

# 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 200902000042 (995214-D)]

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2021

	<u>Note</u>	Individual quarter Quarter ended		Individual quarter Quarter ended	
		31.03.2021	31.03.2020	31.03.2021 (Note a)	31.03.2020 (Note a)
		Unaudited RMB'000	Unaudited RMB'000	Unaudited RM'000	Unaudited RM'000
Revenue	B1	19,254	33,988	12,172	21,487
Cost of sales		(17,961)	(30,407)	(11,355)	(19,223)
Gross profit		1,293	3,581	817	2,264
Other income		80	54	50	34
Selling and distribution expenses	B1	(332)	(409)	(210)	(258)
Administrative expenses	B1	(2,453)	(2,586)	(1,551)	(1,635)
Finance costs		(1,019)	(1,830)	(644)	(1,157)
Loss before taxation	B1	(2,431)	(1,190)	(1,538)	(752)
Taxation		42	42	27	27
Total loss for the period	B1	(2,389)	(1,148)	(1,511)	(725)
Other comprehensive income after tax		-	-	-	-
Total comprehensive loss for the period		(2,389)	(1,148)	(1,511)	(725)
Attributable to :					
- Equity holders of the Company		(2,389)	(1,148)	(1,511)	(725)
<b>Loss per share attributable to equity holders of the Company :</b>					
Basic (RMB cents/RM sen)	B9	(0.46)	(0.26)	(0.29)	(0.16)
Diluted (RMB cents/RM sen)	B9	(0.40)	(0.20)	(0.25)	(0.13)

#### Notes:

(a) The presentation currency of this unaudited interim financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") for the quarter ended 31 March 2021 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6322 as at 31 March 2021. 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 2020 and the accompanying explanatory notes attached to the interim unaudited financial statements.

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

		Cumulative quarter		Cumulative quarter	
		Current	Preceding	Current	Preceding
		year	year	year	year
		to date	to date	to date	to date
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
				(Note a)	(Note a)
		Unaudited	Unaudited	Unaudited	Unaudited
	Note	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	19,254	33,988	12,172	21,487
Cost of sales		(17,961)	(30,407)	(11,355)	(19,223)
Gross profit		1,293	3,581	817	2,264
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Loss before taxation	B1	(2,431)	(1,190)	(1,538)	(752)
Taxation		42	42	27	27
Total profit loss for the period	B1	(2,389)	(1,148)	(1,511)	(725)
Other comprehensive income after tax		-	-	-	-
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**Notes:**

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(b) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the unaudited interim financial statements.

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### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Unaudited As at 31.03.2021	Audited As at 31.12.2020	Unaudited As at 31.03.2021 (Note a)	Audited As at 31.12.2020 (Note a)
	RMB'000	RMB'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	30,035	30,789	18,988	19,465
Land use rights prepayments	39,043	39,312	24,683	24,853
	<u>69,078</u>	<u>70,101</u>	<u>43,671</u>	<u>44,318</u>
<b>Current Assets</b>				
Land use rights prepayments	1,071	1,071	677	677
Inventories	1,320	2,132	834	1,348
Trade and other receivables	30,641	31,546	19,371	19,943
Tax recoverable	125	112	79	71
Cash and bank balances	54,075	21,519	34,186	13,604
	<u>87,232</u>	<u>56,380</u>	<u>55,147</u>	<u>35,643</u>
<b>Total assets</b>	<u>156,310</u>	<u>126,481</u>	<u>98,818</u>	<u>79,961</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	140,316	117,779	88,708	74,460
(Accumulated losses)/Retained earnings	61,147	63,536	38,656	40,167
Other reserves	(138,514)	(137,661)	(87,568)	(87,029)
	<u>62,949</u>	<u>43,654</u>	<u>39,796</u>	<u>27,598</u>
<b>Current Liabilities</b>				
Borrowings	34,630	50,630	21,893	32,008
Trade and other payables	27,978	27,402	17,687	17,324
	<u>62,608</u>	<u>78,032</u>	<u>39,580</u>	<u>49,332</u>
<b>Non-Current Liability</b>				
Deferred tax liability	4,753	4,795	3,005	3,031
Other payable	26,000	-	16,437	10,115
	<u>30,753</u>	<u>4,795</u>	<u>19,442</u>	<u>13,146</u>
<b>Total liabilities</b>	<u>93,361</u>	<u>82,827</u>	<u>59,022</u>	<u>62,478</u>
<b>Total equity and liabilities</b>	<u>156,310</u>	<u>126,481</u>	<u>98,818</u>	<u>90,076</u>
<b>Net assets per share attributable to equity holders of the Company (RMB cents/RM sen)</b>	<u>9.85</u>	<u>8.91</u>	<u>6.23</u>	<u>5.63</u>

**Notes:**

- (a) The presentation currency of this unaudited financial report is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") as at 31 March 2021 with comparatives are shown for reference only and has been made at the same exchange rate of RMB1 to RM0.6322 as at 31 March 2021. 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 2020 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 2020 and 31 March 2021 divided by the number of ordinary shares of 490,028,820 and 638,954,780 respectively.

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR PERIOD ENDED 31 MARCH 2021

	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 2019	100,021	(174,156)	24,712	21,181	(8)	69,397	41,147
Exercise of warrants	5,551	-	-	(2,862)	-	-	2,689
Foreign exchange translation reserve	-	-	-	-	(41)	-	(41)
Total comprehensive loss for the financial period	-	-	-	-	-	(1,148)	(1,148)
At 31 March 2020	105,572	(174,156)	24,712	18,319	(49)	68,249	42,647
At 31 December 2020	117,779	(174,156)	24,712	11,884	(101)	63,536	43,654
Share issuance arising from private placement	20,678	-	-	-	-	-	20,678
Exercise of warrants	1,859	-	-	(990)	-	-	869
Foreign exchange translation reserve	-	-	-	-	137	-	137
Total comprehensive loss for the financial period	-	-	-	-	-	(2,389)	(2,389)
At 31 March 2021	140,316	(174,156)	24,712	10,894	36	61,147	62,949

  

	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 2019	63,233	(110,101)	15,623	13,391	(5)	43,873	26,014
Exercise of warrants	3,509	-	-	(1,809)	-	-	1,700
Foreign exchange translation reserve	-	-	-	-	(26)	-	(26)
Total comprehensive loss for the financial period	-	-	-	-	-	(725)	(725)
At 31 March 2020 (note a)	66,742	(110,101)	15,623	11,582	(31)	43,148	26,963
At 31 December 2020	74,460	(110,101)	15,623	7,513	(64)	40,167	27,598
Share issuance arising from private placement	13,073	-	-	-	-	-	13,073
Exercise of warrants	1,175	-	-	(626)	-	-	549
Foreign currency translation reserve	-	-	-	-	87	-	87
Total comprehensive loss for the financial period	-	-	-	-	-	(1,511)	(1,511)
At 31 March 2021 (note a)	88,708	(110,101)	15,623	6,887	23	38,656	39,796

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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 2020 and the accompanying explanatory notes attached to the unaudited interim financial statements.

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	For the financial period ended 31.03.2021	For the financial period ended 31.03.2020	For the financial period ended 31.03.2021 (Note a)	For the financial period ended 31.03.2020 (Note a)
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RM'000	Unaudited RM'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(2,431)	(1,190)	(1,538)	(752)
Adjustments for:				
Interest income	(2)	(3)	(1)	(2)
Interest expenses	1,019	1,830	644	1,157
Depreciation of property, plant and equipment	754	783	477	495
Amortisation of land use rights	269	268	170	169
Fixed Asset written off	-	-	-	-
Operating income/(loss) before working capital changes	(391)	1,688	(248)	1,067
Decrease/(Increase) in inventories	812	(400)	514	(253)
Decrease/(Increase) in trade and other receivables	892	4,982	564	3,150
Increase/(Decrease) in trade and other payables	576	(22,036)	364	(13,931)
Cash from/(used in) operations	1,889	(15,766)	1,194	(9,967)
Interest received	2	3	1	2
Interest paid	(1,019)	(1,830)	(644)	(1,157)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>872</b>	<b>(17,593)</b>	<b>551</b>	<b>(11,122)</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	21,547	2,689	13,622	1,700
Proceeds from borrowings from a third party	10,000	-	6,322	-
<b>Net cash flows from financing activities</b>	<b>31,547</b>	<b>2,689</b>	<b>19,944</b>	<b>1,700</b>
Net (decrease)/increase in cash and cash equivalents	32,419	(14,904)	20,495	(9,422)
Cash and cash equivalents at beginning of the financial period <sup>^</sup>	21,519	35,497	13,604	22,441
Effect of exchange translation difference on cash and cash equivalents	137	(41)	87	(26)
<b>Cash and cash equivalents at end of the financial period<sup>^</sup></b>	<b>54,075</b>	<b>20,552</b>	<b>34,186</b>	<b>12,993</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 2020 and the accompanying explanatory notes attached to the unaudited interim financial statements.

<sup>^</sup> Included in the cash and cash equivalents is an amount of RMB 17.54 million held as restricted bank balance. 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 FIRST QUARTER ENDED 31 MARCH 2021

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

##### a) Basis of accounting

The consolidated interim financial statements of K-Star Sports Limited (the “Company” or “K-Star”) and its subsidiary companies (“the Group”) for the quarter ended 31 March 2021 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 2020. 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 2020.

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 2021. 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 2020 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.

#### 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 2020 up to the current financial period to date are as follows:

Date of issue	No. of shares issued	Issued and paid-up share capital	
		RMB	SGD
As at 31 December 2020	490,028,820	107,579,154	22,985,685
Issuance pursuant to conversion of warrants:			
8 January 2021	1,379,200	176,383	36,267
15 January 2021	1,387,100	177,760	36,376
22 January 2021	711,600	91,193	18,678
3 February 2021	409,900	52,356	10,759
10 February 2021	50,000	6,363	1,314
19 February 2021	30,000	3,835	787
17 March 2021	1,416,100	179,256	37,023
25 March 2021	1,444,660	182,316	37,642
	496,857,380	108,448,616	23,164,531
Issuance pursuant special issue of new ordinary shares	142,097,400	20,677,908	4,280,212
Reallocation of value to share capital from warrant reserves arising from conversion of warrants	-	11,189,176	2,250,047
	638,954,780	140,315,700	29,694,790

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### 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.

### A9. Segment information

#### a) Results of operating segments

	For the quarter/ financial period ended 31 March 2021							
	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	18,296	11,567	-	-	-	-	18,296	11,567
Construction	-	-	958	605	-	-	958	605
							<u>19,254</u>	<u>12,172</u>
<b>Other income</b>								
Realised gain on foreign exchange	-	-	-	-	2	1	2	1
Others	-	-	24	15	-	-	24	15
Interest income	2	1	-	-	-	-	2	1
Rental income	52	33	-	-	-	-	52	33
							80	50
Elimination							-	-
							<u>80</u>	<u>50</u>
<b>Operating expenses</b>								
Selling and distribution	(332)	(210)	-	-	-	-	(332)	(210)
Administrative	(1,654)	(1,046)	(45)	(28)	(754)	(477)	(2,453)	(1,551)
							(2,785)	(1,761)
Elimination							-	-
							<u>(2,785)</u>	<u>(1,761)</u>
<b>Profit/(Loss) before taxation</b>								
	<u>(1,646)</u>	<u>(1,041)</u>	<u>(34)</u>	<u>(22)</u>	<u>(751)</u>	<u>(475)</u>	<u>(2,431)</u>	<u>(1,538)</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 200902000042 (995214-D)]

### b) Assets and liabilities

	As at 31 March 2021							
	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>	130,160	82,287	2,702	1,707	23,448	14,824	156,310	98,818
<b>Total liabilities</b>	91,733	57,993	1,073	678	555	351	93,361	59,022

#### 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 2020. 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 May 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

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- (iii) Proposed transfer of K-Star's entire shareholdings in its wholly-owned subsidiary, Sinaran Trilion 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
- (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 entails 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 ("High Court") 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.

The High Court had on 12 April 2021 granted the Company an order approving and sanctioning the Scheme pursuant to Section 210 of the CA ("Court Order") and the Scheme took effect on 13 April 2021 following the lodgement of the Court Order with the Accounting and Corporate Regulatory Authority, Singapore.

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 Proposed Transfer of Listing is completed.

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

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### b) Utilisation of proceeds

The total gross proceeds from the special issue of 142,097,400 new ordinary shares in K-Star (“Proposed Special Issue”) to individual third party investors amounting to approximately RM13.10 million have been utilised in the following manner:

Details of utilisation	Utilisation timeframe	Original Utilisation (As per circular dated 05 February 2021)	Proposed utilisation based on actual proceeds raised	Utilisation as at the reporting date	Amount unutilised
		RM’000	RM’000	RM’000	RM’000
General Working capital	Within 18 months	6,868	2,840	-	2,840
Working capital for construction segment	Within 24 months	12,000	9,788	-	9,788
Acquisition of machinery and equipment for construction segment	Within 12 months	12,220	-	-	-
Expenses for the Proposal	Immediate	600	473	(473)	-
		<u>31,688</u>	<u>13,101</u>	<u>(473)</u>	<u>12,628</u>

### A12. Contingent liabilities/assets

There were no material changes in the contingent liabilities or contingent assets since the last annual statement of financial position ended 31 December 2020.

### A13. Capital commitments

There is no capital commitment as at 31 March 2021.

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

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

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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 had expired 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/ Year to date ended 31 March		Changes (%)
	2020	2019	
	RMB'000	RMB'000	
Revenue	19,254	33,988	(43.35)
Gross profit margin (%)	6.72	10.54	(36.24)
Loss before tax	(2,431)	(1,190)	104.29
Other comprehensive income after tax	-	-	-
Total comprehensive loss for the period	(2,389)	(1,148)	108.10

#### Statement of Profit & loss

For the current quarter and financial period ended 31 March 2021 ("1Q2021"), the Group's revenue has decreased by approximately 43.35% as compared to the preceding year corresponding quarter ended 31 March 2020 ("1Q2020"). This was mainly due to the slowdown in sales of both the Dixing's core brand footwear and OEM footwear by 40.64% and 48.55% respectively. In addition, the revenue contribution from the construction segment has also decreased by approximately 56.45% as compared to the 1Q2020 due to certain contracts have been terminated during the immediate preceding quarter.

Gross profit margin stood at 6.72%, representing a decrease of 3.82% as compared to 10.54% recorded in the 1Q2020. The lower gross profit margin was as a result of the gross loss incurred in the construction segment.

The current quarter's selling and distribution expenses has reduced by 18.83% as compared to the preceding year corresponding quarter mainly due to lower staff costs and R&D expenditures.

Administrative expenses has decreased by 5.14% mainly due to lower administrative staff costs. The finance costs incurred in the 1Q2021 has reduced by 44.32% as compared to the 1Q2020 which was in corresponding with the repayment of long-term interest bearing payables made in the 2<sup>nd</sup> half of the previous financial year.

The Group has incurred higher loss before taxation of RMB 1.24 million as compared to the 1Q2020. This was mainly in corresponding with the diminishing revenue from both the footwear segment and the construction segment.

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

	Individual quarter/ Current year to date ended 31 March			
	2021	2020	2021	2020
	RMB'000	RMB'000	RM'000	RM'000
Interest income	(2)	(3)	(1)	(2)
Other income including investment income	-	-	-	-
Interest expense	1,019	1,830	644	1,157
Depreciation	754	783	477	495
Amortisation	269	268	170	169
Provision for doubtful debts	*1	*1	*1	*1
Bad debts written off	*1	*1	*1	*1
Provision for slow moving inventory	*2	*2	*2	*2
Inventory written off	*2	*2	*2	*2
(Gain)/ Loss on disposal of quoted or unquoted investments or properties	N/A	N/A	N/A	N/A
Impairment of assets	*3	*3	*3	*3
(Gain)/Loss on foreign exchange	(2)	2	(1)	1
(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

	<b>Current quarter ended 31 March 2021 RMB'000</b>	<b>Preceding quarter ended 31 December 2020 RMB'000</b>	<b>Changes (%)</b>
Revenue	19,254	18,297	5.23
Loss before taxation	(2,431)	(3,086)	(21.22)
Loss after taxation and total comprehensive loss for the period	(2,389)	(3,044)	(21.52)

	<b>Current quarter ended 31 March 2021 RM'000</b>	<b>Preceding quarter ended 31 December 2020 RM'000</b>
Revenue	12,172	11,567
Loss before taxation	(1,538)	(1,951)
Loss after taxation and total comprehensive loss for the period	(1,511)	(1,924)

The Group's revenue for the 1Q2021 has increased by 5.23% as compared to the preceding quarter three (3) months ended 31 December 2020 ("4Q2020") mainly due to the increase in construction revenue. Meanwhile, the revenue contribution from the footwear segment has decreased by RMB 2.12 million. The sales of both Dixing's core brand footwear and OEM footwear have decreased by 6.37% and 23.19% respectively.

The gross profit margin stood at 6.72%, decreased by 4.62% as compared to 11.34% recorded in the preceding quarter. This was mainly due the gross loss margin contributed from the construction segment which has undermined the overall gross profit margin of the Group.

The Group recorded a pre-tax loss and has been narrowed as compared to the 4Q2020 mainly due to the decrease in general administrative expenses.

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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 growth rate of 2.30% in 2019 as compared to 6.10% in 2019. 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") is cautiously optimistic on the Group's prospects for the financial year ending 31 December 2021.

## **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/ Year to date ended 31 March 2021	
	RMB '000	RM '000
Income tax	-	-
Deferred tax income	(42)	(27)
	<u>(42)</u>	<u>(27)</u>

There were no provision for taxation for the current quarter and year to date ended 31 March 2021 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 March 2021 were as follows:

	31 March 2021 RMB'000	31 March 2020 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>	-

	31 March 2021 RM'000	31 March 2020 RM'000
Short-term bank borrowings:		
Secured	6,196	6,196
Unsecured	<u>15,697</u>	<u>15,697</u>
	<u>21,893</u>	<u>21,893</u>

The bank borrowings are denominated in RMB with a weighted average interest rate of 5.66% (31 March 2020: 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.

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The Group's long-term other payables as at 31 March 2021 were as follows:

	<b>31 March 2021 RMB'000</b>	<b>31 March 2020 RMB'000</b>	<b>Changes %</b>
Long-term other payables:			
Secured	<u>26,000</u>	<u>44,500</u>	(41.57)

  

	<b>31 March 2021 RM'000</b>	<b>31 March 2020 RM'000</b>
Long-term other payables:		
Secured	<u>16,437</u>	<u>28,133</u>

The long term other payables are secured loans for working capital purpose. This amount is repayable on the 1st quarter of 2026 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 which might materially and adversely affect the financial position or business of the Group.

### **B8. Dividend**

There were no dividends declared by the Company for the current quarter ended 31 March 2021.

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

#### **a) Basic loss per share**

	<b>Individual quarter/ Cumulative year to date ended 31 March</b>			
	<b>2021 RMB'000</b>	<b>2020 RMB'000</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(2,389)	(1,148)	(1,511)	(725)
Weighted average number of ordinary shares in issue ('000)	517,350	439,235	517,350	439,235
Basic earning/(loss) per share (RMB cents/RM sen)	<u>(0.46)</u>	<u>(0.26)</u>	<u>(0.29)</u>	<u>(0.16)</u>

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### b) Diluted earnings per share

	Individual quarter/ Cumulative year to date ended 31 March			
	2021 RMB'000	2020 RMB'000	2021 RM'000	2020 RM'000
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	(2,389)	(1,148)	(1,511)	(725)
Weighted average number of ordinary shares in issue ('000)	517,350	439,235	517,350	439,235
Warrants outstanding ('000)	75,170	126,406	75,170	126,406
Diluted earning/(loss) per share (RMB cents/RM sen)	<u>(0.40)</u>	<u>(0.20)</u>	<u>(0.25)</u>	<u>(0.13)</u>

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

	FPE 31 March		FPE 31 March	
	2021 RMB'000	2020 RMB'000	2021 RM'000	2020 RM'000
Realised	65,900	73,170	41,661	46,258
Unrealised	(4,753)	(4,921)	(3,005)	(3,111)
Total retained profits/(losses)	<u>61,147</u>	<u>68,249</u>	<u>38,656</u>	<u>43,147</u>
			Preceding quarter ended 31 December 2020	
			RMB'000	RM'000
Realised			68,331	43,199
Unrealised			(4,795)	(3,031)
Total retained profits/(losses)			<u>63,536</u>	<u>40,168</u>

By Order of the Board

Ding JianPing  
Executive Chairman and  
Chief Executive Officer  
25 May 2021