

# 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 SEPTEMBER 2014

	<u>Note</u>	Individual quarter Quarter ended		Individual quarter Quarter ended	
		30.09.2014	30.09.2013	30.09.2014 (Note a)	30.09.2013 (Note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	81,003	75,220	43,288	40,198
Cost of sales		<u>(74,492)</u>	<u>(68,680)</u>	<u>(39,809)</u>	<u>(36,703)</u>
Gross profit		6,511	6,540	3,479	3,495
Other income		61	61	33	33
Selling and distribution expenses	B1	(11,027)	(63,464)	(5,893)	(33,915)
Administrative expenses	B1	(5,433)	(4,550)	(2,903)	(2,432)
Finance costs		<u>(379)</u>	<u>(167)</u>	<u>(203)</u>	<u>(89)</u>
Loss before taxation	B1	(10,267)	(61,580)	(5,487)	(32,908)
Taxation		-	-	-	-
Total loss for the period	B1	<u>(10,267)</u>	<u>(61,580)</u>	<u>(5,487)</u>	<u>(32,908)</u>
Other comprehensive income after tax		-	-	-	-
Total comprehensive loss for the period		<u>(10,267)</u>	<u>(61,580)</u>	<u>(5,487)</u>	<u>(32,908)</u>
Attributable to :					
- Equity holders of the Company		<u>(10,267)</u>	<u>(61,580)</u>	<u>(5,487)</u>	<u>(32,908)</u>
<b>Loss per share attributable to equity holders of the Company :</b>					
Basic (RMB cents/RM sen)	B9	(3.85)	(23.12)	(2.06)	(12.36)
Diluted (RMB cents/RM sen)	B9	(3.85)	(23.12)	(2.06)	(12.36)

#### Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 30 September 2014 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5344 as at 30 September 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 NINE (9) MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

		Cumulative quarter		Cumulative quarter	
		Current	Preceding	Current	Preceding
		year	year	year	year
		to date	to date	to date	to date
		30.09.2014	30.09.2013	30.09.2014	30.09.2013
				(Note a)	(Note a)
	<u>Note</u>	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	228,237	249,755	121,970	133,469
Cost of sales		<u>(210,696)</u>	<u>(223,744)</u>	<u>(112,596)</u>	<u>(119,569)</u>
Gross profit		17,541	26,011	9,374	13,900
Other income		222	296	119	158
Selling and distribution expenses	B1	(30,076)	(79,852)	(16,073)	(42,673)
Administrative expenses	B1	(15,233)	(13,969)	(8,141)	(7,465)
Finance costs		<u>(1,117)</u>	<u>(811)</u>	<u>(597)</u>	<u>(433)</u>
Loss before taxation	B1	(28,663)	(68,325)	(15,318)	(36,513)
Taxation		<u>-</u>	<u>(172)</u>	<u>-</u>	<u>(92)</u>
Total loss for the period	B1	<u>(28,663)</u>	<u>(68,497)</u>	<u>(15,318)</u>	<u>(36,605)</u>
Other comprehensive income after tax		-	-	-	-
Total comprehensive loss for the period		<u>(28,663)</u>	<u>(68,497)</u>	<u>(15,318)</u>	<u>(36,605)</u>
Attributable to :					
-Equity holders of the Company		<u>(28,663)</u>	<u>(68,497)</u>	<u>(15,318)</u>	<u>(36,605)</u>
<b>Loss per share attributable to equity holders of the Company :</b>					
Basic (RMB cents/RM sen)	B9	(10.76)	(25.71)	(5.75)	(13.74)
Diluted (RMB cents/RM sen)	B9	(10.76)	(25.71)	(5.75)	(13.74)

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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 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 SEPTEMBER 2014

	Unaudited As at 30.09.2014	Audited As at 31.12.2013	Unaudited As at 30.09.2014 (Note a)	Audited As at 31.12.2013 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	61,029	66,714	32,614	35,652
Patents	27,317	20,717	14,598	11,071
Land use rights	72,581	73,801	38,787	39,439
	<u>160,927</u>	<u>161,232</u>	<u>85,999</u>	<u>86,162</u>
<b>Current Assets</b>				
Inventories	9,125	9,008	4,876	4,814
Trade and other receivables	165,075	147,569	88,216	78,861
Cash and bank balances	58,078	91,819	31,037	49,068
	<u>232,278</u>	<u>248,396</u>	<u>124,129</u>	<u>132,743</u>
<b>Total assets</b>	<u>393,205</u>	<u>409,628</u>	<u>210,128</u>	<u>218,905</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	285,075	285,075	152,344	152,344
Retained earnings	182,177	210,840	97,355	112,673
Other reserves	(149,444)	(149,444)	(79,863)	(79,863)
	<u>317,808</u>	<u>346,471</u>	<u>169,836</u>	<u>185,154</u>
<b>Current Liabilities</b>				
Borrowings	22,950	24,000	12,264	12,825
Trade and other payables	47,526	34,236	25,398	18,296
	<u>70,476</u>	<u>58,236</u>	<u>37,662</u>	<u>31,121</u>
<b>Non-Current Liability</b>				
Deferred tax liability	4,921	4,921	2,630	2,630
<b>Total liabilities</b>	<u>75,397</u>	<u>63,157</u>	<u>40,292</u>	<u>33,751</u>
<b>Total equity and liabilities</b>	<u>393,205</u>	<u>409,628</u>	<u>210,128</u>	<u>218,905</u>
<b>Net assets per share attributable to equity holders of the Company (RMB cents/RM sen)</b>	<u>119.30</u>	<u>130.06</u>	<u>63.75</u>	<u>69.50</u>

**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 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 September 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 NINE (9) MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	-	(68,497)	(68,497)
At 30 September 2013	285,075	(174,156)	24,712	224,904	360,535
At 31 December 2013	285,075	(174,156)	24,712	210,840	346,471
Total comprehensive loss for the period	-	-	-	(28,663)	(28,663)
At 30 September 2014	285,075	(174,156)	24,712	182,177	317,808

	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	152,344	(93,069)	13,206	156,794	229,275
Total comprehensive income for the period	-	-	-	(36,605)	(36,605)
At 30 September 2013 (note a)	152,344	(93,069)	13,206	120,189	192,670
At 31 December 2013	152,344	(93,069)	13,206	112,673	185,154
Total comprehensive loss for the period	-	-	-	(15,318)	(15,318)
At 30 September 2014 (note a)	152,344	(93,069)	13,206	97,355	169,836

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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 NINE (9) MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

	For the financial year ended 30.09.2014	For the financial year ended 30.09.2013	For the financial year ended 30.09.2014 (Note a)	For the financial year ended 30.09.2013 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(28,663)	(68,325)	(15,318)	(36,513)
Adjustments for:				
Interest income	(206)	(296)	(110)	(158)
Interest expenses	1,117	811	597	433
Depreciation of property, plant and equipment	5,917	5,938	3,162	3,173
Loss on disposal of property, plant and equipment	-	1	-	*
Amortisation of land use rights	1,220	1,220	652	652
Amortisation of patents	2,200	733	1,176	392
Operating loss before working capital changes	(18,415)	(59,918)	(9,841)	(32,021)
(Increase)/Decrease in inventories	(117)	1,133	(62)	605
(Increase)/Decrease in trade and other receivables	(17,506)	63,090	(9,355)	33,715
Increase/(Decrease) in trade and other payables	13,290	(10,683)	7,102	(5,709)
Cash (used in)/generated from operations	(22,748)	(6,378)	(12,156)	(3,410)
Income tax paid	-	(172)	-	(92)
<b>Net cash (used in)/generated from operating activities</b>	<b>(22,748)</b>	<b>(6,550)</b>	<b>(12,156)</b>	<b>(3,502)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(232)	(1,922)	(124)	(1,027)
Acquisition of land use rights	-	(2,308)	-	(1,233)
Acquisition of patents rights	(8,800)	(8,800)	(4,703)	(4,703)
Proceeds from disposal of property, plant and equipment	-	10	-	5
Interest received	206	296	110	158
<b>Net cash used in investing activities</b>	<b>(8,826)</b>	<b>(12,724)</b>	<b>(4,717)</b>	<b>(6,800)</b>
<b>Cash flows from financing activities</b>				
Interest paid	(1,117)	(811)	(597)	(433)
Proceeds from bank borrowings	15,200	20,919	8,123	11,179
Repayment of bank borrowings	(16,250)	(27,149)	(8,684)	(14,508)
<b>Net cash used in financing activities</b>	<b>(2,167)</b>	<b>(7,041)</b>	<b>(1,158)</b>	<b>(3,762)</b>
Net decrease in cash and cash equivalents	(33,741)	(26,315)	(18,031)	(14,064)
Cash and cash equivalents at beginning of the financial period	91,819	139,268	49,068	74,425
<b>Cash and cash equivalents at end of the financial period ^</b>	<b>58,078</b>	<b>112,953</b>	<b>31,037</b>	<b>60,361</b>

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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