

# 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 DECEMBER 2019

		Individual quarter		Individual quarter	
		Quarter ended		Quarter ended	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
				(Note a)	(Note a)
		Unaudited	Unaudited	Unaudited	Unaudited
	Note	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	50,264	49,782	29,530	29,247
Cost of sales		(45,306)	(44,536)	(26,617)	(26,164)
Gross profit		4,958	5,246	2,913	3,083
Other income		29	53	17	16
Selling and distribution expenses	B1	(653)	(29,001)	(384)	(17,038)
Administrative expenses	B1	(3,337)	(4,091)	(1,961)	(2,389)
Other operating expenses	B1	(8,550)	(36,560)	(5,023)	(21,479)
Finance costs		(1,823)	(2,036)	(1,071)	(1,196)
Profit/(Loss) before taxation	B1	(9,376)	(66,389)	(5,509)	(39,003)
Taxation		105	159	62	93
Total profit/(loss) for the period	B1	(9,271)	(66,230)	(5,447)	(38,910)
Other comprehensive income after tax		-	-	-	-
Total comprehensive profit/(loss) for the period		(9,271)	(66,230)	(5,447)	(38,910)
Attributable to :					
- Equity holders of the Company		(9,271)	(66,230)	(5,447)	(38,910)
<b>Loss per share attributable to equity holders of the Company :</b>					
Basic (RMB cents/RM sen)	B9	(2.18)	(17.39)	(1.28)	(10.22)
Diluted (RMB cents/RM sen)	B9	(1.62)	(12.42)	(0.95)	(7.30)

#### 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 December 2019 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5875 as at 31 December 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 YEAR ENDED 31 DECEMBER 2019

		Cumulative quarter		Cumulative quarter	
		Current year to date 31.12.2019	Preceding year to date 31.12.2018	Current year to date 31.12.2019 (Note a)	Preceding year to date 31.12.2018 (Note a)
	Note	Unaudited RMB'000	Unaudited RMB'000	Unaudited RM'000	Unaudited RM'000
Revenue	B1	202,728	254,031	119,103	149,243
Cost of sales		(183,451)	(229,119)	(107,778)	(134,607)
Gross profit		19,277	24,912	11,325	14,636
Other income		223	224	131	116
Selling and distribution expenses	B1	(2,336)	(30,826)	(1,372)	(18,110)
Administrative expenses	B1	(12,284)	(16,834)	(7,217)	(9,875)
Other operating expenses	B1	(8,550)	(36,560)	(5,023)	(21,479)
Finance costs		(7,355)	(8,502)	(4,321)	(4,995)
Profit/(Loss) before taxation	B1	(11,025)	(67,586)	(6,477)	(39,707)
Taxation		106	180	62	106
Total profit/(loss) for the year	B1	(10,919)	(67,406)	(6,415)	(39,601)
Other comprehensive income after tax		-	-	-	-
Total comprehensive profit/(loss) for the year		(10,919)	(67,406)	(6,415)	(39,601)
Attributable to :					
-Equity holders of the Company		(10,919)	(67,406)	(6,415)	(39,601)
<b>Profit/(Loss) per share attributable to equity holders of the Company :</b>					
Basic (RMB cents/RM sen)	B9	(2.71)	(18.38)	(1.59)	(10.80)
Diluted (RMB cents/RM sen)	B9	(1.99)	(12.98)	(1.17)	(7.63)

#### Notes:

(a) The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the financial year ended 31 December 2019 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5875 as at 31 December 2019. This translation should not be construed as a representation that the RMB amounts represented have been or could to 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 unaudited interim financial statements.

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

	Unaudited As at 31.12.2019	Audited As at 31.12.2018	Unaudited As at 31.12.2019 (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	33,842	37,498	19,882	22,030
Intangible assets	-	9,662	-	5,677
Land use rights prepayments	40,383	41,572	23,725	24,424
	<u>74,225</u>	<u>88,732</u>	<u>43,607</u>	<u>52,131</u>
<b>Current Assets</b>				
Land use rights prepayments	1,071	1,071	629	629
Inventories	4,454	4,278	2,617	2,513
Trade and other receivables	75,173	76,504	44,164	44,946
Tax recoverable	5	-	3	-
Cash and bank balances	17,955	1,655	10,548	972
	<u>98,658</u>	<u>83,508</u>	<u>57,961</u>	<u>49,060</u>
<b>Total assets</b>	<u>172,883</u>	<u>172,240</u>	<u>101,568</u>	<u>101,191</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	100,021	93,774	58,762	55,092
(Accumulated losses)/Retained earnings	69,397	80,316	40,771	47,186
Other reserves	(128,271)	(127,385)	(75,360)	(74,839)
	<u>41,147</u>	<u>46,705</u>	<u>24,173</u>	<u>27,439</u>
<b>Current Liabilities</b>				
Borrowings	34,630	35,630	20,345	20,933
Income tax payable	-	10	-	6
Trade and other payables	47,643	40,264	27,990	23,655
	<u>82,273</u>	<u>75,904</u>	<u>48,335</u>	<u>44,594</u>
<b>Non-Current Liability</b>				
Deferred tax liability	4,963	5,131	2,916	3,014
Other payable	44,500	44,500	26,144	26,144
	<u>49,463</u>	<u>49,631</u>	<u>29,060</u>	<u>29,158</u>
<b>Total liabilities</b>	<u>131,736</u>	<u>125,535</u>	<u>77,395</u>	<u>73,752</u>
<b>Total equity and liabilities</b>	<u>172,883</u>	<u>172,240</u>	<u>101,568</u>	<u>101,191</u>
<b>Net assets per share attributable to equity holders of the Company (RMB cents/RM sen)</b>	<u>9.66</u>	<u>12.26</u>	<u>5.68</u>	<u>7.20</u>

**Notes:**

- (a) The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") as at 31 December 2019 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.5875 as at 31 December 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 December 2019 divided by the number of ordinary shares of 380,952,000 and 425,872,200 respectively.

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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
Capital reduction	(204,800)	-	-	-	-	204,800	-
Free warrant issuance	-	-	-	22,083	-	-	22,083
Foreign exchange translation reserve	-	-	-	-	(24)	-	(24)
Total comprehensive loss for the financial year	-	-	-	-	-	(67,406)	(67,406)
At 31 December 2018	93,774	(174,156)	24,712	22,083	(24)	80,316	46,705
At 31 December 2018	93,774	(174,156)	24,712	22,083	(24)	80,316	46,705
Share issuance arising from private placement	4,527	-	-	-	-	-	4,527
Share issuance arising from warrant conversion	1,720	-	-	(902)	-	-	818
Foreign exchange translation reserve	-	-	-	-	16	-	16
Total comprehensive loss for the financial year	-	-	-	-	-	(10,919)	(10,919)
At 31 December 2019	100,021	(174,156)	24,712	21,181	(8)	69,397	41,147

#### 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	168,728	(102,317)	14,518	-	-	(33,533)	47,396
Share issuance	6,684	-	-	-	-	-	6,684
Capital reduction	(120,320)	-	-	-	-	120,320	-
Free warrant issuance	-	-	-	12,974	-	-	12,974
Foreign exchange translation reserve	-	-	-	-	(14)	-	(14)
Total comprehensive loss for the financial year	-	-	-	-	-	(39,601)	(39,601)
At 31 December 2018 (note a)	55,092	(102,317)	14,518	12,974	(14)	47,186	27,439
At 31 December 2018	55,092	(102,317)	14,518	12,974	(14)	47,186	27,439
Share issuance arising from private placement	2,660	-	-	-	-	-	2,660
Share issuance arising from warrant conversion	1,010	-	-	(530)	-	-	480
Foreign currency translation reserve	-	-	-	-	9	-	9
Total comprehensive loss for the financial year	-	-	-	-	-	(6,415)	(6,415)
At 31 December 2019 (note a)	58,762	(102,317)	14,518	12,444	(5)	40,771	24,173

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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 YEAR ENDED 31 DECEMBER 2019

	For the financial year ended 31.12.2019	For the financial year ended 31.12.2018	For the financial year ended 31.12.2019 (Note a)	For the financial year ended 31.12.2018 (Note a)
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(11,025)	(67,586)	(6,477)	(39,707)
Adjustments for:				
Interest income	(21)	(29)	(12)	(17)
Interest expenses	7,355	8,502	4,321	4,995
Depreciation of property, plant and equipment	3,272	3,476	1,922	2,042
Property, plant and equipment written off	-	30	-	18
Warrant expense	-	22,083	-	12,974
Impairment on property, plant and equipment	384	-	226	-
Impairment on land use rights	118	-	69	-
Impairment on patents	8,048	-	4,728	-
Patents written off	-	14,446	-	8,487
Amortisation of land use rights	1,071	1,072	630	630
Amortisation of patents	1,614	5,867	948	3,447
Operating loss before working capital changes	10,816	(12,139)	6,355	(7,131)
Decrease/(Increase) in inventories	(176)	3,835	(103)	2,253
Decrease/(Increase) in trade and other receivables	1,205	31,051	708	18,242
Increase/(Decrease) in trade and other payables	(10,037)	(9,920)	(5,897)	(5,828)
Cash from operations	1,808	12,827	1,063	7,536
Income tax paid	(77)	(149)	(45)	(88)
Interest received	21	29	12	17
Interest paid	(7,355)	(8,704)	(4,321)	(5,114)
<b>Net cash flows used in operating activities</b>	<b>(5,603)</b>	<b>4,003</b>	<b>(3,291)</b>	<b>2,351</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	5,345	5,633	3,140	3,309
Proceeds from bank borrowings	34,630	35,630	20,345	20,933
Repayment of bank borrowings	(35,630)	(35,670)	(20,933)	(20,956)
Proceeds from borrowings from a shareholder	-	839	-	493
Repayment of long term payable	-	(10,000)	-	(5,875)
<b>Net cash flows from financing activities</b>	<b>4,345</b>	<b>(3,568)</b>	<b>2,552</b>	<b>(2,096)</b>
Net increase in cash and cash equivalents	(1,258)	435	(739)	255
Cash and cash equivalents at beginning of the financial year	1,655	1,244	972	731
Restricted bank balance <sup>^</sup>	17,542	-	10,306	-
Effect of exchange translation difference on cash and cash equivalents	16	(24)	9	(14)
<b>Cash and cash equivalents at end of the financial year</b>	<b>17,955</b>	<b>1,655</b>	<b>10,548</b>	<b>972</b>

#### 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 2018 and the accompanying explanatory notes attached to the unaudited interim financial statements.

<sup>^</sup> The restricted bank balance represents amount deposited by third parties as a guarantee for indemnity purpose. The deposit is under the custody and control by Dixing, a wholly-owned subsidiary of K-Star.

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### A. NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 December 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) 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

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.

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### **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.

### **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.

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(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.

**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.



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### 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 year to date.

Details of the movements in the Company's shares since the previous FYE 31 December 2018 up to the current financial year to date are as follows:

Date of issue	No. of shares issued	Issued and paid-up share capital	
		RMB	SGD
As at 31 December 2018			
	380,952,000	93,774,322	20,239,986
24 April 2019			
- Issuance pursuant to conversion of warrants	6,000,000	788,160	157,488
16 July 2019			
- Issuance pursuant to private placement	38,695,200	4,526,719	894,126
5 September 2019			
- Issuance pursuant to conversion of warrants	100,000	13,136	2,640
20 September 2019			
- Issuance pursuant to conversion of warrants	125,000	16,420	3,292
	425,872,200	99,118,757	21,297,532
Reallocation of value to share capital from warrant reserves arising from conversion of warrants	-	902,117	174,199
	425,872,200	100,020,874	21,471,731

### 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 year 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) Results of operating segments

	For the quarter ended 31 December 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	50,264	29,530	-	-	-	-	50,264	29,530
Construction	-	-	-	-	-	-	-	-
							<u>50,264</u>	<u>29,530</u>
<b>Other income</b>								
Realised gain on foreign exchange	-	-	-	-	740	435	740	435
Interest income	6	3	-	-	-	-	6	3
Rental income	49	29	-	-	-	-	49	29
							<u>795</u>	<u>467</u>
Elimination							<u>(766)</u>	<u>(450)</u>
							<u>29</u>	<u>17</u>
<b>Operating expenses</b>								
Selling and distribution	(653)	(384)	-	-	-	-	(653)	(384)
Administrative	(3,059)	(1,797)	(18)	(11)	(1,026)	(603)	(4,103)	(2,411)
							<u>(4,756)</u>	<u>(2,795)</u>
Elimination							<u>766</u>	<u>450</u>
							<u>(3,990)</u>	<u>(2,345)</u>
<b>Other operating expenses</b>								
	(8,550)	(5,023)	-	-	-	-	(8,550)	(5,023)
<b>Profit/(Loss) before taxation</b>								
	<u>(8,308)</u>	<u>(4,881)</u>	<u>(18)</u>	<u>(10)</u>	<u>(1,050)</u>	<u>(618)</u>	<u>(9,376)</u>	<u>(5,509)</u>

# 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)

	For the financial year ended 31 December 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	202,262	118,829	-	-	-	-	202,262	118,829
Construction	-	-	466	274	-	-	466	274
							<u>202,728</u>	<u>119,103</u>
<b>Other income</b>								
Realised gain on foreign exchange	-	-	-	-	769	452	769	452
Interest income	21	12	-	-	-	-	21	12
Rental income	199	117	-	-	-	-	199	117
							989	581
Elimination							<u>(766)</u>	<u>(450)</u>
							<u>223</u>	<u>131</u>
<b>Operating expenses</b>								
Selling and distribution	(2,336)	(1,372)	-	-	-	-	(2,336)	(1,372)
Administrative	(10,340)	(6,075)	(37)	(22)	(2,673)	(1,570)	(13,050)	(7,667)
							(15,386)	(9,039)
Elimination							<u>766</u>	<u>450</u>
							<u>(14,620)</u>	<u>(8,589)</u>
<b>Other operating expenses</b>	(8,550)	(5,023)	-	-	-	-	(8,550)	(5,023)
<b>Profit/(Loss) before taxation</b>	(8,580)	(5,041)	223	131	(2,668)	(1,567)	(11,025)	(6,477)

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### b) Assets and liabilities

	As at 31 December 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>	172,199	101,167	563	330	121	71	172,883	101,568
<b>Total liabilities</b>	130,778	76,832	243	143	715	420	131,736	77,395

#### A10. Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. An impairment loss of RMB 0.38 million is recognised for property, plant and equipment during the financial year.

#### A11. Status of corporate exercise

(a) There were no other corporate proposals announced but not completed as at 19 February 2020, being 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 private placement of 38,695,200 new ordinary shares in K-Star ("Proposal") to individual third party investors amounting to approximately RM2.71 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
Working capital Expenses for the Proposal	Within 12 months	2,619	2,041	578
	Immediate	90	65	<sup>^</sup> 25
		2,709	2,106	603

Note:

<sup>^</sup> The amount unutilised for private placement expenses will be used for general working capital purposes.

#### 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.

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### **A13. Capital commitments**

There is no capital commitment as at 31 December 2019.

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

There were no changes in the composition of the Group during the financial year 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.

#### **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 ended 31 December		Changes (%)	Cumulative year to date ended 31 December		Changes (%)
	2019 RMB'000	2018 RMB'000		2019 RMB'000	2018 RMB'000	
Revenue	50,264	49,782	0.97	202,728	254,031	(20.20)
Gross profit margin (%)	9.86	10.54	(6.45)	9.51	9.81	(3.06)
Profit/(Loss) before tax	(9,376)	(66,389)	85.88	(11,025)	(67,586)	83.69
Other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	(9,271)	(66,230)	86.00	(10,919)	(67,406)	83.80

#### Statement of profit & loss

For the current quarter three (3) months ended 31 December 2019 (“4Q2019”), the Group’s revenue was fairly consistent as compared to the preceding year corresponding quarter ended 31 December 2018 (“4Q2018”).

Gross profit margin was fairly consistent and stood at 9.86% with a marginal drop of 0.68% as compared to 10.54% recorded in 4Q2018. The average unit selling price has increased by approximately 3.30% and was in corresponding with the rise in the average unit production costs of approximately 6.09%.

As compared to the 4Q2018, the current quarter’s selling and distribution expenses has decreased by RMB 28.35 as there were no sales rebate given to the distributors. The sales rebate incurred in the corresponding quarter was approximately RMB 28.26 million.

Administrative expenses has decreased by 18.43% mainly due to lower amortisation of patents in view of certain patents have been written off in the previous financial year. Other operating expenses has been narrowed by RMB 28.01 million as there were an one-off warrant expense recognised for issuance of warrants amounted to RMB 22.08 million in the 4Q2018. The finance costs has reduced by 10.46% resulting from the repayment of long term loan in the previous financial year.

In view of the above, the Group’s loss before taxation (“LBT”) has been narrowed by RMB 57.01 million.

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For the FYE 31 December 2019, the Group's total revenue stood at RMB 202.73 million, of which 78.02% and 21.98% of the total footwear revenue of RMB 202.26 million were derived from Dixing's core brand and OEM segment respectively. The balance of RMB 0.47 million was derived from the construction segment. Both the Dixing brand footwear and OEM footwear have decreased by 21.40% and 12.72% respectively as compared to the preceding year.

The Group's gross profit margin remained fairly consistent with a marginal decrease of approximately 0.30% from 9.81% recorded in the previous financial year.

The sales and distribution expenses has decreased by RMB 28.49 million as compared to the preceding year. This was mainly attributable to the provision of sales rebate amounted to RMB 28.26 million incurred in the previous financial year.

The administrative expenses has also reduced by approximately 27.03% mainly due to lower depreciation and amortisation expenses. Other operating expenses has been narrowed by RMB 28.01 million as there were an one-off warrant expense recognised for issuance of warrants amounted to RMB 22.08 million in the previous financial year. Finance costs was lower by 13.49% resulted from partial loan repayment made in the previous financial year.

In view of the above, the Group's pre-tax losses has narrowed by RMB 56.56 million.

### **Statement of financial position**

The inventory turnover period stood at the age of 9 days as at 31 December 2019 and remained consistent as compared to 31 December 2018 of 7 days.

The trade receivables turnover period as at 31 December 2019 was 135 days as compared to 109 days in the preceding year corresponding quarter. All trade receivables as at 31 December 2019 were within 120 days age band and were neither considered as past due nor impaired.

The trade payables turnover period stood at the age of 50 days as compared to the preceding year corresponding quarter of 10 days. Approximately 99.11% of the total trade payables were within 60 days age band as at 31 December 2019.

### **Statement of cash flow**

The Group has recorded a net cash outflow from operating activities of RMB 5.60 million for the current financial year ended 31 December 2019 as compared to the net cash inflow of RMB 4.00 million recorded in the previous financial year. This was mainly due to higher decrease in trade receivables recorded for the FYE 31 December 2018. There was no cash flow allocation for and from investing activities.

From the financing activities, a gross proceeds of RM 5.35 million was raised through a private placement and conversion of warrants and a net repayment of bank borrowings amounted to RMB 1.00 million.

For the current financial year, the net cash and cash equivalents stood at RMB 17.96 million, of which an amount of RMB 17.54 was restricted bank balance deposited by third parties as a guarantee for indemnity purpose.

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

	Individual quarter ended		Individual quarter ended	
	31 December		31 December	
	2019	2018	2019	2018
	RMB'000	RMB'000	RM'000	RM'000
Interest income	(6)	(7)	(3)	(4)
Other income including investment income	-	-	-	-
Interest expense	1,823	2,036	1,071	1,260
Depreciation	818	836	481	509
Amortisation	597	1,643	351	963
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
Property, plant and equipment written off	-	30	-	18
Patents written off	-	14,446	-	8,487
Impairment on patents	8,048	-	4,728	-
Impairment on property, plant and equipment	384	-	226	-
Impairment on land use rights	118	-	69	-
(Gain)/Loss on foreign exchange	25	8	15	5
(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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	Current year to date ended 31 December		Current year to date ended 31 December	
	2019 RMB'000	2018 RMB'000	2019 RM'000	2018 RM'000
Interest income	(21)	(29)	(12)	(17)
Other income including investment income	-	-	-	-
Interest expense	7,355	8,502	4,321	4,995
Depreciation	3,272	3,476	1,922	2,042
Amortisation	2,685	6,939	1,578	4,077
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
Property, plant and equipment written off	-	30	-	18
Patents written off	-	14,446	-	8,487
Impairment on patents	8,048	-	4,728	-
Impairment on property, plant and equipment	384	-	226	-
Impairment on land use rights	118	-	69	-
(Gain)/Loss on foreign exchange	(4)	76	(2)	45
(Gain)/Loss on derivatives	N/A	N/A	N/A	N/A
Exceptional items	N/A	N/A	N/A	N/A

*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.*

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.*

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

	<b>Current quarter ended 31 December 2019 RMB'000</b>	<b>Preceding quarter ended 30 September 2019 RMB'000</b>	<b>Changes (%)</b>
Revenue	50,264	51,489	(2.38)
Profit/(Loss) before taxation	(9,376)	(676)	(1,286.98)
Profit/(Loss) after taxation and total comprehensive income/(loss) for the period	(9,271)	(707)	(1,211.32)

	<b>Current quarter ended 31 December 2019 RM'000</b>	<b>Preceding quarter ended 30 September 2019 RM'000</b>
Revenue	29,530	30,250
Loss before taxation	(5,509)	(397)
Loss after taxation and total comprehensive loss for the period	(5,447)	(415)

The Group's revenue for the 4Q2019 has decreased marginally by 2.38% as compared to the preceding quarter three (3) months ended 30 September 2019 ("3Q2019"). The sales of Dixing's core brand has decreased by 7.91% while the OEM segment has recorded an increase of 19.77%.

The gross profit margin has increased by 1.34%, stood at 9.86% as compared to 8.52% recorded in the preceding quarter. The average unit selling price and the average unit production costs were fairly consistent with no major fluctuation as compared to the preceding quarter.

The Group pre-tax loss has increased by RMB 8.70 million arising from the provision for impairment on patents, land use rights and property, plant and equipment.

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## **B3. Prospects for the financial year ending 31 December 2020**

Looking forward, the sportswear market will be sustaining its growth potential driven by the consumption upgrading trend and stable demand among domestic consumers with improved living standard and higher income growth. The propelling growth in the sector is also driven by rising level of health and well-being awareness and increasing sports participation. In addition, the Chinese Government supports the development of sports industry vigorously with the introduction of numerous favorable policies, programmes and sport events. The advancement of e-commerce also plays a significant part to drive growth and to cushion the deteriorating growth of the retail stores.

However, the macro economic uncertainties and the recent outbreak of coronavirus are posing impact on the market. Adding to that, the China economic growth has slowed to a rate of 6.10% in 2019 as compared to 6.60% in 2018, the weakest pace in nearly 30 years and was marred noticeably by the effect of US-China trade war. It is envisaged that the outlook of the China sports footwear market will remain challenging ahead.

Market competition will continue to intensify with international sportswear brands are constantly accelerating their presence in the mainland causing domestic sportswear brands to lose market share due to weaker brand recognition and innovation. The increasing cost of labour also raises concern over the challenges from Southeast Asia countries offering considerably labour cost advantages over China. However, China has its competitive advantages over its well-established and centralised hub of raw and auxiliary material supplies serves to strengthen cohesion and sustainability of the local market.

Given the overall backdrop in consumer sentiment, uncertainty economic impact arising from the on-going US-China trade dispute, coronavirus outbreak and intense market competition, the Group remains cautious and sees challenges on the business growth but remains optimistic on the long term sustainability of the business.

Following the diversification of the Group business into construction, the Group has contract secured on hand to provide additional stream of revenue to the Group for the financial year ending 31 December 2020 and the Board of Directors of K-Star (“Board”) envisages that the Group’s prospects for the financial year ending 31 December 2020 would be favourable.

## **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.

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### B5. Taxation

	Current Quarter RMB '000	Current year to date RMB '000
Income tax	-	-
Under/(Over) provision of income tax	(63)	62
Deferred tax income	(42)	(168)
	<u>(105)</u>	<u>(106)</u>

	Current Quarter RM '000	Current year to date RM '000
Income tax	-	-
Under/(Over) provision of income tax	(37)	36
Deferred tax income	(25)	(98)
	<u>(62)</u>	<u>(62)</u>

There were no provision for taxation for the current quarter and year to date ended 31 December 2019 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.

### B6. Group borrowings

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

	31 December 2019 RMB'000	31 December 2018 RMB'000	Changes %
Short-term bank borrowings:			
Secured	9,800	9,800	-
Unsecured	<u>24,830</u>	<u>25,830</u>	(3.87)
	<u>34,630</u>	<u>35,630</u>	(2.81)

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	<b>31 December 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Short-term bank borrowings:		
Secured	5,758	5,758
Unsecured	<u>14,587</u>	<u>15,175</u>
	<u>20,345</u>	<u>20,933</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 December 2019 were as follows:

	<b>31 December 2019 RMB'000</b>	<b>31 December 2018 RMB'000</b>	<b>Changes %</b>
Long-term other payables:			
Secured	<u>44,500</u>	<u>44,500</u>	-

  

	<b>31 December 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Long-term other payables:		
Secured	<u>26,144</u>	<u>26,144</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.

### **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 material proceedings pending or threatened or of any material fact likely to give rise to any such proceedings.

### **B8. Dividend**

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

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

#### a) Basic loss per share

	Individual quarter ended 31 December			
	2019 RMB'000	2018 RMB'000	2019 RM'000	2018 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(9,271)	(66,230)	(5,447)	(38,910)
Weighted average number of ordinary shares in issue ('000)	425,872	380,952	425,872	380,952
Basic earning/(loss) per share (RMB cents/RM sen)	(2.18)	(17.39)	(1.28)	(10.22)

	Cumulative year to date ended 31 December			
	2019 RMB'000	2018 RMB'000	2019 RM'000	2018 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(10,919)	(67,406)	(6,415)	(39,601)
Weighted average number of ordinary shares in issue ('000)	403,078	366,741	403,078	366,741
Basic earning/(loss) per share (RMB cents/RM sen)	(2.71)	(18.38)	(1.59)	(10.80)

#### b) Diluted earnings per share

	Individual quarter ended 31 December			
	2019 RMB'000	2018 RMB'000	2019 RM'000	2018 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(9,271)	(66,230)	(5,447)	(38,910)
Weighted average number of ordinary shares in issue ('000)	425,872	380,952	425,872	380,952
Assuming full exercise of warrants ('000)	146,155	152,380	146,155	152,380
Diluted earning/(loss) per share (RMB cents/RM sen)	(1.62)	(12.42)	(0.95)	(7.30)

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	Cumulative year to date ended 31 December			
	2019	2018	2019	2018
	RMB'000	RMB'000	RM'000	RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(10,919)	(67,406)	(6,415)	(39,601)
Weighted average number of ordinary shares in issue ('000)	403,078	366,741	403,078	366,741
Assuming full exercise of warrants ('000)	146,155	152,380	146,155	152,380
Diluted earning/(loss) per share (RMB cents/RM sen)	(1.99)	(12.98)	(1.17)	(7.63)

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

	FYE 31 December		FYE 31 December	
	2019	2018	2019	2018
	RMB'000	RMB'000	RM'000	RM'000
Realised	74,360	85,447	43,687	50,200
Unrealised	(4,963)	(5,131)	(2,916)	(3,014)
Total retained profits/(losses)	69,397	80,316	40,771	47,186

	Preceding quarter ended 30 September 2019	
	RMB'000	RM'000
Realised	83,673	49,158
Unrealised	(5,005)	(2,940)
Total retained profits/(losses)	78,668	46,218

By Order of the Board

Ding JianPing  
Executive Chairman and  
Chief Executive Officer  
26 February 2020