

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5172  
**COMPANY NAME** : K-STAR SPORTS LIMITED  
**FINANCIAL YEAR** : 31 DECEMBER 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The roles and responsibilities of the Board have been clearly enumerated in the Board Charter. The Board provides effective leadership and manages overall control of the Group's affairs through the discharge of the following principal duties and responsibilities which includes:-</p> <p><b>a) Reviewing and adopting a strategic plan for the Company</b></p> <p>At the beginning of each financial year, the Chief Executive Officer ("CEO") will brief the Board on the overall business at its meeting. The business plan would cover the performance targets and long term plans of the Company.</p> <p>At each quarterly Board Meeting, Mr. Ding JianPing, the CEO would share with the Board the following matters:-</p> <ul style="list-style-type: none"><li>• Market outlook of the industry; and</li><li>• Status of business plan encompassing the update on sales and retail channels, product research and development ("R&amp;D") and funds raising exercise.</li></ul> <p>Mr. Ding JianPing would also share with the Board the overview of the China's economy in general as well as the Management Team's strategic countermeasures.</p> <p>For the FYE 2018, the Board is satisfied with the strategic business plan as presented by the CEO. The Board would continue to monitor the progress made by the Management Team in respect of meeting the objective of the business plan.</p>

**b) Overseeing the conduct of the Company's business**

The CEO is responsible for the day-to-day operation and financial management of the Group. He is supported by key senior management personnel to ensure the operations are carried out smoothly. The Board's role is to oversee the performance of the Management Team to determine whether the business is properly managed. The Board received updates from the Management Team at the quarterly Board meetings when reviewing the audited quarterly results. During such meetings, the Board participated actively in the discussion on the performance of the Company and assessed the performance of the Management Team for the applicable period.

In addition, the Board has instituted a monitoring system on the financial management of the Management Team on a regular basis vide the insertion of the following regular agenda items in the Board meetings (the "**Financial Management Emphasis**"):-

- To review the Debtors' Ageing Reports for local and foreign distributors.
- To make enquiry on any material transaction which were not in the ordinary course of business during the FYE 2018.

**c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

The Audit Committee has been entrusted by the Board to identify, evaluate, monitor and supervise the management of any relevant major risks faced by the Group so that the Group will achieve its business objectives. However, the Group as a whole remains responsible for all the actions of the AC with regard to the delegated role and this includes the outcome of the review as well as the disclosures on key risks and the state of internal control in the Group's annual reports.

Further details of the Risk Management Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

**d) Succession planning**

The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability

and/or new business opportunities.

The Board, through the Nomination Committee, is responsible for the succession planning of the Directors of the Company.

For the FYE 2018, Dato' Chan Chee Hong and Dato' Quah Hoe Phang @ Stephen Quah have been appointed to the Board, to supplement the required mix of skills at the Board level.

**e) Reviewing adequacy and the integrity of the management information and internal controls system of the Company**

The Board has established key control processes to ensure there is a sound framework of reporting on internal controls and regulatory compliance.

On the formal reporting level, the Board vide the AC, will review the internal audit reports tabled by the outsourced Internal Auditors and taken note of the audit issues arising from the internal control system of the Company/Group.

For the FYE 2018, alphaOne Governance Sdn. Bhd., a professional Internal Audit ("IA") service provider continues to serve the Group to undertake a mandatory review on the IA function.

Details of the abovementioned audits are set out in the Audit Committee Report of the Annual Report. Details of the internal control system are set out in the Statement on Risk Management and Internal Control of the Annual Report.

The Board has carried out, amongst others, the following duties and responsibilities:-

- a) Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour.
- b) Review, challenge and decide on Management's proposals for the Group and monitor its implementation by Management.
- c) Monitor the compliance with all relevant statutory and legal obligations.
- d) Review and set the Group's strategic plan and direction and ensure that resources are available to meet its objectives and supports long-term value creation.
- e) Supervise the operations of the Group to evaluate whether established targets are achieved and the business are being properly managed.

	<p>f) Identify principal risks and ensure the implementation of appropriate systems to manage these risks.</p> <p>g) Promote better investor relations and shareholder communications.</p> <p>h) Ensure that the Group's core values, vision and mission and shareholders' interests are met.</p> <p>i) Review the adequacy and the integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.</p> <p>j) Approving and monitoring the risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risk.</p> <p>k) Establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities.</p> <p>l) Initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for directors to attend courses, seminars and participate in development programs as the Board judges appropriate.</p> <p>m) Ensure that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility.</p> <p>For the day-to-day operations, the Board has delegated its authorities and responsibilities to the Management Team led by the Executive Chairman/ CEO. The functions delegated to the Management Team by the Board are, inter alia, as follows:-</p> <ul style="list-style-type: none"> <li>• Implementation of business plans and strategies, policies and decisions approved by the Board;</li> <li>• Managing the daily conduct of the business and affairs;</li> <li>• Communicating matters of concern to the Board for information and/or decision; and</li> <li>• Representing the Group in its dealing with the government authorities and other external part.</li> </ul> <p>For the FYE 2018, the Board members achieved 100% attendance at the Board Meetings held except Ms. Xiao LuXi achieved 83% attendance at the Board Meetings due to her other business commitments. In the intervals between Board meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions. These resolutions would be tabled at the next Board Meeting for notation.</p>
<p><b>Explanation for departure</b></p>	<p>: -</p>

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board is responsible for the following:-</p> <ul style="list-style-type: none"> <li>a) Leadership of the Board.</li> <li>b) Overseeing the effective discharge of the Board's supervisory role.</li> <li>c) Facilitating the effective contribution of all directors.</li> <li>d) Conducting the Board's function and meetings.</li> <li>e) Briefing all the directors in relation to issues arising at meetings.</li> <li>f) Scheduling regular and effective evaluations of the Board's performance.</li> <li>g) Promoting constructive and respectful relations between Board members and between the Board and the Management.</li> </ul>
<b>Explanation for departure</b>	:	-
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	-
<b>Explanation for departure</b>	:	The Board continues to be mindful that the combined role of the Executive Chairman and CEO currently held by the same person who is Mr. Ding JianPing in view of the commercial and business requirements in the People's Republic of China.
		<p>Alternative Practices:</p> <p>(1) The Board comprises of 80% of the Independent Non-Executive Directors. Therefore, no one individual can influence the Board's discussions and decision making.</p> <p>(2) The roles and responsibilities of the Chairman and CEO is clearly defined in the Board Charter. A copy of the Board Charter is available for reference under the "Corporate Governance" section of the Company's website at <a href="http://www.kstarsports.com">www.kstarsports.com</a>.</p> <p>The Board believe that the stated Intended Outcome can still be met following the adoption of the abovementioned Practices.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Ms. Thum Sook Fun ("Ms. Thum"), the Company Secretary is a Chartered Secretary and also a Chartered Accountant. She is therefore qualified to act as company secretary under Section 171(1AA) of the Companies Act (Chapter 50) of Singapore. Ms. Thum is a Fellow member of the Institute of Chartered Secretaries and Administrators ("ICSA") and also a Fellow member of the Association of Chartered Certified Accountant ("ACCA"). Currently, she is a member of the Institute of Singapore Chartered Accountants ("ISCA"). She has more than twenty years of professional experience in the field of corporate secretarial and advisory services.</p> <p>Nevertheless, the principal representative of the Local Agent in Malaysia is Ms. Chua Siew Chuan ("Ms. Chua") of Securities Services (Holdings) Sdn. Bhd. Ms. Chua has been elected as a Fellow member of the Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA") since 1997. She has more than 35 years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services. She is currently the Immediate Past President of MAICSA.</p> <p>In performing their duties, the Company Secretary and/or Local Agent in Malaysia carry out, amongst others, the following tasks:-</p> <ul style="list-style-type: none"><li>• Statutory duties as required under the Companies Act 2016, Main LR of the Bursa Securities, Capital Market and Services Act 2007;</li><li>• Facilitating and attending Board Meetings and Board Committee Meetings, respectively;</li><li>• Facilitating and attending the General Meeting(s);</li><li>• Ensuring that Board Meetings and Board Committee Meetings, respectively are properly convened and the proceedings are properly recorded;</li></ul>

	<ul style="list-style-type: none"> <li>• Ensuring timely communication of the Board level decisions to the Management for further action;</li> <li>• Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;</li> <li>• Maintaining records for the purpose of meeting statutory obligations of applicable jurisdictions;</li> <li>• Facilitating the provision of information as may be requested by the Directors from time to time in a timely manner and ensuring adherence to Board policies and procedures;</li> <li>• Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee's notation;</li> <li>• Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and</li> <li>• Rendering advice and support to the Board and Management.</li> </ul> <p>The Board is satisfied with the performance and support rendered by both Company Secretary and Local Agent in Malaysia to the Board in discharging their respective functions.</p>
<b>Explanation for departure</b>	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	-
<b>Timeframe</b>	-

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Board papers are circulated in advance with a minimum of seven (7) days prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant financial and corporate issues, the Group's performance and any management proposals which require the approval of the Board. This allows the Directors have sufficient time to peruse for effective discussion and decision making during the meetings. All pertinent issues discussed at the meetings in arriving at decisions and conclusions are properly recorded in the discharge of the Board's duties and responsibilities.</p> <p>The minutes were recorded by the Secretarial-in-attendance and circulated to all directors and members of respective Board Committees for review. The minutes recorded the deliberations and decisions of the board as well as directors abstained from voting.</p>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a Board Charter which governs how the Board conducts its affairs. The Board Charter sets out the composition and balance, roles and responsibilities and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.</p> <p>The roles and responsibilities of Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee are set out in the terms of reference of each Committee.</p> <p>The Board is the ultimate decision making body.</p> <p>The Board Charter shall be reviewed by the Board annually to ensure they remain consistent with the Board's objectives and responsibilities, and relevant laws, regulations, guidelines and standards of corporate governance.</p> <p>The Board Charter as at 30 March 2018 is available for reference under the "Corporate Governance" section of the Company's website at <a href="http://www.kstarsports.com">www.kstarsports.com</a>.</p>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has put in place a Code of Conduct for the Directors and employees. The Code of Conduct includes amongst others the respect for the individual, create a culture of open and honest communication, set tone at the top, uphold the law, avoid conflicts of interest, set metrics and report results accurately.</p> <p>The Code of Conduct as at 30 March 2018 is available for reference under the "Corporate Governance" section of the Company's website at <a href="http://www.kstarsports.com">www.kstarsports.com</a>.</p>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Whistle Blowing Policy for employees to raise genuine concerns, without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group.</p> <p>The Policy shall be reviewed by the Board annually to ensure they remain consistent with the Board's objectives and responsibilities, and relevant laws, regulations, guidelines and standards of corporate governance.</p> <p>The Whistle Blowing Policy as at 30 March 2018 is available for reference under the "Corporate Governance" section of the Company's website at <a href="http://www.kstarsports.com">www.kstarsports.com</a>.</p>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	For the FYE 2018 up to the date of the CG Overview Statement, the Board consists of five (5) members comprising of one (1) Executive Chairman/ Chief Executive Officer and four (4) Independent Non-Executive Directors (“INEDs”).  The Board comprises more than half of the Independent Directors which represents 80% of Independent Directors in the Board.
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is mindful that the tenure of an INED should not exceed a cumulative term of nine (9) years unless it is recommended by the Nomination Committee and the Board is then satisfied that the proposed candidate is able to continue to bring independent judgement to the board's deliberations.</p> <p>At present, none of the Independent Directors have served more than a cumulative term of nine (9) years.</p>
<b>Explanation for departure</b>	:	-
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	-

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Pursuant to the TOR of NC, the NC is tasked to identify, nominate and orientating new Directors and to make recommendations to the Board for the appointment of Directors.</p> <p>The NC reviews the candidate for appointment as Director based on the following criteria:-</p> <ul style="list-style-type: none"><li>• Skills, knowledges, expertise and experience;</li><li>• Professionalism;</li><li>• Integrity; and</li><li>• In the case of the candidates for the position of the INEDs, the NC should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from INEDs.</li></ul> <p>The Company does not practice any form of gender, ethnicity and age group biasness as all candidates for either Board or Senior Management team shall be given fair and equal treatment, in accordance with the applicable laws in Peoples' Republic of China.</p> <p>The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group.</p> <p>Notwithstanding with the above, the Board affirms its commitment to boardroom diversity as a truly diversified board can enhance the board's effectiveness, perspective, creativity and capacity to thrive in good times and to weather the tough times.</p> <p>In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.</p>

	As being a Singapore-incorporated entity, with manufacturing plants in China, whilst being listed on Bursa Securities, the composition of the Board is made up of Singaporean, PRC Chinese as well as Malaysians, which is reflective of the Company's actual status. The composition of the Board transcends ethnicity and national boundary, thus providing the Board an international and unique perspective.	
<b>Explanation for departure</b>	:	
	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
	-	
<b>Timeframe</b>	:	
	-	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	-
<b>Explanation for departure</b>	:	<p>As disclosed in Practice 4.4, the Board does not practice any form of gender, ethnicity and age group biasness as all candidates shall be given fair and equal treatment.</p> <p>Currently, the Board has one (1) female director namely, Ms. Xiao LuXi, an INED, serves as the Chairperson of the Nomination Committee, as well as a member of the Audit Committee and Remuneration Committee respectively. The present female director has occupied twenty per centum (20%) of the Board.</p> <p>Alternate Practices:</p> <ol style="list-style-type: none"> <li>1) At the juncture, the Board affirmed that in the event any Board seat becomes available, gender diversity shall be one of the criteria to be considered by the NC during their evaluation process on potential candidate(s) for Board's membership.</li> <li>2) 80% of the Board are consisted of Independent Non-Executive Directors and any decision by the Board would require the consent of the majority of the Board members, taking into account the best interest of the Company. In addition, the Independent Non-Executive Directors are of diverse background i.e. a Chartered accountant, an Investment Banker, an entrepreneur/ sportswoman, and a business director with extensive China experience; whom are able to provide diverse insights and perspectives during board deliberation and decision making process.</li> </ol> <p>The Board opined that the above Practices are able to meet the above Intended Outcome, as opposed to forceful setting of quick-fix targets and impractical measures to meet those targets,</p>

	much to the long term detriment of the Board and the Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Pursuant to the TOR of NC, the NC is tasked to identify, nominate and orientating new Directors and to make recommendations to the Board for the appointment of Directors.</p> <p>For the appointments of Dato' Chan Chee Hong and Dato' Quah Hoe Phang for FYE 2018, the NC reviewed the candidates based on the following criteria:-</p> <ul style="list-style-type: none"> <li>• Skills, knowledges, expertise and experience;</li> <li>• Character;</li> <li>• Professionalism;</li> <li>• Integrity</li> <li>• Time commitment;</li> <li>• Nationality – ease of travel is a priority as certain amount of travelling would be required; and</li> <li>• For the position of the INED, the NC also evaluated the candidate's ability to discharge such responsibilities/functions as expected from INEDs.</li> </ul>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied		
<b>Explanation on application of the practice</b>	:	The NC is chaired by the INED, Ms. Xiao LuXi, who is the longest serving INED on board and where any concerns from the shareholders can be conveyed to. The NC of the Company comprises wholly of the INEDs as follows and their attendance of NC meetings held for the FYE 2018:-		
		<b>Members</b>	<b>Position of NC/ Designation</b>	<b>No. of NC Meetings attended/held for the FYE 2018</b>
		Xiao LuXi	Chairperson/ INED	3/3
		Lee Yew Weng	Member/ INED	3/3
		Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 23 November 2018)	Member/ INED	Not applicable
		Hong Cheong Liang (Ceased on 24 September 2018)	Member/ INED	2/2
<b>Explanation for departure</b>	:	-		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:	-		
<b>Timeframe</b>	:	-		

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The assessments forms were distributed to all directors to carry out the annual evaluations on the individual directors, Board as a whole and Board Committees.</p> <p>The assessments results were tabled to the Board for deliberating on the outcomes and the Board noted the strengths and weaknesses of each directors and board committees' members.</p> <p>The Board has through the Nomination Committee, conducted the following assessments for the FYE 2018:-</p> <p><b>(i) Directors' self-assessment</b></p> <p>In conducting the evaluation, the NC adopted the following main criteria:-</p> <ul style="list-style-type: none"><li>• Fit and proper;</li><li>• Contribution and performance; and</li><li>• Caliber and personality.</li></ul> <p>Based on the evaluation conducted for the FYE 2018, the NC was satisfied with the performance of the individual Directors.</p> <p><b>(ii) Evaluation on the effectiveness of the Board as a whole and Board Committees</b></p> <p>Based on the Evaluation conducted for the FYE 2018, the NC was satisfied with the performance of the Board as a whole as well as the Board Committees.</p> <p><b>(iii) Assessment of Independent Directors</b></p> <p>The Board noted that Letters of Declaration has been executed</p>

	<p>by the following INEDs of the Company, confirming their independence to relevant Main LR of Bursa Securities:-</p> <ul style="list-style-type: none"> <li>• Ms. Xiao LuXi;</li> <li>• Mr. Lee Yew Weng;</li> <li>• Mr. Lee Choon Kwong; and</li> <li>• Dato' Quah Hoe Phang @ Stephen Quah</li> </ul> <p>For the FYE 2018, upon review, the Board is satisfied that the abovementioned INDEs have brought independence and objective judgements to the Board and have not been compromised, amongst others, familiarity or close relationship with other Board members.</p> <p>The Board therefore recommends the re-election of Dato' Quah Hoe Phang @ Stephen Quah as Director of the Company at the forthcoming AGM in 2019.</p> <p><b>(iv) Audit Committee Member's Self and Peer Evaluation</b></p> <p>Based on the Evaluation conducted for the FYE 2018, the NC was satisfied with the performance of all Audit Committee members.</p>	
<p><b>Explanation for departure</b></p>	<p>: -</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>: -</p>	
<p><b>Timeframe</b></p>	<p>: -</p>	

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	-
<b>Explanation for departure</b>	:	The Board does not have a formal policy on the remuneration for Directors and senior management.
		<p>Alternative Practice:</p> <p>Notwithstanding the lack of a formal Remuneration Policy for the Directors and senior management, as a standing procedure, the Board, vide the Remuneration Committee reviews, assesses and recommends to the Board of Directors the remuneration packages of the Executive Directors ("ED") and Senior Management.</p> <p>For the FYE 2018, the RC had performed its duty to assess annually the remuneration package of its Executive Directors.</p> <p>The above process is transparent and well documented in the Minutes of the Remuneration Committee Meeting as well as Board of Directors' Meeting, thereby meeting the stated Intended Outcome.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	: Applied															
<b>Explanation on application of the practice</b>	: <p>The RC is chaired by the INED, Dato' Quah Hoe Phang @ Stephen Quah. The RC of the Company comprises wholly of the INEDs as follows and their attendance of RC meetings held for the FYE 2018:-</p> <table border="1"> <thead> <tr> <th>Members</th> <th>Position of RC/ Designation</th> <th>No. of RC Meetings attended/held for the FYE 2017</th> </tr> </thead> <tbody> <tr> <td>Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 23 November 2018)</td> <td>Chairman/ INED</td> <td>Not applicable</td> </tr> <tr> <td>Lee Yew Weng</td> <td>Member/ INED</td> <td>1/1</td> </tr> <tr> <td>Xiao LuXi</td> <td>Member/ INED</td> <td>1/1</td> </tr> <tr> <td>Hong Cheong Liang (Ceased on 24 September 2018)</td> <td>Chairman/ INED</td> <td>Not applicable</td> </tr> </tbody> </table> <p>The principal objective of the TOR of RC is to achieve a balance between setting the level and structure of the remuneration package of Executive Directors so as to be able to attract and retain the best against its interest in not paying excessive</p>	Members	Position of RC/ Designation	No. of RC Meetings attended/held for the FYE 2017	Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 23 November 2018)	Chairman/ INED	Not applicable	Lee Yew Weng	Member/ INED	1/1	Xiao LuXi	Member/ INED	1/1	Hong Cheong Liang (Ceased on 24 September 2018)	Chairman/ INED	Not applicable
Members	Position of RC/ Designation	No. of RC Meetings attended/held for the FYE 2017														
Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 23 November 2018)	Chairman/ INED	Not applicable														
Lee Yew Weng	Member/ INED	1/1														
Xiao LuXi	Member/ INED	1/1														
Hong Cheong Liang (Ceased on 24 September 2018)	Chairman/ INED	Not applicable														

	<p>remuneration. The duties and responsibilities of RC is clearly outlined in the TOR of RC.</p> <p>The TOR of RC as at 30 March 2018 is available for reference under the “Corporate Governance” section of the Company’s website at <a href="http://www.kstarsports.com">www.kstarsports.com</a>.</p>	
<b>Explanation for departure</b>	:	-
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	: Applied																																																												
<b>Explanation on application of the practice</b>	<p>The details of the remuneration of Directors on named basis for the FYE 2018 were as follows:-</p> <p><b>(i) Company Level</b></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">Directors' Fees (RMB'000)</th> <th style="text-align: right;">Salaries, other emoluments and benefits (RMB'000)</th> <th style="text-align: right;">Allowances (RMB'000)</th> <th style="text-align: right;">Total (RMB'000)</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Executive Director</b></td> </tr> <tr> <td>(i) Ding JianPing (丁建萍)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">600</td> <td style="text-align: right;">-</td> <td style="text-align: right;">600</td> </tr> <tr> <td><b>Subtotal</b></td> <td style="text-align: right;"><b>-</b></td> <td style="text-align: right;"><b>600</b></td> <td style="text-align: right;"><b>-</b></td> <td style="text-align: right;"><b>600</b></td> </tr> <tr> <td colspan="5"><b>Non-Executive Directors</b></td> </tr> <tr> <td>(i) Xiao LuXi (肖璐茜)</td> <td style="text-align: right;">60</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">60</td> </tr> <tr> <td>(ii) Lee Yew Weng</td> <td style="text-align: right;">79</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">79</td> </tr> <tr> <td>(iii) Lee Choon Kwong</td> <td style="text-align: right;">59</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">59</td> </tr> <tr> <td>(iv) Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 21 September 2018)</td> <td style="text-align: right;">52</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">52</td> </tr> <tr> <td>(v) Hong Cheong Liang (Resigned on 24 September 2018)</td> <td style="text-align: right;">43</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">43</td> </tr> <tr> <td>(vi) Dato' Chan Chee Hong (Appointed on 15 May 2018 and resigned on 24 September 2018)</td> <td style="text-align: right;">21</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">21</td> </tr> <tr> <td><b>Grand Total</b></td> <td style="text-align: right;"><b>314</b></td> <td style="text-align: right;"><b>600</b></td> <td style="text-align: right;"><b>-</b></td> <td style="text-align: right;"><b>914</b></td> </tr> </tbody> </table>		Directors' Fees (RMB'000)	Salaries, other emoluments and benefits (RMB'000)	Allowances (RMB'000)	Total (RMB'000)	<b>Executive Director</b>					(i) Ding JianPing (丁建萍)	-	600	-	600	<b>Subtotal</b>	<b>-</b>	<b>600</b>	<b>-</b>	<b>600</b>	<b>Non-Executive Directors</b>					(i) Xiao LuXi (肖璐茜)	60	-	-	60	(ii) Lee Yew Weng	79	-	-	79	(iii) Lee Choon Kwong	59	-	-	59	(iv) Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 21 September 2018)	52	-	-	52	(v) Hong Cheong Liang (Resigned on 24 September 2018)	43	-	-	43	(vi) Dato' Chan Chee Hong (Appointed on 15 May 2018 and resigned on 24 September 2018)	21	-	-	21	<b>Grand Total</b>	<b>314</b>	<b>600</b>	<b>-</b>	<b>914</b>
	Directors' Fees (RMB'000)	Salaries, other emoluments and benefits (RMB'000)	Allowances (RMB'000)	Total (RMB'000)																																																									
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<b>(ii) Group Level</b>				
	<b>Directors' Fees</b>	<b>Salaries, other emoluments and benefits</b>	<b>Allowances</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
<b>Executive Director</b>				
(i) Ding JianPing (丁建萍)	-	848	1	849
<b>Subtotal</b>	<b>-</b>	<b>848</b>	<b>1</b>	<b>849</b>
<b>Non-Executive Directors</b>				
(i) Xiao LuXi (肖璐茜)	60	-	-	60
(ii) Lee Yew Weng	79	-	-	79
(iii) Lee Choon Kwong	59	-	-	59
(iv) Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 21 September 2018)	52	-	-	52
(v) Hong Cheong Liang (Resigned on 24 September 2018)	43	-	-	43
(vi) Dato' Chan Chee Hong (Appointed on 15 May 2018 and resigned on 24 September 2018)	21	-	-	21
<b>Grand Total</b>	<b>314</b>	<b>848</b>	<b>1</b>	<b>1,163</b>
<b>Explanation for departure</b>	-			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	-			
<b>Timeframe</b>	-			

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	-
<b>Explanation for departure</b>	:	<p>The Company had disclosed the top five senior management's remuneration components in bands width of RMB50,000 but not on named basis in order to preserve confidentiality, negative impact arising from the disclosure, and the larger need to maintain a stable work environment to meet long-term strategic goals.</p>
		<p>Alternate Practice:-</p> <p>Practice 7.1 has been applied where there is detailed disclosure on named basis for the remuneration of individual Directors. Therefore, the Intended Outcome in respect of the Directors have been met where the stakeholders would be to assess whether the remuneration of directors is commensurate with their individual performance, taking into consideration the company's performance.</p> <p>The Executive Chairman/ Chief Executive Officer, being the highest-ranking Management is entrusted by the Board to look after the day-to-day management of the Group, including the recruitment of and the determination of their remuneration packages. In addition, as a check-and-balance system,, the Terms of Reference of the Remuneration Committee has been revised by the Board, where the Remuneration Committee is now responsible to review the remuneration packages of the senior management on a yearly basis, to ensure the packages provided commensurate with their individual performance, taking into consideration the company's performance.</p> <p>The division of roles and responsibilities between Board, Board Committees, Individual Directors and Management, as advocated under Practice 2.1, has been encapsulated in the Board Charter and duly adopted by the Board. In view thereof, stakeholders should entrust the Board to assess whether the remuneration of directors and senior management is</p>

	commensurate with their individual performance, taking into consideration the company's performance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

### **Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### **Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not adopted
<b>Explanation on adoption of the practice</b>	:	-

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of AC is Mr. Lee Yew Weng while the Chairman of the Board is Mr. Ding JianPing.  The duties and responsibilities of the Chairman of AC and its members are clearly outlined in the TOR of the AC.	
<b>Explanation for departure</b>	:	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	-	
<b>Timeframe</b>	:	-	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Terms of Reference of the Audit Committee has formalised the policy that the appointment of a former key audit partner as a member of Audit Committee shall observe a cooling-off period of at least two (2) years before being appointed as a member of Audit Committee.</p> <p>None of the members of the Board were former key audit partners and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of Board.</p>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>In accordance with the TOR of the AC, the AC would on an annual basis, review and monitor the suitability, objectivity and independence of the External Auditors. The AC sets policy and procedures on the provision of non-audit services by the External Auditors.</p> <p>In compliance with this Practice, for the FYE 2018, the AC has formalised the procedures to assess the suitability, objectivity and independence of external auditors vide the adoption of a formal policy on 25 February 2019 ("the EA Policy").</p> <p>Pursuant to the EA Policy, the AC has conducted an annual assessment on the External Auditors for FY2018. In its assessment, the AC considered, inter alia, the following factors:-</p> <p>For assessment on "<b>suitability</b>" of External Auditors:-</p> <ul style="list-style-type: none"><li>• The External Auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;</li><li>• To the knowledge of the Audit Committee, the External Auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Institute of Singapore Chartered Accountants and Audit Oversight Board of Securities Commission Malaysia;</li><li>• The External Auditors firm has the geographical coverage required to audit the Group;</li><li>• The External Auditors firm advises the Audit Committee on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;</li><li>• The External Auditors firm consistently meets the deadlines</li></ul>

	<p>set by The Group;</p> <ul style="list-style-type: none"> <li>• The level of quality control procedures in the external audit firm, including the audit review procedures; and</li> <li>• The External Auditors scope is adequate to cover the key financial and operational risks of The Group.</li> </ul> <p>For “<b>objectivity</b>” assessment:-</p> <ul style="list-style-type: none"> <li>• The nature and extent of the non-audit services rendered and the appropriateness of the level of fees.</li> </ul> <p>For assessment on “<b>independence</b>” of the External Auditors:-</p> <ul style="list-style-type: none"> <li>• The engagement partner has not served for a continuous period of more than five (5) years with the Company;</li> <li>• The Audit Committee receives written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and</li> <li>• Tenure of the current auditors.</li> </ul> <p>The Audit Committee noted, for the FY2018, Messrs. Foo Kon Tan LLP, the External Auditors of the Group confirmed in writing that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.</p> <p>Upon completion of its assessment, the AC was satisfied with Messrs. Foo Kon Tan LLP’s technical competency and audit independence during the financial year under review and recommended to the Board the re-appointment of Messrs. Foo Kon Tan LLP as External Auditors for the financial year ending 31 December 2019. The Board has in turn recommended the same for shareholders’ approval at the forthcoming AGM 2019 of the Company.</p>
<p><b>Explanation for departure</b></p>	<p>-</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

### **Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### **Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee comprises solely of three (3) Independent Directors who are as follows:-  a) Mr. Lee Yew Weng – Chairman of the AC; b) Ms. Xiao LuXi – Member of the AC; and c) Mr. Lee Choon Kwong – Member of the AC.

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In view of the AC Members' Self and Peer Evaluation undertaken by each AC Member, the AC as a whole is financially literate. The members of the AC have the relevant accounting or related experience and expertise in financial service industry to effectively discharge their duties.</p> <p>The qualification and experience of the individual AC members are disclosed in the Board of Directors' Profile of the Annual Report.</p>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board has adopted an effective risk management and internal control framework in order to manage risk and oversee the risk management of the Group. The Board through the AC would obtain report from the Internal Auditors on their review of the internal control system.	
<b>Explanation for departure</b>	:	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	-	
<b>Timeframe</b>	:	-	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Further details of the risk management are set out in the Statement on Risk Management and Internal Control of the Annual Report.</p> <p>For the financial year under review and up to the date of issuance of the Financial Statements, the Board has received assurance from the Chief Executive Officer and Finance Manager and is satisfied with the adequacy, integrity and effectiveness of the Group's systems of internal controls and risk management.</p>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted																											
<b>Explanation on adoption of the practice</b>	:	<p>The current Risk Management Committee (“<b>RMC</b>”) is comprised of four (4) Independent Non-Executive Directors, one (1) Executive Chairman and CEO, as well as five (5) key senior management team to oversee the Group's risk management and policies.</p> <p>The composition of the RMC is as follows:-</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Position</th> <th>Directorate/ Designation</th> </tr> </thead> <tbody> <tr> <td>Lee Choon Kwong</td> <td>Chairman</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Ding JianPing (丁建萍)</td> <td>Member</td> <td>Executive Chairman and Chief Executive Officer</td> </tr> <tr> <td>Lee Yew Weng (Appointed on 23 November 2018)</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Xiao LuXi (Appointed on 23 November 2018)</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 23 November 2018)</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Hong Cheong Liang (Ceased on 24 September 2018)</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Ding ZiDi (丁梓迪)</td> <td>Member</td> <td>Deputy General Manager</td> </tr> <tr> <td>Huang Yanbin (黄燕宾)</td> <td>Member</td> <td>Production Deputy General Manager</td> </tr> </tbody> </table>	Name	Position	Directorate/ Designation	Lee Choon Kwong	Chairman	Independent Non-Executive Director	Ding JianPing (丁建萍)	Member	Executive Chairman and Chief Executive Officer	Lee Yew Weng (Appointed on 23 November 2018)	Member	Independent Non-Executive Director	Xiao LuXi (Appointed on 23 November 2018)	Member	Independent Non-Executive Director	Dato' Quah Hoe Phang @ Stephen Quah (Appointed on 23 November 2018)	Member	Independent Non-Executive Director	Hong Cheong Liang (Ceased on 24 September 2018)	Member	Independent Non-Executive Director	Ding ZiDi (丁梓迪)	Member	Deputy General Manager	Huang Yanbin (黄燕宾)	Member	Production Deputy General Manager
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Huang Yanbin (黄燕宾)	Member	Production Deputy General Manager																											

	Li Zijun (李资君)	Member	Sales & Marketing Deputy General Manager
	Ding Mingzhao (丁铭钊)	Member	Sales & Marketing Manager
	Yang Qingyou (杨清油)	Member	Finance Manager
<p>A copy of the TOR of RMC as at 30 March 2018 is available for reference at the Company's website at <a href="http://www.kstarsports.com">www.kstarsports.com</a>.</p>			

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has appointed an outsourced independent professional firm, alphaOne Governance Sdn. Bhd. to carry out the internal audit function of the Group.	
<b>Explanation for departure</b>	:	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	-	
<b>Timeframe</b>	:	-	

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The profile of the Outsourced Internal Auditors and its responsibilities are disclosed in the AC Report of the Annual Report 2018.  The Profile of the Outsourced Internal Auditors is set out as follows:-
	<b>Date of Appointment</b>	: 11 November 2016
	<b>Principal Engagement Lead</b>	: Mr. Allen Tham
	<b>Qualifications</b>	: <ul style="list-style-type: none"> <li>• Certified Internal Auditor, USA;</li> <li>• Certification in Control Self-Assessment, USA;</li> <li>• Member of the Association of Chartered Certified Accountants;</li> <li>• Chartered Member of the Malaysian Institute of Accountants; and</li> <li>• BSc Accounting and Finance (Hons), UK.</li> </ul>
	<b>Experiences</b>	: Mr. Allen Tham has over fifteen (15) years of professional experience in providing internal audit, risk management advisory as well as financial management advisory services.
	<b>Number of resources</b>	: The fieldwork for the audited areas were conducted by four (4) personnel.

	<p>The internal audit personnel have affirmed to the AC that they were free from any relationships or conflicts interest, which could impair their objectivity and independence.</p>		
<b>Explanation for departure</b>	-		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:	-	
<b>Timeframe</b>	:	-	

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>As enumerated in Clause 2.5 of the Board Charter, the Board has formalised its commitment to serving the best interest of the shareholders in the following manners:-</p> <p>(i) The Board will maintain an effective communication policy that enable both the Board and Management to communicate effectively with shareholders and the general public.</p> <p>(ii) The Board will ensure that the General Meetings of the Company are conducted in an efficient manner and serve as a mode in shareholders communication. These include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the General Meetings.</p> <p>The Company has a website which is accessible at <a href="http://www.kstarsports.com">www.kstarsports.com</a>.</p> <p>A dedicated "<b>Investors Relation</b>" section has been established at the Company's website to enable shareholders to obtain the following information:-</p> <ul style="list-style-type: none"><li>• Corporate Information;</li><li>• Financial Information;</li><li>• Corporate Governance;</li><li>• Newsroom;</li><li>• Stock Information; and</li><li>• Information Request.</li></ul> <p>All announcements of the Company would be captured under the "Newsroom" section. The Board ensures that shareholders are kept fully informed through information provided on the Company's website at <a href="http://www.kstarsports.com">www.kstarsports.com</a>.</p> <p>A dedicated "<b>Contact Us</b>" section has been established at the</p>

	Company's website to enable the shareholders to communicate with the Company with a dedicated e-mail address of <a href="mailto:kstar.fin@gmail.com">kstar.fin@gmail.com</a> .	
<b>Explanation for departure</b>	:	
	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
	-	
<b>Timeframe</b>	:	
	-	

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:	-	
<b>Explanation for departure</b>	:	Not adopted as the Company is not a large company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	-	
<b>Timeframe</b>	:	-	

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>For the FYE 2018, the Board had on 27 April 2018, at least 28 days before the date of AGM, issued its Notice of AGM 2017 of the Company which held on 27 June 2018. The Notice clearly identified the directors' seeking re-election, the auditors seeking re-appointment and the payment of directors' fees.</p> <p>An addendum to the Notice of AGM 2018 was issued on 1 June 2018, due to Dato' Chan Chee Hong had been appointed as an Independent Non-Executive Director of the Company with effect from 15 May 2018 and he was required to submit himself for election at the AGM 2018 pursuant to Article 97 of the Company's Constitution. As such, an additional Ordinary Resolution was tabled to the AGM 2018 for consideration.</p>
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All members of the Board and management team were present at the AGM 2018 held on 27 June 2018 to respond to the queries raised by shareholders or proxies. The Chairman of the meeting had provided sufficient time for the shareholders or proxies to ask questions for each agenda in the notice of the general meeting before putting the resolution to vote.  The Chairman of the meetings provided sufficient time for the present to ask questions for each agenda in the notice of the general meetings before putting the resolution to vote.
<b>Explanation for departure</b>	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	-
<b>Timeframe</b>	:	-

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	-
<b>Explanation for departure</b>	:	<p>Prior to implementing the voting in absentia and remote shareholders' participation at general meeting(s), the Board noted several factors/conditions need to be fulfilled prior to making such consideration:-</p> <ul style="list-style-type: none"><li>• Relevant amendments to the Articles of Association/Constitution of the Company to outline the procedures for enabling such voting/participation;</li><li>• Availability of technology and infrastructure;</li><li>• Affordability of the technology and infrastructure;</li><li>• Sufficient number of shareholders residing/locating at particular remote location(s);</li><li>• Age profile of the shareholders.</li></ul> <p>In view thereof, the Board will not be recommending the adoption such voting/participation format at the forthcoming AGM of the Company.</p> <p>As alternative practices, the Company has made the following arrangements:-</p> <p>(1) <u>Venue of AGM at Klang Valley</u></p> <p>Based on an analysis of the shareholders' location as at 29 March 2019, the Company noted that 52.55% of the total 1,412 shareholders of the Company are located in the Klang Valley area comprising Kuala Lumpur and the State of Selangor.</p> <p>Therefore, the venue of the forthcoming AGM has been fixed at an atmospheric location in Shah Alam, State of Selangor, with accessible transportation links to enable the shareholders' attendance with comfort and ease.</p>

	<p>(2) <u>Appointment of Proxy(ies)</u></p> <p>For shareholders who are not able to make the journey to the AGM venue, they are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at the AGM.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	<p>-</p>
<p><b>Timeframe</b></p>	<p>:</p>	<p>-</p>

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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