

K-Star

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 2014

	<u>Note</u>	Individual quarter Quarter ended		Individual quarter Quarter ended	
		30.06.2014	30.06.2013	30.06.2014 (Note a)	30.06.2013 (Note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	78,910	88,943	40,828	46,019
Cost of sales		<u>(72,874)</u>	<u>(79,067)</u>	<u>(37,705)</u>	<u>(40,909)</u>
Gross profit		6,036	9,876	3,123	5,110
Other income		69	115	36	60
Selling and distribution expenses	B1	(11,964)	(12,033)	(6,190)	(6,226)
Administrative expenses	B1	(5,126)	(4,740)	(2,652)	(2,453)
Finance costs		<u>(375)</u>	<u>(285)</u>	<u>(194)</u>	<u>(148)</u>
Loss before taxation	B1	(11,360)	(7,067)	(5,877)	(3,657)
Taxation		-	(4)	-	(2)
Total loss for the period	B1	<u>(11,360)</u>	<u>(7,071)</u>	<u>(5,877)</u>	<u>(3,659)</u>
Other comprehensive income after tax		-	-	-	-
Total comprehensive loss for the period		<u>(11,360)</u>	<u>(7,071)</u>	<u>(5,877)</u>	<u>(3,659)</u>
Attributable to :					
- Equity holders of the Company		<u>(11,360)</u>	<u>(7,071)</u>	<u>(5,877)</u>	<u>(3,659)</u>
Loss per share attributable to equity holders of the Company :					
Basic (RMB cents/RM sen)	B9	(4.26)	(2.65)	(2.20)	(1.37)
Diluted (RMB cents/RM sen)	B9	(4.26)	(2.65)	(2.20)	(1.37)

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 2014 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5174 as at 30 June 2014. 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 financial year ended 31 December 2013 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 (6) MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2014

	<u>Note</u>	Cumulative quarter		Cumulative quarter	
		Current year to date 30.06.2014	Preceding year to date 30.06.2013	Current year to date 30.06.2014 (Note a)	Preceding year to date 30.06.2013 (Note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	147,234	174,535	76,179	90,304
Cost of sales		(136,204)	(155,064)	(70,472)	(80,230)
Gross profit		11,030	19,471	5,707	10,074
Other income		161	235	83	122
Selling and distribution expenses	B1	(19,049)	(16,388)	(9,856)	(8,479)
Administrative expenses	B1	(9,800)	(9,419)	(5,071)	(4,873)
Finance costs		(738)	(644)	(382)	(333)
Loss before taxation	B1	(18,396)	(6,745)	(9,519)	(3,489)
Taxation		-	(172)	-	(89)
Total loss for the period	B1	(18,396)	(6,917)	(9,519)	(3,578)
Other comprehensive income after tax		-	-	-	-
Total comprehensive loss for the period		(18,396)	(6,917)	(9,519)	(3,578)
Attributable to :					
-Equity holders of the Company		(18,396)	(6,917)	(9,519)	(3,578)
Loss per share attributable to equity holders of the Company :					
Basic (RMB cents/RM sen)	B9	(6.91)	(2.60)	(3.58)	(1.35)
Diluted (RMB cents/RM sen)	B9	(6.91)	(2.60)	(3.58)	(1.35)

Notes:

(a) The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the six (6) months financial period ended 30 June 2014 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5174 as at 30 June 2014. 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 financial year ended 31 December 2013 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 2014

	Unaudited As at 30.06.2014	Audited As at 31.12.2013	Unaudited As at 30.06.2014 (Note a)	Audited As at 31.12.2013 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	62,933	66,714	32,562	34,518
Patents	19,617	20,717	10,150	10,719
Land use rights	72,988	73,801	37,764	38,185
	<u>155,538</u>	<u>161,232</u>	<u>80,476</u>	<u>83,422</u>
Current Assets				
Inventories	8,911	9,008	4,611	4,661
Trade and other receivables	156,704	147,569	81,079	76,353
Cash and bank balances	68,736	91,819	35,564	47,507
	<u>234,351</u>	<u>248,396</u>	<u>121,254</u>	<u>128,521</u>
Total assets	<u>389,889</u>	<u>409,628</u>	<u>201,730</u>	<u>211,943</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	285,075	285,075	147,498	147,498
Retained earnings	192,444	210,840	99,571	109,089
Other reserves	(149,444)	(149,444)	(77,322)	(77,322)
	<u>328,075</u>	<u>346,471</u>	<u>169,747</u>	<u>179,265</u>
Current Liabilities				
Borrowings	24,000	24,000	12,418	12,418
Trade and other payables	32,893	34,236	17,019	17,714
	<u>56,893</u>	<u>58,236</u>	<u>29,437</u>	<u>30,132</u>
Non-Current Liability				
Deferred tax liability	4,921	4,921	2,546	2,546
Total liabilities	<u>61,814</u>	<u>63,157</u>	<u>31,983</u>	<u>32,678</u>
Total equity and liabilities	<u>389,889</u>	<u>409,628</u>	<u>201,730</u>	<u>211,943</u>
Net assets per share attributable to equity holders of the Company (RMB cents/RM sen)	<u>123.15</u>	<u>130.06</u>	<u>63.72</u>	<u>67.29</u>

Notes:

- (a) The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") as at 30 June 2014 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5174 as at 30 June 2014. 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 financial year ended 31 December 2013 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 2013 and 30 June 2014 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 SIX (6) MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2014

	Attributable to Equity Holders of the Company				
	Share capital RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
At 31 December 2012	285,075	(174,156)	24,712	293,401	429,032
Total comprehensive income for the period	-	-	-	(6,917)	(6,917)
At 30 June 2013	285,075	(174,156)	24,712	286,484	422,115
At 31 December 2013	285,075	(174,156)	24,712	210,840	346,471
Total comprehensive loss for the period	-	-	-	(18,396)	(18,396)
At 30 June 2014	285,075	(174,156)	24,712	192,444	328,075

	Attributable to Equity Holders of the Company				
	Share capital RM'000	Merger reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 31 December 2012	147,498	(90,108)	12,786	151,806	221,982
Total comprehensive income for the period	-	-	-	(3,578)	(3,578)
At 30 June 2013 (note a)	147,498	(90,108)	12,786	148,228	218,404
At 31 December 2013	147,498	(90,108)	12,786	109,090	179,266
Total comprehensive loss for the period	-	-	-	(9,519)	(9,519)
At 30 June 2014 (note a)	147,498	(90,108)	12,786	99,571	169,747

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 financial year ended 31 December 2013 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 (6) MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2014

	For the financial year ended 30.06.2014	For the financial year ended 30.06.2013	For the financial year ended 30.06.2014 (Note a)	For the financial year ended 30.06.2013 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Loss before taxation	(18,396)	(6,745)	(9,519)	(3,489)
Adjustments for:				
Interest income	(149)	(235)	(77)	(122)
Interest expenses	738	644	382	333
Depreciation of property, plant and equipment	4,013	3,974	2,076	2,056
Loss on disposal of property, plant and equipment	-	1	-	*
Amortisation of land use rights	813	813	421	421
Amortisation of patents	1,100	183	569	95
Operating loss before working capital changes	(11,881)	(1,365)	(6,148)	(706)
Decrease in inventories	97	1,423	50	736
(Increase)/Decrease in trade and other receivables	(9,135)	12,785	(4,726)	6,615
Decrease in trade and other payables	(1,343)	(1,670)	(695)	(864)
Cash (used in)/generated from operations	(22,262)	11,173	(11,519)	5,781
Income tax paid	-	(172)	-	(89)
Net cash (used in)/generated from operating activities	(22,262)	11,001	(11,519)	5,692
Cash flows from investing activities				
Purchase of property, plant and equipment	(232)	(1,922)	(120)	(994)
Acquisition of land use rights	-	(2,308)	-	(1,194)
Acquisition of patents rights	-	(8,800)	-	(4,553)
Proceeds from disposal of property, plant and equipment	-	10	-	5
Interest received	149	235	77	122
Net cash used in investing activities	(83)	(12,785)	(43)	(6,614)
Cash flows from financing activities				
Interest paid	(738)	(644)	(382)	(333)
Proceeds from bank borrowings	8,000	7,619	4,139	3,942
Repayment of bank borrowings	(8,000)	(15,000)	(4,139)	(7,761)
Increase of fixed deposit pledged	-	(4,000)	-	(2,070)
Net cash used in financing activities	(738)	(12,025)	(382)	(6,222)
Net decrease in cash and cash equivalents	(23,083)	(13,809)	(11,944)	(7,144)
Cash and cash equivalents at beginning of the financial period	91,819	139,268	47,508	72,057
Cash and cash equivalents at end of the financial period ^	68,736	125,459	35,564	64,913

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 financial year ended 31 December 2013 and the accompanying explanatory notes attached to the unaudited interim financial statements.

* Negligible

^ Cash and cash equivalents at the end of the financial period comprise the following balance sheet amount:

	<u>RMB'000</u>	<u>RMB'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and bank balances	68,736	125,459	35,564	64,913
Fixed deposit pledged	-	4,000	-	2,070
	<u>68,736</u>	<u>129,459</u>	<u>35,564</u>	<u>66,983</u>