

# 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 2015

		Individual quarter Quarter ended		Individual quarter Quarter ended	
		30.09.2015	30.09.2014	30.09.2015	30.09.2014
				(Note a)	(Note a)
	Note	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	78,438	81,003	45,102	56,022
Cost of sales		<u>(72,938)</u>	<u>(74,492)</u>	<u>(41,953)</u>	<u>(51,519)</u>
Gross profit		5,500	6,511	3,149	4,503
Other income		24	61	25	42
Selling and distribution expenses	B1	(10,983)	(11,027)	(7,170)	(7,626)
Administrative expenses	B1	(5,652)	(5,433)	(3,441)	(3,757)
Finance costs		<u>(371)</u>	<u>(379)</u>	<u>(234)</u>	<u>(262)</u>
Loss before taxation	B1	(11,482)	(10,267)	(7,671)	(7,100)
Taxation		-	-	-	-
Total loss for the period	B1	<u>(11,482)</u>	<u>(10,267)</u>	<u>(7,671)</u>	<u>(7,100)</u>
Other comprehensive income after tax		-	-	-	-
Total comprehensive loss for the period		<u>(11,482)</u>	<u>(10,267)</u>	<u>(7,671)</u>	<u>(7,100)</u>
Attributable to :					
- Equity holders of the Company		<u>(11,482)</u>	<u>(10,267)</u>	<u>(7,671)</u>	<u>(7,100)</u>
<b>Loss per share attributable to equity holders of the Company :</b>					
Basic (RMB cents/RM sen)	B9	(4.31)	(3.85)	(2.98)	(2.66)
Diluted (RMB cents/RM sen)	B9	(4.31)	(3.85)	(2.98)	(2.66)

#### Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") quarter ended 30 September 2015 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM1 at 30 September 2015. 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 2014 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 2015

	<u>Note</u>	Cumulative quarter		Cumulative quarter	
		Current year to date 30.09.2015	Preceding year to date 30.09.2014	Current year to date 30.09.2015 (Note a)	Preceding year to date 30.09.2014 (Note a)
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	216,497	228,237	149,729	157,849
Cost of sales		<u>(201,591)</u>	<u>(210,696)</u>	<u>(139,420)</u>	<u>(145,717)</u>
Gross profit		14,906	17,541	10,309	12,132
Other income		116	222	80	154
Selling and distribution expenses	B1	(29,994)	(30,076)	(20,744)	(20,801)
Administrative expenses	B1	(16,616)	(15,233)	(11,492)	(10,535)
Finance costs		<u>(1,127)</u>	<u>(1,117)</u>	<u>(779)</u>	<u>(773)</u>
Loss before taxation	B1	(32,715)	(28,663)	(22,626)	(19,823)
Taxation		-	-	-	-
Total loss for the period	B1	<u>(32,715)</u>	<u>(28,663)</u>	<u>(22,626)</u>	<u>(19,823)</u>
Other comprehensive income after tax		-	-	-	-
Total comprehensive loss for the period		<u>(32,715)</u>	<u>(28,663)</u>	<u>(22,626)</u>	<u>(19,823)</u>
Attributable to :					
-Equity holders of the Company		<u>(32,715)</u>	<u>(28,663)</u>	<u>(22,626)</u>	<u>(19,823)</u>
<b>Loss per share attributable to equity holders of the Company :</b>					
Basic (RMB cents/RM sen)	B9	(12.28)	(10.76)	(8.49)	(7.44)
Diluted (RMB cents/RM sen)	B9	(12.28)	(10.76)	(8.49)	(7.44)

**Notes:**

(a) The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for 9 months financial period ended 30 September 2015 with comparatives are shown for reference only and has been made at the same exchange rate to RM0.6916 as at 30 September 2015. This translation should not be construed as a representation that the RMB amounts represented have been 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 2014 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 2015

	Unaudited As at 30.09.2015	Audited As at 31.12.2014	Unaudited As at 30.09.2015 (Note a)	Audited As at 31.12.2014 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	55,411	59,121	38,322	40,888
Patents	24,200	17,417	16,737	12,046
Prepayment of patents	8,800	11,000	6,086	7,608
Land use rights	70,955	72,175	49,073	49,916
	<u>159,366</u>	<u>159,713</u>	<u>110,218</u>	<u>110,458</u>
<b>Current Assets</b>				
Inventories	7,757	6,229	5,365	4,308
Trade and other receivables	148,674	145,486	102,823	100,618
Cash and bank balances	16,393	47,938	11,337	33,154
	<u>172,824</u>	<u>199,653</u>	<u>119,525</u>	<u>138,080</u>
<b>Total assets</b>	<u>332,190</u>	<u>359,366</u>	<u>229,743</u>	<u>248,538</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	285,075	285,075	197,158	197,158
Retained earnings	136,242	168,957	94,225	116,851
Other reserves	(149,444)	(149,444)	(103,355)	(103,355)
	<u>271,873</u>	<u>304,588</u>	<u>188,028</u>	<u>210,654</u>
<b>Current Liabilities</b>				
Borrowings	23,900	23,900	16,529	16,529
Trade and other payables	31,496	25,957	21,783	17,952
	<u>55,396</u>	<u>49,857</u>	<u>38,312</u>	<u>34,481</u>
<b>Non-Current Liability</b>				
Deferred tax liability	4,921	4,921	3,403	3,403
<b>Total liabilities</b>	<u>60,317</u>	<u>54,778</u>	<u>41,715</u>	<u>37,884</u>
<b>Total equity and liabilities</b>	<u>332,190</u>	<u>359,366</u>	<u>229,743</u>	<u>248,538</u>
<b>Net assets per share attributable to equity holders of the Company (RMB cents/RM sen)</b>	<u>102.05</u>	<u>114.33</u>	<u>70.58</u>	<u>79.07</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 financial year ended 31 December 2014 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 2014 and 30 September 2015 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 2015

	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 2013	285,075	(174,156)	24,712	210,840	346,471
Total comprehensive loss for the financial period	-	-	-	(28,663)	(28,663)
At 30 September 2014	285,075	(174,156)	24,712	182,177	317,808
At 31 December 2014	285,075	(174,156)	24,712	168,957	304,588
Total comprehensive loss for the financial period	-	-	-	(32,715)	(32,715)
At 30 September 2015	285,075	(174,156)	24,712	136,242	271,873

	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 2013	197,158	(120,446)	17,091	145,817	239,620
Total comprehensive loss for the financial period	-	-	-	(19,823)	(19,823)
At 30 September 2014 (note a)	197,158	(120,446)	17,091	125,994	219,797
At 31 December 2014	197,158	(120,446)	17,091	116,851	210,654
Total comprehensive loss for the financial period	-	-	-	(22,626)	(22,626)
At 30 September 2015 (note a)	197,158	(120,446)	17,091	94,225	188,028

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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 2014 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 2015

	For the financial period ended 30.09.2015	For the financial period ended 30.09.2014	For the financial period ended 30.09.2015 (Note a)	For the financial period ended 30.09.2014 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(32,715)	(28,663)	(22,626)	(19,823)
Adjustments for:				
Interest income	(108)	(206)	(75)	(142)
Interest expenses	1,127	1,117	779	773
Depreciation of property, plant and equipment	5,450	5,917	3,769	4,092
Property, plant and equipment written off	61	-	42	-
Amortisation of land use rights	1,220	1,220	844	844
Amortisation of patents	4,217	2,200	2,917	1,522
Operating loss before working capital changes	(20,748)	(18,415)	(14,350)	(12,734)
Increase in inventories	(1,528)	(117)	(1,057)	(81)
Increase in trade and other receivables	(3,188)	(17,506)	(2,205)	(12,107)
Increase in trade and other payables	5,539	13,290	3,831	9,191
Cash used in operations	(19,925)	(22,748)	(13,781)	(15,731)
Income tax paid	-	-	-	-
<b>Net cash generated from operating activities</b>	<b>(19,925)</b>	<b>(22,748)</b>	<b>(13,781)</b>	<b>(15,731)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,801)	(232)	(1,246)	(160)
Prepayment of patents	(8,800)	(8,800)	(6,086)	(6,086)
Interest received	108	206	75	142
<b>Net cash used in investing activities</b>	<b>(10,493)</b>	<b>(8,826)</b>	<b>(7,257)</b>	<b>(6,104)</b>
<b>Cash flows from financing activities</b>				
Interest paid	(1,127)	(1,117)	(779)	(773)
Proceeds from bank borrowings	15,200	15,200	10,512	10,512
Repayment of bank borrowings	(15,200)	(16,250)	(10,512)	(11,239)
<b>Net cash used in financing activities</b>	<b>(1,127)</b>	<b>(2,167)</b>	<b>(779)</b>	<b>(1,500)</b>
Net decrease in cash and cash equivalents	(31,545)	(33,741)	(21,817)	(23,335)
Cash and cash equivalents at beginning of the financial period	47,938	91,819	33,154	63,502
<b>Cash and cash equivalents at end of the financial period</b>	<b>16,393</b>	<b>58,078</b>	<b>11,337</b>	<b>40,167</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 30 September 2014 and the accompanying explanatory notes attached to the unaudited interim financial statements.