

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 2011

	Note	Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.3.2011	31.3.2010	31.3.2011 (note a)	31.3.2010 (note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	151,541	144,040	70,057	66,590
Cost of sales		(111,932)	(105,863)	(51,746)	(48,941)
Gross Profit		39,609	38,177	18,311	17,649
Other income		138	12	64	6
Selling and distribution expenses		(6,984)	(5,747)	(3,229)	(2,657)
Administrative expenses	B1	(3,629)	(2,789)	(1,677)	(1,289)
Finance costs		(216)	(142)	(100)	(66)
Profit before taxation	B1	28,918	29,511	13,369	13,643
Taxation		(7,442)	(7,451)	(3,441)	(3,445)
Total profit for the period	B1	21,476	22,060	9,928	10,198
Other comprehensive income after tax		-	-	-	-
Total comprehensive income for the period		21,476	22,060	9,928	10,198
Attributable to :					
- Equity holders of the Company		21,476	22,060	9,928	10,198
Earnings per share attributable to equity holders of the Company :					
Basic (RMB cents/RM sen)	B11	8.06	11.60	3.73	5.36
Diluted (RMB cents/RM sen)	B11	8.06	11.60	3.73	5.36

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 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.4623 as at 31 March 2011. 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) 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 2010 and the accompanying explanatory notes attached to the interim unaudited financial statements.
- (c) There was no unrealised retained profits / (accumulated losses) for the quarter ended 31 March 2011.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2011

	Note	Cumulative Quarter		Cumulative Quarter	
		Current Year To date 31.3.2011	Preceding Year Corresponding Period 31.3.2010	Current Year To date 31.3.2011 <i>(note a)</i>	Preceding Year Corresponding Period 31.3.2010 <i>(note a)</i>
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	151,541	144,040	70,057	66,590
Cost of sales		<u>(111,932)</u>	<u>(105,863)</u>	<u>(51,746)</u>	<u>(48,941)</u>
Gross Profit		39,609	38,177	18,311	17,649
Other income		138	12	64	6
Selling and distribution expenses		(6,984)	(5,747)	(3,229)	(2,657)
Administrative expenses	B1	(3,629)	(2,789)	(1,677)	(1,289)
Finance costs		<u>(216)</u>	<u>(142)</u>	<u>(100)</u>	<u>(66)</u>
Profit before taxation	B1	28,918	29,511	13,369	13,643
Taxation		<u>(7,442)</u>	<u>(7,451)</u>	<u>(3,441)</u>	<u>(3,445)</u>
Total profit for the period	B1	<u>21,476</u>	<u>22,060</u>	<u>9,928</u>	<u>10,198</u>
Other comprehensive income after tax		-	-	-	-
Total comprehensive income for the period		<u>21,476</u>	<u>22,060</u>	<u>9,928</u>	<u>10,198</u>
Attributable to :					
-Equity holders of the Company		<u>21,476</u>	<u>22,060</u>	<u>9,928</u>	<u>10,198</u>
Earnings per share attributable to equity holders of the Company :					
Basic (RMB cents/RM sen)	B11	8.06	11.60	3.73	5.36
Diluted (RMB cents/RM sen)	B11	8.06	11.60	3.73	5.36

Notes:

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(b) 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 2010 and the accompanying explanatory notes attached to the unaudited interim financial statements.

(c) There was no unrealised retained profits (accumulated losses) for the three months ended 31 March 2011.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Unaudited As At 31.3.2011	Audited As at 31.12.2010	Unaudited As At 31.3.2011 <i>(note a)</i>	Audited As at 31.12.2010 <i>(note a)</i>
	RMB'000	RMB'000	RM'000	RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	63,070	63,265	29,157	29,248
Land use rights	36,129	36,317	16,702	16,789
	99,199	99,582	45,859	46,037
Current Assets				
Inventories	9,283	13,494	4,292	6,238
Trade and other receivables	199,860	226,389	92,395	104,660
Cash and bank balances	210,655	124,078	97,386	57,361
	419,798	363,961	194,073	168,259
Total assets	518,997	463,543	239,932	214,296
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	285,075	285,075	131,790	131,790
Retained earnings	312,950	291,474	144,676	134,748
Other reserves	(156,040)	(156,040)	(72,137)	(72,137)
	441,985	420,509	204,329	194,401
Current Liabilities				
Borrowings	15,300	15,300	7,073	7,073
Income tax payable	7,324	8,432	3,386	3,898
Trade and other payables	54,388	19,302	25,144	8,924
	77,012	43,034	35,603	19,895
Total equity and liabilities	518,997	463,543	239,932	214,296
Net assets per share attributable to equity holders of the Company (RMB cents/RM sen)	165.91	157.85	76.70	72.97

Notes:

- (a) *The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") as at 31 March 2011 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.4623 as at 31 March 2011. 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) *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 2010 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 2010 and 31 March 2011 divided by the number of ordinary shares of 266,400,000.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2011

	Attributable to Equity Holders of the Company					Total equity RMB'000
	Share capital RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Equity component - convertible loan RMB'000	
At 31 December 2009	189,268	(174,156)	7,556	213,787	1,467	237,922
Total comprehensive income for the year	-	-	-	22,060	-	22,060
Issue of ordinary shares	29,099	-	-	-	(1,467)	27,632
At 31 March 2010	218,367	(174,156)	7,556	235,847	-	287,614
At 31 December 2010	285,075	(174,156)	18,116	291,474	-	420,509
Total comprehensive income for the year	-	-	-	21,476	-	21,476
At 31 March 2011	285,075	(174,156)	18,116	312,950	-	441,985

	Attributable to Equity Holders of the Company					Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Equity component - convertible loan RM'000	
At 31 December 2009	87,499	(80,512)	3,493	98,834	678	109,992
Total comprehensive income for the year	-	-	-	10,198	-	10,198
Issue of ordinary shares	13,452	-	-	-	(678)	12,774
At 31 March 2010 (note a)	100,951	(80,512)	3,493	109,032	-	132,964
At 31 December 2010	131,790	(80,512)	8,375	134,748	-	194,401
Total comprehensive income for the year	-	-	-	9,928	-	9,928
At 31 March 2011 (note a)	131,790	(80,512)	8,375	144,676	-	204,329

Notes:

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(b) The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 31 December 2010 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 THREE MONTHS ENDED 31 MARCH 2011

	Three months Ended 31.3.2011 RMB'000	Three months Ended 31.3.2010 RMB'000	Three months Ended 31.3.2011 (note a) RM'000	Three months Ended 31.3.2010 (note a) RM'000
Cash flows from operating activities				
Profit before taxation	28,918	29,511	13,369	13,643
Adjustments for:				
Interest income	(138)	(12)	(64)	(6)
Interest expenses	216	142	100	66
Depreciation of property, plant and equipment	1,247	1,045	576	483
Amortisation of land use rights	188	48	87	22
Operating profit before working capital changes	30,431	30,734	14,068	14,208
Decrease in inventories	4,211	6,112	1,947	2,826
Decrease/(increase) in trade and other receivables	26,529	(15,591)	12,265	(7,208)
Increase in trade and other payables	35,086	3,291	16,220	1,521
Cash generated from operations	96,257	24,546	44,500	11,347
Interest paid	(216)	(142)	(100)	(66)
Income tax paid	(8,550)	(8,027)	(3,953)	(3,711)
Net cash generated from operating activities	87,491	16,377	40,447	7,570
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,052)	-	(486)	-
Interest received	138	12	64	6
Net cash used in investing activities	(914)	12	(422)	6
Cash flows from financing activities				
Proceeds from bank borrowings	2,000	2,000	925	925
Repayment of bank borrowings	(2,000)	(8,000)	(925)	(3,698)
Decrease/(increase) of fixed deposit pledged	120	(900)	55	(416)
Net cash generated from/(used in) financing activities	120	(6,900)	55	(3,189)
Net increase in cash and cash equivalents	86,697	9,489	40,080	4,387
Cash and cash equivalents at beginning of financial period	123,808	34,642	57,236	16,015
Cash and cash equivalents at end of financial period	210,505	44,131	97,316	20,402

Notes:

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(b) 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 2010 and the accompanying explanatory notes attached to the unaudited interim financial statements.

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A. NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

A1. Basis of accounting and changes in accounting policies

a) Basis of accounting

The financial statements of K-Star Sports Limited (the "Company" or "K-Star") for the quarter ended 31 March 2011 are unaudited and have been prepared in accordance with Singapore Financial Reporting Standards 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 2010. These explanatory notes attached to the financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since year ended 31 December 2010.

Changes in accounting policies

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted for the Group's consolidated audited financial statements for the year ended 31 December 2010.

b) 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.

Subsequent acquisitions of subsidiaries, if any, are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

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

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excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group.

c) 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, which is also the functional currency of the company.

(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 profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transactions. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates when the fair values are determined.

(iii) Group companies

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

- (1) Assets and liabilities are translated at the closing exchange rate at the end of reporting period;
- (2) Income and expenses are translated at average exchange rates (unless the 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 currency translation differences are recognised in the currency translation reserve in 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 2010 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 year 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 period to date.

Details of the movements in the Company's shares since incorporation up to the current financial year to date are as follows:

Date of issue	Event	No. of shares issued/ subdivided	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
1 November 2010	Subdivision of 88,800,000 ordinary shares based on every 1 existing ordinary share held by the shareholders of the Company into 3 ordinary shares in the Company	266,400,000	59,903,460
		<hr/>	<hr/>
		266,400,000	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.

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A8. Financial instruments with off-balance sheet risks

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

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

Three months ended 31 March 2011

	Design, manufacture and sale of sports footwear, apparel and accessories	Total
	RMB'000	RMB'000
External revenue	151,541	151,541
Depreciation and amortization	1,435	1,435
Reportable segments profit before tax	29,768	29,768

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

Total revenue for reportable segments	151,541
Elimination of inter-segment revenue	-
Consolidated revenue	151,541

Profit or loss

Total profit or loss for reportable segments	29,768
Unallocated amounts	(850)
Consolidated profit before income tax	28,918

Three months ended 31 March 2011

	Design, manufacture and sale of sports footwear, apparel and accessories	Total
	RM'000	RM'000
External revenue	70,057	70,057
Depreciation and amortization	663	663
Reportable segments profit before tax	13,762	13,762

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

Total revenue for reportable segments	70,057
Elimination of inter-segment revenue	-
Consolidated revenue	70,057

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Profit or loss	Total RM'000
Total profit or loss for reportable segments	13,762
Unallocated amounts	<u>(393)</u>
Consolidated profit before income tax	<u>13,369</u>

Three months ended 31 March 2010

	Design, manufacture and sale of sports footwear, apparel and accessories RMB'000	Total RMB'000
External revenue	<u>144,040</u>	<u>144,040</u>
Depreciation and amortization	<u>1,093</u>	<u>1,093</u>
Reportable segments profit before tax	<u>29,805</u>	<u>29,805</u>

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

Total revenue for reportable segments	144,040
Elimination of inter-segment revenue	<u>-</u>
Consolidated revenue	<u>144,040</u>

Profit or loss

Total profit or loss for reportable segments	29,805
Unallocated amounts	<u>(294)</u>
Consolidated profit before income tax	<u>29,511</u>

Three months ended 31 March 2010

	Design, manufacture and sale of sports footwear, apparel and accessories RM'000	Total RM'000
External revenue	<u>66,590</u>	<u>66,590</u>
Depreciation and amortization	<u>505</u>	<u>505</u>
Reportable segments profit before tax	<u>13,779</u>	<u>13,779</u>

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

Total revenue for reportable segments	66,590
Elimination of inter-segment revenue	<u>-</u>
Consolidated revenue	<u>66,590</u>

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Profit or loss	Total RM 000
Total profit or loss for reportable segments	13,779
Unallocated amounts	<u>(136)</u>
Consolidated profit before income tax	<u>13,643</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 2010.

A11. Status of corporate exercise

A. There was no corporate proposal announced but not completed as at 6 May 2011, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

B. 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	9,000	-
Expansion of sales and marketing network	12 months	5,000	2,593	-
Branding and advertising	12 months	3,000	3,000	-
Enhance product design and development capabilities	12 months	4,500	1,503	-
General working capital	12 months	5,440	5,440	-
Estimated listing expenses (1)	6 months	6,000	6,043	(43)
Total gross proceeds		32,940	27,579	(43)

Note:

(1) The deviation of RM43,000 have been financed from our internally generated funds.

A12. Contingent liabilities

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 31 December 2010.

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A13. Capital commitments

There is no capital commitment as at 31 March 2011.

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 subsidiary 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.

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 MAIN MARKET LISTING REQUIREMENTS

B1. Review of performance

The Group achieved revenue and profit before taxation ("PBT") of RMB151.5 million and RMB28.9 million respectively for the current quarter ended 31 March 2011 ("1Q2011"), representing an increase of 5.2% and a decrease of 2.0% respectively as compared to the corresponding period in preceding year ("1Q2010").

The increase in revenue is in line with the following:

- (i) Higher revenue contribution of RMB142.9 million from our sports footwear in 1Q2011 as compared to RMB134.2 million in 1Q2010.
- (ii) Increase in penetration in the PRC market. The number of retail locations increased from 769 retail locations as at 31 March 2010 to 870 retail locations as at 31 March 2011.
- (iii) Moderated by a 1.2% decrease in average selling price ("ASP") of shoes mainly due to a decrease in ex-factory ASP of Dixing proprietary brand footwear in the PRC market..

The PBT of RMB28.9 million for 1Q2011 represents a decrease of 2.0% as compared to the PBT of RMB29.5 million recorded for 1Q2010. Higher revenue contribution from our sports footwear resulted in an increase in our overall gross profit whilst our gross profit margin has decreased marginally from 26.5% in 1Q2010 to 26.1% in 1Q2011 due to a lower proportion of better margin apparel and accessories products sales, and a lower ASP of Dixing proprietary brand footwear in the PRC market in 1Q2011 as compared to 1Q2010. The increase in gross profit was offset by an increase in sales and distribution expenses and administrative expenses. The higher sales and distribution expenses were attributed to an increase in advertising and promotion expenses to promote branding. The increase in administrative expenses was mainly attributed to higher amortization, depreciation, and post-listing professional fees incurred in 1Q2011.

The profit after taxation ("PAT") of RMB21.5 million for 1Q2011 represents a decrease of 2.7% as compared to PAT of RMB22.1 million recorded for 1Q2010 due to lower PBT recorded in 1Q2011 as mentioned above.

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B2. Variation of results against immediate preceding quarter

	Current quarter 31 March 2011 RMB 000	Preceding quarter 31 December 2010 RMB 000
Revenue	151,541	160,164
Profit before taxation	28,918	31,013
Profit after taxation and total comprehensive income for the period	21,476	22,581

	Current quarter 31 March 2010 RM 000	Preceding quarter 31 December 2010 RM 000
Revenue	70,057	74,044
Profit before taxation	13,369	14,337
Profit after taxation and total comprehensive income for the period	9,928	10,439

The Group recorded a revenue of RMB151.5 million for the quarter ended 31 March 2011 ("1Q2011"), representing a decrease of 5.4% as compared to the revenue of RMB160.2 million as recorded for the quarter ended 31 December 2010 ("4Q2010"). The decrease was mainly attributed to lower revenue contribution as driven by a lower production output due to the Chinese New Year holidays in the PRC.

The PBT of RMB28.9 million for 1Q2011 represents a decrease of 6.8% as compared to the PBT of RMB31.0 million recorded for 4Q2010 mainly due to the decrease in revenue.

The profit after taxation ("PAT") of RMB21.5 million for 1Q2011 registered a decrease of 4.9% as compared to the PAT of RMB22.6 million recorded for 4Q2010 due to lower PBT recorded in 1Q2011 as mentioned above.

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B3. Prospects for FYE 2011

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 2011 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:

	Current Quarter RMB 000	Current year to date RMB 000
PRC income tax	7,442	7,442

	Current Quarter RM 000	Current year to date RM 000
PRC income tax	3,441	3,441

The effective tax rates of the Group for the current quarter and current year to date were 25.7% and 25.7% 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

The Group does not have any unquoted investment. There is no sale of 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 31 March 2011 were as follows:

	Total RMB 000	Total RM 000
Short-term bank borrowings – secured	<u>15,300</u>	<u>7,073</u>

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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

On 25 February 2011, the Board of Directors proposed a first and final tax exempt dividend of RM1.6sen per share in respect of the financial year ended 31 December 2010 amounting to approximately RM4.3 million, which is subject to the shareholders' approval at the forthcoming Annual General Meeting. Details of the entitlement date and payment date for the proposed first and final tax exempt dividend will be announced at a later date.

The total tax exempt dividends proposed for the financial year ended 31 December 2010 represents approximately 10.3% of the net profit attributable to shareholders.

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 and Cumulative Quarter Ended		Individual and Cumulative Quarter Ended	
	31.3.2011 RMB	31.3.2010 RMB	31.3.2011 RM	31.3.2010 RM
Profit attributable to equity holders of the Company	21,476,000	22,060,000	9,928,000	10,198,000
Weighted average number of ordinary shares in issue	266,400,000	190,245,000	266,400,000	190,245,000
Basic earnings per share (RMB cents/RM sen)	8.06	11.60	3.73	5.36

For comparison purposes, the basic earnings per share for the quarter ended 31 March 2010 is calculated based on the weighted average number of pre-invitation shares of approximately 190,245,000 number of ordinary shares, which has been restated for the subdivision of every 1 existing ordinary share held by the shareholders of the Company into 3 ordinary shares in the Company ("Subdivided Shares") on 1 November 2010.

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b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares as at the respective balance sheet dates.

B12. Realised and Unrealised Profits/(Losses)

	Cumulative Quarter		Cumulative Quarter	
	Three months ended 31 March 2011	Three months ended 31 March 2010	Three months ended 31 March 2010	Three months ended 31 March 2010
	RMB 000	RMB 000	RM 000	RM 000
Total retained profits				
Realised	312,950	235,847	144,676	109,032
Unrealised	-	-	-	-
	<u>312,950</u>	<u>235,847</u>	<u>144,676</u>	<u>109,032</u>

	Preceding quarter ended 31 December 2010	Preceding quarter ended 31 December 2010
	RMB 000	RM 000
Total retained profits		
Realised	291,474	134,748
Unrealised	-	-
	<u>291,474</u>	<u>134,748</u>

By Order of the Board

Ding Jianping
Executive Chairman and
Chief Executive Officer

16 May 2011