

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 SEPTEMBER 2010

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		30.9.2010	30.9.2009	30.9.2010	30.9.2009
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	191,479	152,640	88,368	70,443
Cost of sales		<u>(140,058)</u>	<u>(113,404)</u>	<u>(64,637)</u>	<u>(52,336)</u>
Gross Profit		51,421	39,236	23,731	18,107
Other income		101	14	46	6
Selling and distribution expenses		(5,938)	(4,088)	(2,740)	(1,887)
Administrative expenses	B1	(3,855)	(2,182)	(1,779)	(1,007)
Finance costs		<u>(181)</u>	<u>(146)</u>	<u>(84)</u>	<u>(67)</u>
Profit before taxation	B1	41,548	32,834	19,174	15,152
Income tax expenses		<u>(10,390)</u>	<u>(8,365)</u>	<u>(4,795)</u>	<u>(3,860)</u>
Profit after taxation	B1	<u>31,158</u>	<u>24,469</u>	<u>14,379</u>	<u>11,292</u>
Total comprehensive income for the period		<u>31,158</u>	<u>24,469</u>	<u>14,379</u>	<u>11,292</u>
Attributable to :					
- Equity holders of the Company		<u>31,158</u>	<u>24,469</u>	<u>14,379</u>	<u>11,292</u>
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.35	0.41	0.16	0.19
Diluted (RMB/RM)	B11	0.35	0.37	0.16	0.17
Notes:					
<i>(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 2010 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.4615 as at 30 September 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.</i>					
<i>(b) As the reporting Group only existed on 9 September 2009, the comparative figures are shown for illustrative purpose only.</i>					
<i>(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.</i>					

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Note	Cumulative Quarter		Cumulative Quarter	
		Current Year To date 30.9.2010 RMB'000	Preceding Year Corresponding Period 30.9.2009 (note b) RMB'000	Current Year To date 30.9.2010 RM'000	Preceding Year Corresponding Period 30.9.2009 (note a) RM'000
Revenue	B1	510,704	429,111	235,690	198,035
Cost of sales		(375,367)	(326,244)	(173,232)	(150,562)
Gross Profit		135,337	102,867	62,458	47,473
Other income		246	56	113	26
Selling and distribution expenses		(19,479)	(8,548)	(8,990)	(3,945)
Administrative expenses	B1	(23,169)	(6,653)	(10,692)	(3,070)
Finance costs		(501)	(405)	(231)	(187)
Profit before taxation	B1	92,434	87,317	42,658	40,297
Income tax expenses		(26,768)	(22,496)	(12,353)	(10,382)
Profit after taxation	B1	65,666	64,821	30,305	29,915
Total comprehensive income for the period		65,666	64,821	30,305	29,915
Attributable to :					
-Equity holders of the Company		65,666	64,821	30,305	29,915
Earnings per share attributable to equity holders of the Company :					
Basic (RMB/RM)	B11	0.85	1.08	0.39	0.50
Diluted (RMB/RM)	B11	0.85	1.00	0.39	0.46
<i>Notes:</i>					
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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 SEPTEMBER 2010

	Unaudited As At 30.9.2010	Audited As at 31.12.2009	Unaudited As At 30.9.2010 <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	59,792	62,570	27,594	28,876
Land use rights	36,505	9,048	16,847	4,176
	96,297	71,618	44,441	33,052
Current assets				
Inventories	12,661	11,006	5,843	5,079
Trade and other receivables	207,765	172,111	95,884	79,429
Other current asset	18,196	25,025	8,397	11,549
Cash and cash equivalents	107,354	35,542	49,544	16,403
	345,976	243,684	159,668	112,460
Current liabilities				
Trade and other payables	18,628	26,421	8,597	12,193
Borrowings	15,300	42,932	7,061	19,813
Corporate income tax payable	10,390	8,027	4,795	3,705
	44,318	77,380	20,453	35,711
Net current assets	301,658	166,304	139,215	76,749
Net assets	397,955	237,922	183,656	109,801
EQUITY				
Share capital	285,102	189,268	131,574	87,347
Reserves	112,853	48,654	52,082	22,454
TOTAL EQUITY	397,955	237,922	183,656	109,801
Net assets per share attributable to equity holders of the Company (RMB/RM)	4.48	3.95	2.07	1.83

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 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to Equity Holders of the Company					
	Non - distributable			Equity component		Distributable
	Share capital RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	- convertible loan RMB'000	Retained earnings RMB'000	Total Equity RMB'000
At 31 December 2008	15,112	7,556	-	154	125,479	148,301
Total comprehensive income for the period	-	-	-	-	64,821	64,821
Share capital contribution	189,268	-	-	-	-	189,268
Equity component of convertible loan	-	-	-	1,216	-	1,216
Adjustment arising from Restructuring Exercise (note c)	(15,112)	-	(174,156)	-	-	(189,268)
At 30 September 2009 (note b)	189,268	7,556	(174,156)	1,370	190,300	214,338
At 31 December 2009	189,268	7,556	(174,156)	1,467	213,787	237,922
Total comprehensive income for the period	-	-	-	-	65,666	65,666
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 September 2010	285,102	7,556	(174,156)	-	279,453	397,955

	Attributable to Equity Holders of the Company					
	Non - distributable			Equity component		Distributable
	Share capital RM'000	Statutory reserve RM'000	Merger reserve RM'000	- convertible loan RM'000	Retained earnings RM'000	Total Equity RM'000
At 31 December 2008	6,974	3,487	-	71	57,909	68,441
Total comprehensive income for the period	-	-	-	-	29,915	29,915
Share capital contribution	87,347	-	-	-	-	87,347
Equity component of convertible loan	-	-	-	561	-	561
Adjustment arising from Restructuring Exercise (note c)	(6,974)	-	(80,373)	-	-	(87,347)
At 30 September 2009 (note a and b)	87,347	3,487	(80,373)	632	87,824	98,917
At 31 December 2009	87,347	3,487	(80,373)	677	98,663	109,801
Total comprehensive income for the period	-	-	-	-	30,305	30,305
Issue of new shares due to conversion of convertible loans	13,429	-	-	(677)	-	12,752
Issue of new shares pursuant to initial public offering	31,839	-	-	-	-	31,839
Share issue expenses pursuant to initial public offering	(1,041)	-	-	-	-	(1,041)
At 30 September 2010 (note a)	131,574	3,487	(80,373)	-	128,968	183,656

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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 NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine months Ended 30.9.2010 RMB'000	Nine months Ended 30.9.2009 (note b) RMB'000	Nine months Ended 30.9.2010 (note a) RM'000	Nine months Ended 30.9.2009 (note a) RM'000
Cash flows from operating activities				
Profit before taxation	92,434	87,317	42,658	40,297
Adjustments for:				
Interest income	(226)	(56)	(104)	(26)
Interest expenses	501	405	231	187
Depreciation of property, plant and equipment	3,148	2,020	1,453	932
Loss on disposal of property, plant and equipment	-	4	-	2
Amortisation of land use rights	286	147	132	68
Operating profit before working capital changes	96,143	89,837	44,370	41,460
(Increase)/decrease in inventories	(1,655)	10,260	(764)	4,735
Increase in trade and other receivables	(42,854)	(80,221)	(19,777)	(37,022)
Decrease/(increase) in other current assets	6,829	(9,940)	3,152	(4,587)
(Decrease)/increase in trade and other payables	(7,793)	21,974	(3,596)	10,141
Cash generated from operations	50,670	31,910	23,385	14,727
Interest received	226	56	104	26
Interest paid	(501)	(405)	(231)	(187)
Income tax paid	(24,405)	(18,818)	(11,263)	(8,685)
Net cash generated from operating activities	25,990	12,743	11,995	5,881
Cash flows from investing activities				
Purchase of property, plant and equipment	(370)	(7,410)	(171)	(3,420)
Downpayment for purchase of land	-	(4,800)	-	(2,215)
Proceeds from disposal of property, plant and equipment	-	10	-	5
Acquisition of land use right	(20,543)	-	(9,480)	-
Net cash used in investing activities	(20,913)	(12,200)	(9,651)	(5,630)
Cash flows from financing activities				
Proceeds from issue of shares pursuant to initial public offering	68,990	-	31,839	-
Share issue expenses pursuant to initial public offering	(2,255)	-	(1,041)	-
Proceeds from bank borrowings	28,600	12,000	13,199	5,538
Repayment of bank borrowings	(28,600)	(10,000)	(13,199)	(4,615)
Proceeds from convertible loan	-	24,117	-	11,130
Increase of fixed deposit pledged	(420)	(1,290)	(194)	(595)
Net cash generated from financing activities	66,315	24,827	30,604	11,458
Net increase in cash and cash equivalents	71,392	25,370	32,948	11,709
Cash and cash equivalents at beginning of financial period	34,642	10,441	15,987	4,818
Cash and cash equivalents at end of financial period	106,034	35,811	48,935	16,527

Notes:

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