

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)

[Malaysian Branch Registration Number 200902000042 (995214-D)]

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2020

	<u>Note</u>	Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.12.2020	31.12.2019	31.12.2020 (Note a)	31.12.2019 (Note a)
		Unaudited	Unaudited	Unaudited	Unaudited
		RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	18,297	50,264	11,273	30,968
Cost of sales		<u>(16,223)</u>	<u>(45,306)</u>	<u>(9,995)</u>	<u>(27,913)</u>
Gross profit		2,074	4,958	1,278	3,055
Other income		55	29	34	18
Selling and distribution expenses	B1	(338)	(653)	(208)	(402)
Administrative expenses	B1	(3,909)	(3,337)	(2,408)	(2,056)
Other operating expenses	B1	-	(8,550)	-	(5,268)
Finance costs		<u>(968)</u>	<u>(1,823)</u>	<u>(596)</u>	<u>(1,123)</u>
Profit/(Loss) before taxation	B1	(3,086)	(9,376)	(1,900)	(5,776)
Taxation		<u>42</u>	<u>105</u>	<u>26</u>	<u>65</u>
Total profit/(loss) for the period	B1	<u>(3,044)</u>	<u>(9,271)</u>	<u>(1,874)</u>	<u>(5,711)</u>
Other comprehensive income after tax		-	-	-	-
Total comprehensive profit/(loss) for the period		<u>(3,044)</u>	<u>(9,271)</u>	<u>(1,874)</u>	<u>(5,711)</u>
Attributable to :					
- Equity holders of the Company		<u>(3,044)</u>	<u>(9,271)</u>	<u>(1,874)</u>	<u>(5,711)</u>
Loss per share attributable to equity holders of the Company :					
Basic (RMB cents/RM sen)	B9	(0.64)	(2.18)	(0.39)	(1.34)
Diluted (RMB cents/RM sen)	B9	(0.54)	(1.62)	(0.33)	(1.00)

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 2020 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6161 as at 31 December 2020. 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 2019 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 2020

		Cumulative quarter		Cumulative quarter	
		Current year to date 31.12.2020	Preceding year to date 31.12.2019	Current year to date 31.12.2020 <i>(Note a)</i>	Preceding year to date 31.12.2019 <i>(Note a)</i>
	<u>Note</u>	Unaudited RMB'000	Unaudited RMB'000	Unaudited RM'000	Unaudited RM'000
Revenue	B1	133,420	202,728	82,200	124,901
Cost of sales		<u>(120,267)</u>	<u>(183,451)</u>	<u>(74,096)</u>	<u>(113,024)</u>
Gross profit		13,153	19,277	8,104	11,877
Other income		317	223	195	137
Selling and distribution expenses	B1	(1,455)	(2,336)	(896)	(1,439)
Administrative expenses	B1	(11,818)	(12,284)	(7,281)	(7,568)
Other operating expenses	B1	-	(8,550)	-	(5,268)
Finance costs		<u>(6,226)</u>	<u>(7,355)</u>	<u>(3,836)</u>	<u>(4,531)</u>
Profit/(Loss) before taxation	B1	(6,029)	(11,025)	(3,714)	(6,792)
Taxation		<u>168</u>	<u>106</u>	<u>103</u>	<u>65</u>
Total profit/(loss) for the year	B1	<u>(5,861)</u>	<u>(10,919)</u>	<u>(3,611)</u>	<u>(6,727)</u>
Other comprehensive income after tax		-	-	-	-
Total comprehensive profit/(loss) for the year		<u>(5,861)</u>	<u>(10,919)</u>	<u>(3,611)</u>	<u>(6,727)</u>
Attributable to :					
-Equity holders of the Company		<u>(5,861)</u>	<u>(10,919)</u>	<u>(3,611)</u>	<u>(6,727)</u>
Profit/(Loss) per share attributable to equity holders of the Company :					
Basic (RMB cents/RM sen)	B9	(1.29)	(2.71)	(0.79)	(1.67)
Diluted (RMB cents/RM sen)	B9	(1.09)	(1.99)	(0.67)	(1.23)

- 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 2020 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6161 as at 31 December 2020. 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 2019 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 2020

	Unaudited As at 31.12.2020	Audited As at 31.12.2019	Unaudited As at 31.12.2020 (Note a)	Audited As at 31.12.2019 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	30,789	33,842	18,969	20,850
Intangible assets	-	-	-	-
Land use rights prepayments	39,311	40,383	24,220	24,880
	<u>70,100</u>	<u>74,225</u>	<u>43,189</u>	<u>45,730</u>
Current Assets				
Land use rights prepayments	1,071	1,071	660	660
Inventories	2,133	4,454	1,314	2,744
Trade and other receivables	31,546	75,173	19,435	46,314
Tax recoverable	112	5	69	3
Cash and bank balances	21,519	17,955	13,258	11,062
	<u>56,381</u>	<u>98,658</u>	<u>34,736</u>	<u>60,783</u>
Total assets	<u>126,481</u>	<u>172,883</u>	<u>77,925</u>	<u>106,513</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	117,778	100,021	72,563	61,623
(Accumulated losses)/Retained earnings	63,536	69,397	39,145	42,756
Other reserves	(137,659)	(128,271)	(84,812)	(79,028)
	<u>43,655</u>	<u>41,147</u>	<u>26,896</u>	<u>25,351</u>
Current Liabilities				
Borrowings	34,630	34,630	21,335	21,335
Income tax payable	-	-	-	-
Trade and other payables	27,401	47,643	16,882	29,353
	<u>62,031</u>	<u>82,273</u>	<u>38,217</u>	<u>50,688</u>
Non-Current Liability				
Deferred tax liability	4,795	4,963	2,954	3,058
Other payable	16,000	44,500	9,858	27,416
	<u>20,795</u>	<u>49,463</u>	<u>12,812</u>	<u>30,474</u>
Total liabilities	<u>82,826</u>	<u>131,736</u>	<u>51,029</u>	<u>81,162</u>
Total equity and liabilities	<u>126,481</u>	<u>172,883</u>	<u>77,925</u>	<u>106,513</u>
Net assets per share attributable to equity holders of the Company (RMB cents/RM sen)	<u>8.91</u>	<u>9.66</u>	<u>5.49</u>	<u>5.95</u>

Notes:

- (a) The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") as at 31 December 2020 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6161 as at 31 December 2020. 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 2019 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 2019 and 31 December 2020 divided by the number of ordinary shares of 425,872,200 and 490,028,820 respectively.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 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
At 31 December 2019	100,021	(174,156)	24,712	21,181	(8)	69,397	41,147
Share issuance arising from warrant conversion	8,460	-	-	-	-	-	8,460
Exercise of warrants	9,297	-	-	(9,297)	-	-	-
Foreign exchange translation reserve	-	-	-	-	(91)	-	(91)
Total comprehensive loss for the financial year	-	-	-	-	-	(5,861)	(5,861)
At 30 September 2020	117,778	(174,156)	24,712	11,884	(99)	63,536	43,655

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 2018	57,774	(107,297)	15,225	13,605	(15)	49,483	28,775
Share issuance arising from private placement	2,789	-	-	-	-	-	2,789
Share issuance arising from warrant conversion	1,060	-	-	(556)	-	-	504
Free warrant issuance	-	-	-	-	-	-	-
Foreign exchange translation reserve	-	-	-	-	10	-	10
Total comprehensive loss for the financial year	-	-	-	-	-	(6,727)	(6,727)
At 31 December 2019 (note a)	61,623	(107,297)	15,225	13,049	(5)	42,756	25,351
At 31 December 2019	61,623	(107,297)	15,225	13,049	(5)	42,756	25,351
Share issuance arising from warrant conversion	5,212	-	-	-	-	-	5,212
Exercise of warrants	5,728	-	-	(5,728)	-	-	-
Foreign currency translation reserve	-	-	-	-	(56)	-	(56)
Total comprehensive loss for the financial year	-	-	-	-	-	(3,611)	(3,611)
At 31 December 2020 (note a)	72,563	(107,297)	15,225	7,321	(61)	39,145	26,896

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 2019 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 2020

	For the financial year ended 31.12.2020	For the financial year ended 31.12.2019	For the financial year ended 31.12.2020 (Note a)	For the financial year ended 31.12.2019 (Note a)
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RM'000	Unaudited RM'000
Cash flows from operating activities				
Loss before taxation	(6,029)	(11,025)	(3,714)	(6,792)
Adjustments for:				
Interest income	(20)	(21)	(12)	(13)
Interest expenses	6,226	7,355	3,836	4,531
Depreciation of property, plant and equipment	3,053	3,272	1,881	2,016
Impairment on property, plant and equipment	-	384	-	236
Impairment on land use rights	-	118	-	73
Impairment on patents	-	8,048	-	4,958
Amortisation of land use rights	1,072	1,071	660	660
Amortisation of patents	-	1,614	-	994
Operating loss before working capital changes	4,302	10,816	2,651	6,663
Decrease/(Increase) in inventories	2,321	(176)	1,430	(108)
Decrease/(Increase) in trade and other receivables	43,520	1,205	26,813	742
Increase/(Decrease) in trade and other payables	(37,784)	(10,037)	(23,279)	(6,184)
Cash from operations	12,359	1,808	7,615	1,113
Income tax paid	-	(77)	-	(47)
Interest received	20	21	12	13
Interest paid	(6,226)	(7,355)	(3,836)	(4,531)
Net cash flows (used in)/generated from operating activities	6,153	(5,603)	3,791	(3,452)
Cash flows from investing activities				
Net cash flows from investing activities	-	-	-	-
Cash flows from financing activities				
Proceeds from share issuance	8,460	5,345	5,212	3,293
Proceeds from bank borrowings	34,630	34,630	21,335	21,336
Repayment of bank borrowings	(34,630)	(35,630)	(21,335)	(21,952)
Repayment of long term payable	(28,500)	-	(17,559)	-
Net cash flows from financing activities	(20,040)	4,345	(12,347)	2,677
Net (decrease)/increase in cash and cash equivalents	(13,887)	(1,258)	(8,556)	(775)
Cash and cash equivalents at beginning of the financial year	17,955	1,655	11,062	1,019
Restricted bank balance [^]	17,542	17,542	10,808	10,808
Effect of exchange translation difference on cash and cash equivalents	(91)	16	(56)	10
Cash and cash equivalents at end of the financial year	21,519	17,955	13,258	11,062

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 2019 and the accompanying explanatory notes attached to the unaudited interim financial statements.

[^] 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 2020

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 2020 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 2019. 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 2019.

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 2020. 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).

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) 16	Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions	1 June 2020
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 3	Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-16	Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
SFRS(I) 1-37	Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Various	Annual Improvement to SFRS(I)s 2018-2020	1 January 2022
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

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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 2019 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.

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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.

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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 2019 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 2019			
	425,872,200	99,118,757	21,297,532
Issuance pursuant to conversion of warrants:			
8 January 2020	6,000,000	817,056	158,016
20 January 2020	3,750,000	510,660	99,450
10 February 2020	6,000,000	817,056	160,848
27 February 2020	4,000,000	544,704	105,536
30 June 2020	4,016,100	530,286	104,514
9 July 2020	100,000	13,204	2,608
15 July 2020	1,700,000	223,197	44,377
21 August 2020	3,150,000	418,320	82,253
7 September 2020	470,000	62,040	12,379
28 September 2020	3,480,000	454,961	91,900
1 October 2020	5,430,000	709,896	143,004
8 October 2020	5,930,000	768,528	155,366
15 October 2020	3,760,000	485,491	98,392
26 October 2020	1,570,000	203,472	41,059
3 November 2020	1,207,600	150,428	31,687
11 November 2020	1,832,000	234,716	47,866
19 November 2020	2,351,400	302,484	61,531
26 November 2020	1,000,000	129,200	26,256
3 December 2020	580,100	74,763	15,240

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10 December 2020	3,026,000	390,015	79,330
15 December 2020	3,595,120	463,627	94,767
18 December 2020	616,400	79,516	16,209
29 December 2020	591,900	76,777	15,565
	<hr/>		
	490,028,820	107,579,154	22,985,685
Reallocation of value to share capital from warrant reserves arising from conversion of warrants	-	10,199,591	2,047,043
	<hr/>		
	490,028,820	117,778,745	25,032,728
	<hr/>		

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.

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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K-Star

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(Registered as a foreign company in Malaysia)

[Malaysian Branch Registration Number 200902000042 (995214-D)]

A9. Segment information

a) Results of operating segments

	Sports footwear in PRC		For the quarter ended 31 December 2020				Total	
	RMB'000	RM'000	Construction in Malaysia	Construction in Malaysia	Holding company	Holding company	RMB'000	RM'000
Revenue								
Footwear	20,416	12,578	-	-	-	-	20,416	12,578
Construction	-	-	(2,119)	(1,305)	-	-	(2,119)	(1,305)
							<u>18,297</u>	<u>11,273</u>
Other income								
Realised gain on foreign exchange	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Interest income	4	2	-	-	-	-	4	2
Rental income	51	32	-	-	-	-	51	32
							<u>55</u>	<u>34</u>
Elimination							<u>-</u>	<u>-</u>
							<u>55</u>	<u>34</u>
Operating expenses								
Selling and distribution	(338)	(208)	-	-	-	-	(338)	(208)
Administrative	(2,091)	(1,288)	(380)	(234)	(1,438)	(886)	(3,909)	(2,408)
							<u>(4,247)</u>	<u>(2,616)</u>
Elimination							<u>-</u>	<u>-</u>
							<u>(4,247)</u>	<u>(1,819)</u>
Profit/(Loss) before taxation	<u>(1,149)</u>	<u>(707)</u>	<u>(500)</u>	<u>(308)</u>	<u>(1,437)</u>	<u>(885)</u>	<u>(3,086)</u>	<u>(1,900)</u>

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For the financial year ended 31 December 2020

	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
Revenue								
Footwear	112,972	69,602	-	-	-	-	112,972	69,602
Construction	-	-	20,448	12,598	-	-	20,448	12,598
							133,420	82,200
Other income								
Realised gain on foreign exchange	-	-	-	-	24	15	24	15
Others	-	-	70	43	-	-	70	43
Interest income	20	12	-	-	-	-	20	12
Rental income	203	125	-	-	-	-	203	125
							317	195
Elimination							-	-
							317	195
Operating expenses								
Selling and distribution	(1,455)	(896)	-	-	-	-	(1,455)	(896)
Administrative	(7,213)	(4,444)	(1,161)	(715)	(3,444)	(2,122)	(11,818)	(7,281)
							(13,273)	(8,177)
Elimination							-	-
							(13,273)	(8,177)
Profit/(Loss) before taxation	(2,274)	(1,401)	(336)	(207)	(3,419)	(2,106)	(6,029)	(3,714)

b) Assets and liabilities

	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
Total assets	121,609	74,923	2,140	1,319	2,732	1,683	126,481	77,925
Total liabilities	81,578	50,260	613	378	635	391	82,826	51,029

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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 2019. The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

A11. Status of corporate exercise

- (a) Save as disclosed below, there were no other corporate proposals announced but not completed as at 18 February 2021, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

The Company had on 30 June 2020, announced that the Company proposed to undertake the following proposals:

- 1) proposed special issue of up to 222,811,100 new ordinary shares in K-Star ("K-Star Shares" or "Shares"), representing not more than 50.0% of the issued share capital in K-Star to independent third party investor(s) to be identified ("Proposed Special Issue"); and
- 2) proposed internal reorganisation by way of a members' scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore ("Proposed Internal Reorganisation") comprising the following proposals:

(i) Proposed exchange of:

- (aa) all existing K-Star Shares with new ordinary shares in a new investment holding company, namely Bluesky Capital Sdn. Bhd. ("Newco") ("Newco Shares") on a one-for-one basis; and
- (bb) all outstanding warrants 2018/2021 ("K-Star Warrants" or "Warrants") with new warrants to be issued by Newco ("Newco Warrants") on a one-for-one basis;

as at an entitlement date to be determined and announced later ("Proposed Securities Exchange");

- (ii) Proposed transfer of K-Star's listing status to Newco, followed by the admission of Newco to and withdrawal of K-Star from the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the listing of and quotation for the new Newco Shares and Newco Warrants on the Main Market of Bursa Securities ("Proposed Transfer of Listing"); and
- (iii) Proposed transfer of K-Star's entire shareholdings in its wholly-owned subsidiary, Sinaran Trillion Sdn. Bhd. ("STSB") to Newco. Following the Proposed Securities Exchange, all of K-Star's shareholdings in STSB will be transferred to Newco ("Proposed Transfer of Subsidiary")

Subsequently on 26 October 2020, the Company announced the following:

- (i) that the Board has resolved to reduce the issuance size of the Proposed Special Issue to 142,097,400 K-Star Shares; and

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- (ii) that the Company intends to establish an employees' share option scheme ("ESOS") upon completion of the Proposed Transfer of Listing under its new investment holding company, namely Sinaran Advance Group Berhad ("SAG"). The ESOS would entail the issuance of up to 15% of the total number of ordinary shares in SAG ("SAG Shares") (excluding treasury shares, if any) at any point of time during the duration of the ESOS for the employees as well as executive and non-executive directors ("Director(s)") of SAG and its subsidiaries ("SAG Group") (excluding dormant subsidiaries) ("Proposed ESOS").

Proposed ESOS is intended to be implemented after the completion of the Proposed Transfer of Listing. In the event that the Proposed Transfer of Listing fails to be completed, the Proposed ESOS will be implemented by K-Star.

On 12 November 2020, the listing applications in relation to the Proposed Special Issue and Proposed Internal Reorganisation have been submitted to Bursa Securities and the approval was granted on 6 January 2021.

High Court of the Republic of Singapore had on 22 January 2021 granted an order for the Company to convene the meeting with its shareholders and the holders of K-Star Warrants to obtain their respective approvals for the Proposed Internal Reorganisation.

As the Proposed ESOS is intended to be implemented after the Proposed Transfer of Listing, the listing application for the Proposed ESOS will be submitted to Bursa Securities after the approval of shareholders of K-Star has been obtained in the forthcoming Extraordinary General Meeting and the Proposed Transfer of Listing is completed.

Barring unforeseen circumstances, the aforesaid proposals are expected to be completed by the first half of 2021.

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 have been fully utilised in the first quarter of 2020.

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 2019.

A13. Capital commitments

There is no capital commitment as at 31 December 2020.

A14. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period under review save for an incorporation of a new wholly-owned subsidiary, Kstar Healthcare Sdn. Bhd. which has not commenced business since its incorporation.

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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 period ended 31 December		Changes (%)
	2020	2019		2020	2019	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	18,297	50,264	(63.60)	133,420	202,728	(34.19)
Gross profit margin (%)	11.34	9.86	14.92	9.86	9.51	3.68
Profit/(Loss) before tax	(3,086)	(9,376)	(67.09)	(6,029)	(11,025)	(45.32)
Other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	(3,044)	(9,271)	(67.17)	(5,861)	(10,919)	(46.32)

Statement of Profit & loss

For the current quarter three (3) months ended 31 December 2020 ("4Q2020"), the Group's revenue has decreased by approximately 63.60% as compared to the preceding year corresponding quarter ended 31 December 2019 ("4Q2019"). This was mainly due to the slowdown in sales of both the Dixing's core brand footwear and OEM footwear by 59.01% and 60.52% respectively amid Covid-19 pandemic. Moreover, there were only RMB 0.08 million revenue recognised from the construction segment together with certain contracts have been terminated during the current quarter.

Gross profit margin stood at 11.34%, representing an increase of 1.48% as compared to 9.86% recorded in the 4Q2019. The increase was mainly due to higher sales contribution from the footwear segment by proportion as compared to the lower margin yield derived from the construction segment.

The current quarter's selling and distribution expenses has reduced by 48.24% as compared to the preceding year corresponding quarter mainly due to lower staff costs and R&D expenditures. In addition, there were no trade fair expenses incurred amid the current pandemic.

Administrative expenses has increased by 17.14% mainly due to higher staff costs from the construction segment. The finance costs incurred in 4Q2020 has reduced by 46.90% as compared to 4Q2019 which was in corresponding with the repayment of long-term interest bearing payables amounted to RMB 28.50 million made in the immediate preceding quarter.

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The Group has incurred a loss before taxation (“LBT”) of RMB 1.71 million was mainly in corresponding with the diminishing sales from the footwear segment due to the Covid-19 pandemic. However, a lower loss was recorded as there were no impairment on patents as compared to 4Q2019 which was amounted RMB 8.05 million.

The Group’s total revenue for the current financial year ended (“FYE”) 31 December 2020 has decreased by 34.19% as compared to the preceding financial year. The current financial year revenue stood at RMB 133.42 million, of which 81.01% and 18.99% of the total footwear revenue of RMB 112.97 million were derived from Dixing’s core brand and OEM segment respectively. Both the Dixing brand footwear and OEM footwear have decreased by 42.01% and 51.74% respectively as compared to the preceding financial year amid the outbreak of Covid-19 during the first quarter of 2020. Notwithstanding the slacking in footwear sales, approximately RMB 20.45 million was derived from the construction segment as compared to the FYE 31 December 2019 of RMB 0.47 million.

The Group’s overall gross profit margin was fairly consistent, stood at 9.86% as compared to the preceding year of 9.51%.

The sales and distribution expenses has decreased by 37.71% as compared to the preceding year as there were no trade fair organised during the Covid-19 pandemic.

The administrative expenses was fairly consistent with a slight decrease of 3.79% as compared to the previous financial year. Finance costs incurred in the FYE 31 December 2020 has decreased by 15.35% as compared to FYE 31 December 2019 as there were repayment of long-term interest bearing payables amounted to RMB 28.50 million made during the current financial year.

The decrease in the Group’s pre-tax losses by approximately RMB 5.00 million was mainly due to interest savings arising from the repayment of long-term borrowing and the absence of impairment on patents as well as trade fair expenses.

Statement of financial position

The inventory turnover period were fairly consistent, stood at the age of 6 days as at 31 December 2020 as compared to 31 December 2019 of 9 days.

The trade receivables turnover period as at 31 December 2020 has improved, stood at 86 days as compared to 135 days in the preceding year corresponding quarter.

The trade payables turnover period stood at the age of 22 days as compared to the preceding year corresponding quarter of 50 days.

Statement of cash flow

The Group has recorded a net cash inflow from operating activities of RMB 6.15 million for the current FYE 31 December 2020 as compared to the net cash outflow of RMB 5.60 million recorded in the FYE 31 December 2019. This was mainly due to quicker trade receivables turnover as compared to FYE 31 December 2019. There was no cash flow allocation for and from investing activities.

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From the financing activities, gross proceeds of RM 8.46 million was raised from the conversion of 64.15 million warrants during the current financial year. In addition, there were repayment of long-term interest bearing payables of RMB 28.5 million made during the current financial year.

For the current financial year, the net cash and cash equivalents stood at RMB 21.52 million, of which an amount of RMB 17.54 was restricted bank balance deposited by third parties as a guarantee for indemnity purpose.

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

	Individual quarter ended 31 December			
	2020	2019	2020	2019
	RMB'000	RMB'000	RM'000	RM'000
Interest income	(4)	(6)	(2)	(4)
Other income including investment income	-	-	-	-
Interest expense	968	1,823	596	1,123
Depreciation	756	818	466	504
Amortisation	268	597	165	368
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
Impairment on patents	-	8,048	-	4,958
Impairment on property, plant and equipment	-	384	-	236
Impairment on land use rights	-	118	-	73
(Gain)/Loss on foreign exchange	(6)	25	(4)	15
(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			
	2020 RMB'000	2019 RMB'000	2020 RM'000	2019 RM'000
Interest income	(20)	(21)	(12)	(13)
Other income including investment income	-	-	-	-
Interest expense	6,226	7,355	3,836	4,531
Depreciation	3,053	3,272	1,881	2,016
Amortisation	1,072	2,685	660	1,654
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
Impairment on patents	-	8,048	-	4,958
Impairment on property, plant and equipment	-	384	-	236
Impairment on land use rights	-	118	-	73
(Gain)/Loss on foreign exchange	(24)	(4)	(15)	(2)
(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.

*3 The Directors are not aware of any indication of impairment.

* Negligible

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

	Current quarter ended 31 December 2020 RMB'000	Preceding quarter ended 30 September 2020 RMB'000	Changes (%)
Revenue	18,297	39,863	(54.10)
Profit/(Loss) before taxation	(3,086)	(1,752)	76.14
Profit/(Loss) after taxation and total comprehensive income/(loss) for the period	(3,044)	(1,710)	78.01

	Current quarter ended 31 December 2020 RM'000	Preceding quarter ended 30 September 2020 RM'000
Revenue	11,273	24,560
Loss before taxation	(1,900)	(1,077)
Loss after taxation and total comprehensive loss for the period	(1,874)	(1,054)

The Group's revenue for the 4Q2020 has decreased by 54.10% as compared to the preceding quarter three (3) months ended 30 September 2020 ("3Q2020"). In the 4Q2020, the revenue contribution from the footwear segment has decreased by RMB 1.56 million. The sales of Dixing's core brand footwear has decreased by 14.01% while the OEM footwear has increased by 24.85%. The revenue from the construction segment has also decreased in view of certain contracts have been terminated during the current quarter which give rise to unwind the contract revenue recognition.

The gross profit margin stood at 11.34%, increased by 4.64% as compared to 6.70% recorded in the preceding quarter. This was mainly due to lower gross profit margin contribution from the construction segment in the immediate preceding quarter which has undermined the Group overall gross profit margin.

The Group recorded a pre-tax loss of RMB 3.09 million which was mainly arising from the diminishing revenue from both the footwear and construction segment.

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B3. Prospects for the financial year ending 31 December 2021

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 and involvement into healthcare sector with the intention to provide additional stream of revenue to the Group. The Group believes that the construction sector, being the backbone of the nation's economy growth would continue to be the key priority of the government's focus to promote continuous economy growth and recovery from the Covid-19 pandemic. The Board believe the stimulus measure introduced by the Malaysian government would give rise to increase construction activities in Malaysia, which will in turn, present the Group with more business opportunities (i.e. subcontracting work from main contractor). The Board of Directors of K-Star ("Board") envisages that the Group's prospects for the financial year ending 31 December 2021 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	-	-
Underprovision of income tax	-	-
Deferred tax income	(42)	(168)
	<u>(42)</u>	<u>(168)</u>

	Current Quarter RM '000	Current year to date RM '000
Income tax	-	-
Underprovision of income tax	-	-
Deferred tax income	(26)	(103)
	<u>(26)</u>	<u>(103)</u>

There were no provision for taxation for the current quarter and year to date ended 31 December 2020 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 2020 were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000	Changes %
Short-term bank borrowings:			
Secured	9,800	9,800	-
Unsecured	<u>24,830</u>	<u>24,830</u>	-
	<u>34,630</u>	<u>34,630</u>	-

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	31 December 2020 RM'000	31 December 2019 RM'000
Short-term bank borrowings:		
Secured	6,038	6,038
Unsecured	15,297	15,297
	<u>21,335</u>	<u>21,335</u>

The bank borrowings are denominated in RMB with a weighted average interest rate of 5.66% (31 December 2019: 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 2020 were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000	Changes %
Long-term other payables:			
Secured	<u>16,000</u>	<u>44,500</u>	(64.04)

	31 December 2020 RM'000	31 December 2019 RM'000
Long-term other payables:		
Secured	<u>9,858</u>	<u>27,416</u>

The long term other payables are secured loans for working capital purpose. This amount is repayable on the 2th quarter of 2022 (5th year from the date of the supplemental 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 2020.

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B9. Profit/(Loss) per share

a) Basic loss per share

	Individual quarter ended 31 December			
	2020 RMB'000	2019 RMB'000	2020 RM'000	2019 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(3,044)	(9,271)	(1,874)	(5,711)
Weighted average number of ordinary shares in issue ('000)	478,742	425,872	478,742	425,872
Basic earning/(loss) per share (RMB cents/RM sen)	(0.64)	(2.18)	(0.39)	(1.34)

	Cumulative year to date ended 31 December			
	2020 RMB'000	2019 RMB'000	2020 RM'000	2019 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(5,861)	(10,919)	(3,611)	(6,727)
Weighted average number of ordinary shares in issue ('000)	454,177	403,078	454,177	403,078
Basic earning/(loss) per share (RMB cents/RM sen)	(1.29)	(2.71)	(0.79)	(1.67)

b) Diluted earnings per share

	Individual quarter ended 31 December			
	2020 RMB'000	2019 RMB'000	2020 RM'000	2019 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(3,044)	(9,271)	(1,874)	(5,711)
Weighted average number of ordinary shares in issue ('000)	478,742	425,872	478,742	425,872
Warrants outstanding ('000)	81,999	146,155	81,999	146,155
Diluted earning/(loss) per share (RMB cents/RM sen)	(0.54)	(1.62)	(0.33)	(1.00)

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)

[Malaysian Branch Registration Number 200902000042 (995214-D)]

	Cumulative year to date ended 31 December			
	2020 RMB'000	2019 RMB'000	2020 RM'000	2019 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(5,861)	(10,919)	(3,611)	(6,727)
Weighted average number of ordinary shares in issue ('000)	454,177	403,078	454,177	403,078
Assuming full exercise of warrants ('000)	81,999	146,155	81,999	146,155
Diluted earning/(loss) per share (RMB cents/RM sen)	(1.09)	(1.99)	(0.67)	(1.23)

B10. Realised and unrealised profits/(losses)

	FYE 31 December		FYE 31 December	
	2020 RMB'000	2019 RMB'000	2020 RM'000	2019 RM'000
Realised	68,331	74,360	42,099	45,814
Unrealised	(4,795)	(4,963)	(2,954)	(3,058)
Total retained profits/(losses)	63,536	69,397	39,145	42,756

	Preceding quarter ended 30 September 2020	
	RMB'000	RM'000
Realised	71,417	44,000
Unrealised	(4,837)	(2,980)
Total retained profits/(losses)	66,580	41,020

By Order of the Board

Ding JianPing
Executive Chairman and
Chief Executive Officer
25 February 2021