

# 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 31 MARCH 2019

		Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.03.2019	31.03.2018	31.03.2019	31.03.2018
		Unaudited	Unaudited	(Note a) Unaudited	(Note a) Unaudited
	<u>Note</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	B1	48,304	78,125	29,383	47,524
Cost of sales		(43,791)	(68,614)	(26,638)	(41,738)
Gross profit		4,513	9,511	2,745	5,786
Other income		63	59	38	36
Selling and distribution expenses	B1	(471)	(536)	(286)	(326)
Administrative expenses	B1	(2,420)	(4,162)	(1,472)	(2,532)
Other operating expenses	B1	-	-	-	-
Finance costs		(1,839)	(2,145)	(1,119)	(1,305)
Profit/(Loss) before taxation	B1	(154)	2,727	(94)	1,659
Taxation		(10)	(537)	(6)	(327)
Total profit/(loss) for the period	B1	(164)	2,190	(100)	1,332
Other comprehensive income after tax		-	-	-	-
Total comprehensive profit/(loss) for the period		(164)	2,190	(100)	1,332
Attributable to :					
- Equity holders of the Company		(164)	2,190	(100)	1,332
<b>Loss per share attributable to equity holders of the Company :</b>					
Basic (RMB cents/RM sen)	B9	(0.04)	0.68	(0.02)	0.41
Diluted (RMB cents/RM sen)	B9	(0.03)	0.68	(0.02)	0.41

**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 2019 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6083 as at 31 March 2019. 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 2018 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 FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	Cumulative quarter		Cumulative quarter	
		Current year to date 31.03.2019 Unaudited RMB'000	Preceding year to date 31.03.2018 Unaudited RMB'000	Current year to date 31.03.2019 Unaudited RM'000	Preceding year to date 31.03.2018 Unaudited RM'000
Revenue	B1	48,304	78,125	29,383	47,524
Cost of sales		(43,791)	(68,614)	(26,638)	(41,738)
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-Equity holders of the Company		(164)	2,190	(100)	1,332
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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 2018 and the accompanying explanatory notes attached to the unaudited interim financial statements.

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### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Unaudited As at 31.03.2019	Audited As at 31.12.2018	Unaudited As at 31.03.2019 (Note a)	Audited As at 31.12.2018 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	36,680	37,498	22,312	22,810
Intangible assets	9,222	9,662	5,610	5,877
Land use rights prepayments	41,304	41,572	25,125	25,288
	<u>87,206</u>	<u>88,732</u>	<u>53,047</u>	<u>53,975</u>
<b>Current Assets</b>				
Land use rights prepayments	1,071	1,071	652	652
Inventories	3,328	4,278	2,024	2,602
Trade and other receivables	53,586	76,504	32,596	46,537
Cash and bank balances	1,883	1,655	1,145	1,007
	<u>59,868</u>	<u>83,508</u>	<u>36,417</u>	<u>50,798</u>
<b>Total assets</b>	<u>147,074</u>	<u>172,240</u>	<u>89,464</u>	<u>104,773</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	93,774	93,774	57,043	57,043
(Accumulated losses)/Retained earnings	80,152	80,316	48,756	48,856
Other reserves	(127,393)	(127,385)	(77,494)	(77,489)
	<u>46,533</u>	<u>46,705</u>	<u>28,305</u>	<u>28,410</u>
<b>Current Liabilities</b>				
Borrowings	35,630	35,630	21,674	21,674
Income tax payable	61	10	37	6
Trade and other payables	15,260	40,264	9,283	24,493
	<u>50,951</u>	<u>75,904</u>	<u>30,994</u>	<u>46,173</u>
<b>Non-Current Liability</b>				
Deferred tax liability	5,090	5,131	3,096	3,121
Other payable	44,500	44,500	27,069	27,069
	<u>49,590</u>	<u>49,631</u>	<u>30,165</u>	<u>30,190</u>
<b>Total liabilities</b>	<u>100,541</u>	<u>125,535</u>	<u>61,159</u>	<u>76,363</u>
<b>Total equity and liabilities</b>	<u>147,074</u>	<u>172,240</u>	<u>89,464</u>	<u>104,773</u>
<b>Net assets per share attributable to equity holders of the Company (RMB cents/RM sen)</b>	<u>12.21</u>	<u>12.26</u>	<u>7.43</u>	<u>7.46</u>

**Notes:**

- (a) The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") as at 31 March 2019 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6083 as at 31 March 2019. 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 2018 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 2018 and 31 March 2019 divided by the number of ordinary shares of 380,952,000.

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Attributable to Equity Holders of the Company						
	Share capital RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Warrant reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
At 31 December 2017	287,196	(174,156)	24,712	-	-	(57,078)	80,674
Share issuance	11,378	-	-	-	-	-	11,378
Foreign exchange translation reserve	-	-	-	-	(42)	-	(42)
Total comprehensive loss for the financial period	-	-	-	-	-	2,190	2,190
At 31 March 2018	298,574	(174,156)	24,712	-	(42)	(54,888)	94,200
At 31 December 2018	93,774	(174,156)	24,712	22,083	(24)	80,316	46,705
Share issuance	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-
Free warrant issuance	-	-	-	-	-	-	-
Foreign exchange translation reserve	-	-	-	-	(8)	-	(8)
Total comprehensive loss for the financial period	-	-	-	-	-	(164)	(164)
At 31 March 2019	93,774	(174,156)	24,712	22,083	(32)	80,152	46,533

	Attributable to Equity Holders of the Company						
	Share capital RM'000	Merger reserve RM'000	Statutory reserve RM'000	Warrant reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 31 December 2017	174,701	(105,939)	15,032	-	-	(34,720)	49,074
Share issuance	6,921	-	-	-	-	-	6,921
Foreign exchange translation reserve	-	-	-	-	(26)	-	(26)
Total comprehensive loss for the financial period	-	-	-	-	-	1,332	1,332
At 31 March 2018 (note a)	181,622	(105,939)	15,032	-	(26)	(33,388)	57,301
At 31 December 2018	57,043	(105,939)	15,032	13,433	(15)	48,856	28,410
Share issuance	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-
Free warrant issuance	-	-	-	-	-	-	-
Foreign currency translation reserve	-	-	-	-	(5)	-	(5)
Total comprehensive loss for the financial period	-	-	-	-	-	(100)	(100)
At 31 March 2019 (note a)	57,043	(105,939)	15,032	13,433	(20)	48,756	28,305

#### 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 2018 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 FINANCIAL PERIOD ENDED 31 MARCH 2019

	For the financial period ended 31.03.2019	For the financial period ended 31.03.2018	For the financial period ended 31.03.2019 (Note a)	For the financial period ended 31.03.2018 (Note a)
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RM'000	Unaudited RM'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(154)	2,727	(94)	1,659
Adjustments for:				
Interest income	-	(7)	-	(4)
Interest expenses	1,839	2,145	1,119	1,305
Depreciation of property, plant and equipment	818	898	497	546
Amortisation of land use rights	268	269	163	163
Amortisation of patents	440	1,742	268	1,060
Operating loss before working capital changes	3,211	7,774	1,953	4,729
Decrease/(Increase) in inventories	950	1,501	578	913
Decrease/(Increase) in trade and other receivables	22,792	(10,960)	13,864	(6,667)
Increase/(Decrease) in trade and other payables	(24,878)	(483)	(15,133)	(294)
Cash from operations	2,075	(2,168)	1,262	(1,319)
Income tax paid	-	(704)	-	(428)
Interest received	-	7	-	4
Interest paid	(1,839)	(2,145)	(1,119)	(1,305)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>236</b>	<b>(5,010)</b>	<b>143</b>	<b>(3,048)</b>
<b>Cash flows from investing activities</b>				
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Proceeds from share issuance	-	11,378	-	6,921
<b>Net cash flows used in financing activities</b>	<b>-</b>	<b>11,378</b>	<b>-</b>	<b>6,921</b>
Net increase/(decrease) in cash and cash equivalents	236	6,368	143	3,873
Cash and cash equivalents at beginning of the financial period	1,655	1,244	1,007	757
Effect of exchange translation difference on cash and cash equivalents	(8)	(42)	(5)	(26)
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,883</b>	<b>7,570</b>	<b>1,145</b>	<b>4,604</b>

#### Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the financial period ended 31 March 2019 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6083 as at 31 March 2019. 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 Cash Flow should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 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 2019

#### A1. Basis of accounting and changes in accounting policies

##### a) Basis of accounting

The consolidated interim financial statements of K-Star Sports Limited (the “Company” or “K-Star”) and its subsidiary companies (“the Group”) for the quarter ended 31 March 2019 are unaudited and have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended (“FYE”) 31 December 2018. These explanatory notes attached to the interim 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 the FYE 31 December 2018.

In the current financial year, the Company has adopted all the new or revised SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are relevant to its operations and effective for the current financial year ending 31 December 2019. SFRS(I)s comprise Standards and Interpretations that are equivalent to International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB).

The group has adopted the new financial reporting framework on 1 January 2019 in accordance with the decision made by the Accounting Standards Council. In addition, the Group has adopted all the new and revised SFRS(I)s that are effective from 1 January 2019 as follows:

- SFRS(I) 16 Leases

At the date of authorisation of this report, the following SFRS(I) relevant to the Group were issued but not yet effective for the current financial year under review:

No.	Title	Effective date - Annual periods commencing on or after
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020

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The Directors do not anticipate that the adoption of these SFRS(I) (including sequential amendments) and INT SFRS(I), where relevant to the Group, in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption.

### **Changes in accounting policies**

The adoption of these new or revised SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

### **b) Basis of consolidation**

The consolidated interim 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 interim 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 subsidiary company using the historical cost method as disclosed above, the results of the subsidiary companies acquired during the financial year, if any, are included in the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group.

Subsequent acquisitions of subsidiary companies, 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 subsidiary companies acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group.

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**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 ("RMB"), which is also the functional currency of the Group.

**(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 FYE 31 December 2018 were not subject to any audit qualification.



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### **A3. Seasonal or cyclical factors**

There were no seasonal or cyclical factors which will 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**

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 year to date.

### **A7. Subsequent material events**

There were no other material events as at the date of this announcement that will affect the results in the financial period under review.

### **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.

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### A9. Segment information

#### a) Results of operating segments

	For the quarter and year-to-date ended 31 March 2019							
	Sports footwear in PRC		Construction in Malaysia		Holding company		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
<b>Revenue</b>								
Footwear	48,067	29,239	-	-	-	-	48,067	29,239
Construction	-	-	237	144	-	-	237	144
							<u>48,304</u>	<u>29,383</u>
<b>Other income</b>								
Realised gain on foreign exchange	-	-	-	-	13	8	13	8
Rental income	50	30	-	-	-	-	50	30
							63	38
Elimination							<u>-</u>	<u>-</u>
							<u>63</u>	<u>38</u>
<b>Operating expenses</b>								
Selling and distribution	(471)	(286)	-	-	-	-	(471)	(286)
Administrative	(1,920)	(2,840)	*	*	(500)	(304)	(2,420)	(1,472)
							(2,891)	(1,758)
Elimination							<u>-</u>	<u>-</u>
							<u>(2,891)</u>	<u>(1,758)</u>
<b>Profit/(Loss) before taxation</b>	137	83	186	113	(487)	(296)	(164)	(100)

Note:

\* Negligible

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### b) Assets and liabilities

	As at 31 March 2019							
	Sports footwear in PRC		Construction in Malaysia		Holding company		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
<b>Total assets</b>	146,175	88,917	722	439	177	108	147,074	89,464
<b>Total liabilities</b>	99,491	60,521	288	175	762	463	100,541	61,159

#### A10. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the Group's audited consolidated financial statements for the FYE 31 December 2018.

#### A11. Status of corporate exercise

- (a) Save as disclosed below, there were no other corporate proposals announced but not completed as at 21 May 2019, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.
- (i) The Company had on 17 May 2019, announced to undertake a private placement of up to 38,695,200 new ordinary shares ("Placement Shares") representing 10% of the issued share capital in K-Star ("K-Star Shares") to independent third party investor(s) to be identified ("Proposed Private Placement").

The Proposed Private Placement is subject to and conditional upon the approvals being obtained from Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities and any other relevant authorities and/or parties, if required.

Approval has been obtained from the shareholders of K-Star at its last Annual General Meeting ("AGM") convened on 27 June 2018 authorising the Board to allot and issue new K-Star Shares pursuant Section 161 of the Companies Act (Chapter 50) of Singapore, provided that the value of such K-Star Shares to be issued, when aggregated with the value of any such K-Star Shares issued during the preceding 12 months does not exceed 10% of the value of the issued share capital (excluding treasury shares) of the Company for the time being. The approval is valid, until the next AGM of K-Star, or the expiration of the period within which the next AGM after that date is required by law to be held, whichever is earlier, unless revoked or varied by the Company at a general meeting prior to the next AGM of K-Star.

Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed during the second quarter of 2019.

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### b) Utilisation of proceeds

The total gross proceeds from the private placement of 87,912,000 new ordinary shares in K-Star (“Proposal”) to individual third party investors amounting to approximately RM7.03 million are expected to be fully utilised in the following manner:

Details of utilisation	Utilisation timeframe	Proposed utilisation	Utilisation as at the reporting date	Amount unutilised
		RM'000	RM'000	RM'000
Footwear business	Within 12 months	4,000	4,000	-
Construction business	Within 18 months	2,713	1,400	1,313
Expenses for the Proposal	Within 3 month	320	270	50
		<u>7,033</u>	<u>5,670</u>	<u>1,363</u>

### A12. Contingent liabilities/assets

There were no material changes in the contingent liabilities or contingent assets since the last annual statement of financial position ended 31 December 2018.

### A13. Capital commitments

There is no capital commitment as at 31 March 2019.

### A14. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period under review.

### A15. Reserves

#### a) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary company of K-Star 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 this subsidiary, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

#### b) 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-of-interest method of accounting.

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### c) Warrant reserve

Warrant reserve relates to the fair value ascribed to warrants issued, net of issue expenses. As and when the warrants are exercised, the related balance in the warrant reserve is transferred to the share capital account. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of RM 0.08. The warrants will expire on 10 April 2021. On the expiry of the warrants, the balance in the warrant reserve will be transferred to retained earnings.

### 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 THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

#### B1. Performance review

	Individual quarter and cumulative period ended 31 March		Changes (%)
	2019 RMB'000	2018 RMB'000	
Revenue	48,304	78,125	(38.17)
Gross profit margin (%)	9.34	12.17	(23.25)
Profit/(Loss) before tax	(154)	2,727	(105.65)
Other comprehensive income after tax	-	-	-
Total comprehensive income/(loss) for the period	(164)	2,190	(107.49)

#### Statement of profit & loss

For the current quarter three (3) months ended 31 March 2019 (“1Q2019”), the Group’s revenue has decreased by approximately 38.17% as compared to the preceding year corresponding quarter ended 31 March 2018 (“1Q2018”). This was mainly due to the slowdown in sales of both the Dixing’s core brand footwear and OEM footwear by 33.04% and 50.91% respectively.

Gross profit margin stood at 9.34% as compared to 12.17% recorded in 1Q2018, a decrease of 2.83%. Notwithstanding that the average unit selling price has increased by approximately 3.64%, the unit production costs has increased by 4.08%.

The current quarter’s selling and distribution expenses were fairly consistent as compared to the preceding year corresponding quarter.

Administrative expenses has reduced by 41.85% mainly due to lower amortisation of patents which has reduced by 74.74% in view of the writing off of patents amounted to RMB14.45 million in the immediate preceding quarter. The finance costs has reduced by 14.27% resulting from the repayment of long term loan in the previous financial year.

The Group has incurred a marginal loss before taxation (“LBT”) of RMB 0.15 resulted from the decreased in sales for the 1Q2019.

#### Statement of financial position

The inventory turnover period stood at the age of 7 days as at 31 March 2019 and has remained fairly consistent as compared to the 1Q2018 of 9 days.

The trade receivables turnover period as at 31 March 2019 was 101 days as compared to 138 days in the preceding year corresponding quarter. All trade receivables as at 31 March 2019 were within 120 days age band and were neither considered as past due nor impaired.

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The trade payables turnover period stood at the age of 20 days as compared to the preceding year corresponding quarter of 61 days. All trade payables were within the 60 days age band as at 31 March 2019.

### Statement of cash flow

The net cash inflow from operating activities of the Group for the current financial period ended (“FPE”) 31 March 2019 amounted to RMB 0.24 million, has improved as compared to the net cash outflow of RMB 5.01 million recorded in the preceding year corresponding quarter. There was no cash flow allocation from investing and financing activities.

For the current financial period, the net cash and cash equivalents stood at RMB 1.88 million, representing a decrease of RMB 5.69 million as compared to RMB 7.57 million recorded in the FPE 31 March 2018 in conjunction of a gross proceeds of RMB 11.38 million was raised through a private placement exercise via the issuance of 87.91 million new ordinary shares of the Company in the FPE 31 March 2018.

The Group’s profit/loss before taxation is arrived at after charging/(crediting) amongst others, the following:

	Individual quarter/ Current year to date ended 31 March			
	2019 RMB’000	2018 RMB’000	2019 RM’000	2018 RM’000
Interest income	-	(7)	-	(4)
Other income including investment income	-	-	-	-
Interest expense	1,839	2,145	1,119	1,305
Depreciation	818	898	497	546
Amortisation	708	2,011	431	1,223
Provision for doubtful debts	*1	*1	*1	*1
Bad debts written off	*1	*1	*1	*1
Provision for slow moving inventory	*2	*2	*2	*2
Inventory written off	*2	*2	*2	*2
(Gain)/ Loss on disposal of quoted or unquoted investments or properties	N/A	N/A	N/A	N/A
Impairment of assets	*3	*3	*3	*3
(Gain)/Loss on foreign exchange	(14)	(3)	(9)	(2)
(Gain)/Loss on derivatives	N/A	N/A	N/A	N/A
Exceptional items	N/A	N/A	N/A	N/A

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### Notes:

- \*1 *The Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required.*
- \*2 *The Directors are not aware of any circumstances which would render it necessary to write off any inventory or to make any allowance for slow moving inventory as at the date of this report.*
- \*3 *The Directors are not aware of any indication of impairment.*
- N/A *Not applicable as the Group does not have any quoted or unquoted investments or properties, derivatives and exceptional items as at the date of this report.*

### B2. Variation of results against immediate preceding quarter

	Current quarter ended 31 March 2019 RMB'000	Preceding quarter ended 31 December 2018 RMB'000	Changes (%)
Revenue	48,304	49,782	(2.97)
Profit/(Loss) before taxation	(154)	(66,389)	99.77
Profit/(Loss) after taxation and total comprehensive income/(loss) for the period	(164)	(66,230)	99.75

	Current quarter ended 31 March 2019 RM'000	Preceding quarter ended 31 December 2018 RM'000	
Revenue	29,383	30,282	
Loss before taxation	(94)	(40,384)	
Loss after taxation and total comprehensive loss for the period	(100)	(40,288)	

The Group's revenue for the 1Q2019 remained consistent with a marginal decreased of 2.97% as compared to the preceding quarter three (3) months ended 31 December 2018 ("4Q2018"). The sales of Dixing's core brand representing 79.41% of the footwear sales has decreased by approximately 5.60% while the OEM segment representing 20.59% of the footwear sales has recorded an increase of 9.88%.

The gross profit margin has decreased by 1.20%, stood at 9.34% as compared to 10.54% recorded in the preceding quarter. Save for the average unit selling price which was remained fairly consistent, the average unit production costs of has increased marginally by approximately 2.88% as compared to the preceding quarter.



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Sales and distribution expenses has decreased by RMB 28.53 million mainly due to provision of sales rebates and trade fair related expenses incurred during the 4Q2018.

Administrative expenses has reduced by 40.48% arising from the writing off of patents amounted to RMB14.45 million in the 4Q2018. There was no material deviation in the finance costs as compared to the 4Q2018.

The Group's LBT for the current quarter has narrowed closer to breakeven to RMB 0.15 million mainly arising from the provision of sales rebates, patents written off and one-off warrants issuance expenses that were recorded in the immediate preceding quarter.

### **B3. Prospects for the financial year ending 31 December 2019**

The gross domestic product ("GDP") growth was at a rate of 6.6% and 6.7% respectively in 2018 and 2017. It is envisaged that a challenging time ahead for China economy that the China Government has lower its economic growth target to approximately 6.5% as set in the 13<sup>th</sup> Five-Year Plan. However, the unveiled 13<sup>th</sup> Five-Year Plan also sets to promote "Made in China 2025" which encourages the industry to reform its manufacturing practices into high-end manufacturing and encouraging expansion into the international market.

Looking forward, the China sports footwear market will remain challenging after years of downturn. Domestic brands underwent a prolong restructuring arising from overly expansion which led to high level of excessive inventory. The oversupply situation has generally stabilised and yet struggling to see a recovery in sales growth.

International sportswear brands are aggressively expanding their business efforts in the lower tier cities, causing domestic sportswear brands to lose market share due to weaker brand recognition and lack of product differentiation. As the disposable income of China's huge population continues to rise and increasing participation in sports, consumers in lower tier cities are seeking more value in brand identity and product quality.

As sporting events are becoming increasingly popular and people's interest in personal fitness continues to rise, as well as greater enthusiasm for taking part in sports under the National Fitness Programme and related government policies, the cost of participating in sports-related activities has become a significant part of many individuals' spending. In addition, the advancement of e-commerce is in place to drive growth and recovery of the overall sporting goods industry.

The Group remains cautious on the uncertainty of the economic condition over the US-China trade war and perceived that the competition within China's sporting goods industry will continue to intensify. The Board of Directors of K-Star ("Board") envisages that the Group's prospects for the financial year ending 31 December 2019 would be favourable. Given the overall backdrop in consumer sentiment, uncertainty economic impact arising from the on-going US-China trade war and intense competition both from foreign and domestic brands, the Group sees challenges on the business growth but remains optimistic on the long term sustainability and potential opportunity given the Group's continuous effort in brand recognition as well as product innovation.

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### 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

	Current Quarter RMB '000	Current year to date RMB '000
Income tax	-	-
Underprovision of income tax	52	52
Deferred tax income	(42)	(42)
	<u>10</u>	<u>10</u>

	Current Quarter RM '000	Current year to date RM '000
Income tax	-	-
Underprovision of income tax	32	32
Deferred tax income	(26)	(26)
	<u>6</u>	<u>6</u>

There was no provision for taxation for the current quarter as the Group has incurred losses.

The deferred tax income was in respect of the unwinding of deferred tax liability over the useful life of certain assets.

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### B6. Group borrowings

The Group's borrowings as at 31 March 2019 were as follows:

	31 March 2019 RMB'000	31 March 2018 RMB'000	Changes %
Short-term bank borrowings:			
Secured	9,800	9,840	0.41
Unsecured	<u>25,830</u>	<u>25,830</u>	-
	<u>35,630</u>	<u>35,670</u>	0.11

	31 March 2019 RM'000	31 March 2018 RM'000	
Short-term bank borrowings:			
Secured	5,961	5,986	
Unsecured	<u>15,713</u>	<u>15,713</u>	
	<u>21,674</u>	<u>21,699</u>	

The bank borrowings are denominated in RMB with a weighted average interest rate of 5.66% per annum. There were no material changes of the borrowings amount as at the current quarter as compared to the preceding year corresponding quarter.

The Group's long-term other payables as at 31 March 2019 were as follows:

	31 March 2019 RMB'000	31 March 2018 RMB'000	Changes %
Long-term other payables:			
Secured	<u>44,500</u>	<u>54,500</u>	9.92
	31 December 2018 RM'000	31 December 2017 RM'000	
Long-term other payables:			
Secured	<u>27,069</u>	<u>33,152</u>	

The long term other payables are secured loans for working capital purpose. This amount is repayable on the 4<sup>th</sup> quarter of 2021 (5<sup>th</sup> year from the date of the loan agreement) with an interest charged at 1% per month.

A partial settlement of RMB 10.00 million was made to settle the amount in the previous financial year.

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### B7. Changes in material litigation

As at the date of this report, there is no material 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.

### B8. Dividend

There were no dividends declared by the Company for the current quarter ended 31 March 2019.

### B9. Profit/(Loss) per share

#### a) Basic loss per share

	Individual quarter / Cumulative year to date ended 31 March			
	2019 RMB'000	2018 RMB'000	2019 RM'000	2018 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(164)	2,190	(100)	1,332
Weighted average number of ordinary shares in issue ('000)	380,952	323,320	380,952	323,320
Basic earning/(loss) per share (RMB cents/RM sen)	<u>(0.04)</u>	<u>0.68</u>	<u>(0.02)</u>	<u>0.41</u>

#### b) Diluted earnings per share

	Individual quarter / Cumulative year to date ended 31 March			
	2019 RMB'000	2018 RMB'000	2019 RM'000	2018 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(164)	2,190	(100)	1,332
Weighted average number of ordinary shares in issue ('000)	380,952	323,320	380,952	323,320
Assuming full exercise of warrants ('000)	152,380	-	152,380	-
Diluted earning/(loss) per share (RMB cents/RM sen)	<u>(0.03)</u>	<u>0.68</u>	<u>(0.02)</u>	<u>0.41</u>

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### B10. Realised and unrealised profits/(losses)

	FPE 31 March		FPE 31 March	
	2019	2018	2019	2018
	RMB'000	RMB'000	RM'000	RM'000
Realised	85,242	(49,757)	51,852	(30,267)
Unrealised	(5,090)	(5,131)	(3,096)	(3,121)
Total retained profits/(losses)	80,152	(54,888)	48,756	(33,388)

  

	Preceding quarter ended 31 December 2018	
	RMB'000	RM'000
Realised	85,447	51,977
Unrealised	(5,131)	(3,121)
Total retained profits/(losses)	80,316	48,856

By Order of the Board

Ding JianPing  
Executive Chairman and  
Chief Executive Officer  
28 May 2019