RMB 000</b>
Revenue	175,185	144,040
Profit before taxation	21,375	29,511
Profit after taxation	12,448	22,060
<b>Total comprehensive income for the period</b>	<b>12,448</b>	<b>22,060</b>

	<b>Current quarter 30 June 2010 RM 000</b>	<b>Preceding quarter 31 March 2010 RM 000</b>
Revenue	83,598	68,736
Profit before taxation	10,200	14,083
Profit after taxation	5,940	10,527
<b>Total comprehensive income for the period</b>	<b>5,940</b>	<b>10,527</b>

The Group recorded a revenue of RMB175.2 million for the quarter ended 30 June 2010 ("2Q2010"), representing an increase of 21.7% as compared to the revenue of RMB144.0 million as recorded for the quarter ended 31 March 2010 ("1Q2010"). The increase was mainly attributed to higher revenue contribution of our footwear in the PRC market.

The PBT of RMB21.4 million for 2Q2010 represents a decrease of 27.5% as compared to the PBT of RMB29.5 million recorded for 1Q2010 due to unrealized exchange loss arising from weakening of United States Dollars bank balances and part of listing expenses pursuant to our initial public offering of approximately RMB10.1 million ("Listing Expenses") been expensed off in 2Q2010. Had the Listing Expenses been excluded, our PBT for 2Q2010 would have increased to RMB31.5 million representing an increase of 6.8% as compared to 1Q2010.

The profit after taxation ("PAT") of RMB12.4 million for 2Q2010 registered a decrease of 43.9% as compared to the PAT of RMB22.1 million recorded for 1Q2010 due to lower PBT recorded in 2Q2010 as mentioned above.



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**B3. Prospects for FYE 2010**

Based on market research conducted by Converging Knowledge Pte Ltd, the annual average growth rate of the China's sportswear market is estimated to range from 11.7% to 15.8% from 2008 to 2012. As such and based on the improved sales recorded by the Group thus far, our Board of Directors believes that the Group's prospects for the financial year ending 31 December 2010 would be favorable.

**B4. Profit forecast and profit guarantee**

The Group has not provided any profit forecast or profit guarantee in any public document for the current financial quarter.

**B5. Taxation**

Taxation comprises the following:

	<b>Current Quarter RMB 000</b>	<b>Current year to date RMB 000</b>
PRC income tax	8,927	16,378
	<hr/>	<hr/>
	<b>Current Quarter RM 000</b>	<b>Current year to date RM 000</b>
PRC income tax	4,260	7,816
	<hr/>	<hr/>

The effective tax rates of the Group for the current quarter and current year to date were 41.8% and 32.2% respectively as compared to the applicable tax rate of 25%. The higher effective tax rate was due to expenses not deductible for tax purposes incurred by the Company.

**B6. Sale of unquoted investments and/or properties**

There were no changes in the unquoted investments and/or properties of the Group in the current quarter and financial year to date.

**B7. Quoted Securities**

There was no purchase or disposal of quoted securities by the Group in the current quarter and financial year to date and there was no investment in quoted securities as at the end of the quarter.

**B8. Group borrowings**

The Group's borrowings as at 30 June 2010 were as follows:

	<b>Total RMB 000</b>	<b>Total RM 000</b>
Short-term bank borrowings – secured	15,300	7,301

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**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 and previous year corresponding period.

**B11. Earnings per share****a) Basic earnings per share**

	Individual Quarter Ended		Individual Quarter Ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company	12,448,000	21,157,000	5,940,000	10,096,000
Weighted average number of ordinary shares in issue	78,698,000	60,159,000	78,698,000	60,159,000
Basic earnings per share	0.16	0.35	0.08	0.17
	Cumulative Quarter 6 Months Ended		Cumulative Quarter 6 Months Ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company	34,508,000	40,352,000	16,467,000	19,256,000
Weighted average number of ordinary shares in issue	71,099,000	60,159,000	71,099,000	60,159,000
Basic earnings per share	0.49	0.67	0.23	0.32

For comparison purposes, the basic earnings per share for the quarter and six months period ended 30 June 2009 is calculated based on the number of pre-invitation shares of approximately 60,159,000 number of ordinary shares.

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**b) Diluted earnings per share**

	Individual Quarter Ended		Individual Quarter Ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company	12,448,000	21,157,000	5,940,000	10,096,000
Weighted average number of ordinary shares in issue	78,698,000	62,868,000	78,698,000	62,868,000
Diluted earnings per share	0.16	0.34	0.08	0.16

  

	Cumulative Quarter		Cumulative Quarter	
	6 Months Ended	6 Months Ended	6 Months Ended	6 Months Ended
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RMB	RMB	RM	RM
Profit attributable to equity holders of the Company	34,508,000	40,352,000	16,467,000	19,256,000
Weighted average number of ordinary shares in issue	71,099,000	62,868,000	71,099,000	62,868,000
Diluted earnings per share	0.49	0.64	0.23	0.31

The diluted earnings per share for the quarter and six months ended 30 June 2010 is the same as the basic earnings per share as there were no potential dilutive ordinary shares as at 30 June 2010.

For comparison purposes, the diluted earnings per share for the quarter and six months period ended 30 June 2009 is calculated based on the pre-invitation shares of approximately 60,159,000 number of ordinary shares and adjusted for assumed conversion of convertible loans of 2,709,000 number of ordinary shares

By Order of the Board

Ding Jianping  
 Executive Chairman and  
 Chief Executive Officer

19 August 2010