ANNUAL REPORT 2020

K-Star

K-STAR SPORTS LIMITED

Malaysian Branch Registration No. 200902000042 (995214-D)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ding JianPing (丁建萍)
Executive Chairman and Chief Executive Officer

Koo Kien Yoon
Executive Director
(Appointed w.e.f. 21 September 2020)

Lee Yew Weng
Independent Non-Executive Director

Xiao LuXi (肖璐茜)
Independent Non-Executive Director

Dato' Quah Hoe Phang @ Stephen Quah
Independent Non-Executive Director

Ng Chee Kin
Independent Non-Executive Director
(Appointed w.e.f. 21 September 2020)

Mohtar Bin Abdullah
Independent Non-Executive Director
(Appointed w.e.f. 23 November 2020)

Norman Tai Lik Young
Executive Director
(Resigned w.e.f. 28 September 2020)

Lee Choon Kwong
Independent Non-Executive Director
(Resigned w.e.f. 1 October 2020)

AUDIT COMMITTEE

Lee Yew Weng
Chairman/ Independent Non-Executive Director

Xiao LuXi (肖璐茜)
Member/ Independent Non-Executive Director

Ng Chee Kin
Member/ Independent Non-Executive Director
(Appointed w.e.f. 1 October 2020)

REMUNERATION COMMITTEE

Dato' Quah Hoe Phang @ Stephen Quah
Chairman/ Independent Non-Executive Director

Lee Yew Weng
Member/ Independent Non-Executive Director

Xiao LuXi (肖璐茜)
Member/ Independent Non-Executive Director

NOMINATION COMMITTEE

Xiao LuXi (肖璐茜)
Chairperson/ Independent Non-Executive Director

Lee Yew Weng
Member/ Independent Non-Executive Director

Dato' Quah Hoe Phang @ Stephen Quah
Member/ Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Ng Chee Kin
Chairman/ Independent Non-Executive Director
(Appointed w.e.f. 1 October 2020)

Ding JianPing (丁建萍)
Member/ Executive Chairman and Chief Executive Officer

Xiao LuXi (肖璐茜)
Member/ Independent Non-Executive Director

Ding ZiDi (丁梓迪)
Member/ Deputy General Manager

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

COMPANY SECRETARY

Thum Sook Fun

PRINCIPAL PLACE OF BUSINESS/MANAGEMENT OFFICE

No. 125-127 Jiangtou Qianjin Road North, Jiangtou Industrial Zone
Jiangtou Village, Chendai Town
Jinjiang City, Fujian Province
Postal Code 362211
People's Republic of China
Tel : (86) 595 8518 2868
E-mail : dxshoes@vip.163.com
(for Chinese language only)
Jason.cheng@sshsb.com.my
(for English language)

AUDITORS

Messrs. Foo Kon Tan LLP
Public Accountants and Chartered Accountants
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621
Tel : (65) 6336 3355

Partner-in-charge:
Kong Chih Hsiang Raymond

COMPANY AGENT IN MALAYSIA

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel : (603) 2084 9000
Fax : (603) 2094 9940
Email : jason.cheng@sshsb.com.my

STOCK EXCHANGE LISTING

Listed on Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 4 June 2010
Stock Name : KSTAR
Stock Code : 5172
Sector : Consumer Products & Services
Sub-Sector : Personal Goods

CORPORATE WEBSITE

www.kstarsports.com

PRINCIPAL BANKER

China Construction Bank Corporation,
Jinjiang Branch
(中国建设银行晋江支行)
Construction Bank Building
Zhengjing Xiaoqu
Chingyang Town
Jinjiang City, Fujian Province
Postal Code 362200,
People's of Republic of China

REGISTERED OFFICE IN SINGAPORE

138 Cecil Street,
#12-01A Cecil Court
Singapore 069538
Tel : (65) 6534 0181
Fax : (65) 6725 0522

REGISTERED BRANCH OFFICE IN MALAYSIA

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel : (603) 2084 9000
Fax : (603) 2094 9940
Email : jason.cheng@sshsb.com.my

MALAYSIAN SHARE REGISTRAR

ShareWorks Sdn. Bhd.
No. 2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur, Malaysia
Tel : (603) 6201 1120
Fax : (603) 6201 3121/ 5959
Email : sharereg@shareworks.com.my
(Appointed w.e.f. 1 October 2020)

GROUP CORPORATE STRUCTURE

K-Star

K-STAR SPORTS LIMITED
(Incorporated in Singapore)

Investment Holding

SINARAN TRILION SDN. BHD.
(Incorporated in Malaysia)

Construction and related activities

100%

K STAR HEALTHCARE SDN. BHD.
(Incorporated in Malaysia)

Distributor of pharmaceutical and/or healthcare

(Incorporated on 11 November 2020)

100%

FUJIAN JINJIANG DIXING SHOES PLASTICS CO., LTD
福建晋江帝星鞋塑有限公司
(Incorporated in the People's Republic of China)

Design, manufacture and distribution of sports footwear, sports apparel and accessories

100%

JINJIANG SAIFEITE SHOES PLASTICS CO., LTD
晋江赛飞特鞋塑有限公司
(Incorporated in the People's Republic of China)

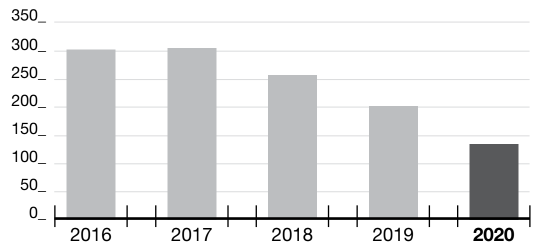
Property investment holding

100%

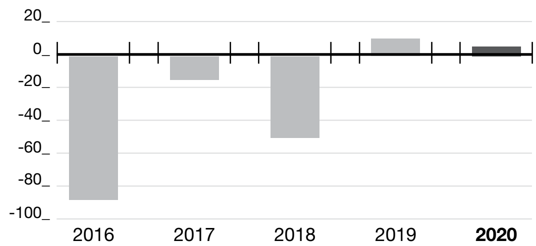
FINANCIAL HIGHLIGHTS

Key results	31 December 2016 (RMB '000)	31 December 2017 (RMB '000)	31 December 2018 (RMB '000)	31 December 2019 (RMB '000)	31 December 2020 (RMB '000)
Revenue	301,277	303,365	254,031	202,728	**133,420**
EBITDA	(86,817)	(14,190)	(48,669)	10,335	**4,320**
Loss before tax	(110,586)	(38,131)	(67,586)	(11,025)	**(6,029)**
Loss after tax	(110,418)	(38,009)	(67,406)	(10,919)	**(5,861)**
Net loss attributable to equity holders	(110,418)	(38,009)	(67,406)	(10,919)	**(5,861)**
Total assets	279,832	231,480	172,240	172,883	**126,481**
Total borrowings	119,200	90,170	80,130	79,130	**50,630**
Cash & cash equivalents	164	1,244	1,655	17,955	**21,519**
Shareholders' equity	116,562	80,674	46,705	41,147	**43,654**
Return on equity (%)	(94.73)	(47.11)	(144.32)	(26.54)	**(13.43)**
Return on total assets (%)	(39.46)	(16.42)	(39.13)	(6.32)	**(4.63)**
Gearing ratio (%)	102.26	111.77	171.57	192.31	**115.98**
Interest cover (times)	(10.99)	(2.50)	(6.95)	(0.50)	**0.03**
Basic loss per share (cents)	(41.45)	(13.22)	(18.38)	(2.71)	**(1.29)**
Net assets per share (RMB)	0.44	0.28	0.12	0.10	**0.09**

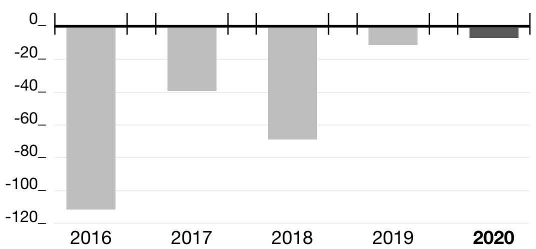
REVENUE
(RMB '000)



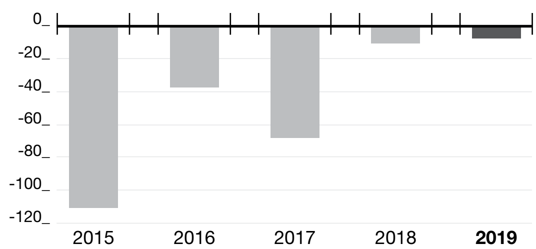
EBITDA
(RMB '000)



LOSS BEFORE TAX
(RMB '000)



LOSS AFTER TAX
(RMB '000)



BOARD OF DIRECTORS' PROFILE
(AS AT 30 APRIL 2021)

Ding JianPing (丁建萍)

Executive Chairman and Chief Executive Officer
Aged 64 • PRC Chinese national • Male

Date of appointment as Director:
3 November 2008

Length of service as director since listing on 4 June 2010 (as at 30 April 2021) :
10 years 9 months

Board Committee(s) served on:
- Member of Risk Management Committee

Academic/Professional Qualification(s):
- Graduated from secondary school in 1975

Directorship(s) in:

(i) Other Public Listed Companies : Nil

(ii) Public Companies : 1. Sinaran Advance Group Berhad

Working Experience:
He is primarily responsible for the business strategy and development, management of the financial affairs, overall administrative management and operations of the Group. He joined the Group since its inception in 1992 and has been instrumental in the expansion of the Group's business to its current status. He has more than thirty (30) years of experience in the shoe manufacturing industry. In 1981, he started his career as a sales supervisor under the employment with Fujian Jinjiang Jiangtou Leather Factory No. 10 (福建省晋江市江头皮革十厂). From 1984 to 1987, he worked as a sales director in Jiangtou Nanfang Leather and Fabric Shoes Factory (江头皮革布鞋厂). From 1988 to 1992, he worked as a factory manager in Jiangtou Nanfang Leather and Plastics Factory (江头南方皮朔厂). His vast experience in the shoe manufacturing industry is integral to the Group's success and growth in the industry. He has been the Deputy President of Russia China Minnan Commerce Association (俄罗斯中国闽南商会) since 2006.

Currently, Mr. Ding is the Executive Chairman and Chief Executive Officer of Sinaran Advance Group Berhad, the public company incorporated in Malaysia.

Time committed:
Mr. Ding JianPing attended all the six (6) Board Meetings.

Koo Kien Yoon

Executive Director
Aged 44 • Malaysian • Male

Date of appointment as Director:
21 September 2020

Length of service as director since appointment (as at 30 April 2021) :
7 months

Board Committee(s) served on:
- None

Academic/Professional Qualification(s):
- Diploma and Advanced Diploma in Business Studies and Public Relations from Institute of Commercial Management (UK)
- Certificate in Marketing and Business Studies from Institute of Commercial Management (UK)

Directorship(s) in:

(i)	Other Public Listed Companies	:	1.	Lambo Group Berhad
			2.	Vsolar Group Berhad
			3.	JOE Holding Berhad (formerly known as GPA Holdings Berhad)
(ii)	Public Companies	:	1.	Sinaran Advance Group Berhad

Working Experience:
Mr. Koo has 22 years of extensive and varied working experience in public relations and managing business activity.

Mr. Koo served as a Public Relations Officer of Ipoh Specialist Centre from 1996 to 1997. He served as a Product Manager of Amer Sports Malaysia Sdn. Bhd. from November 2011 to November 2012; Business Development Director of VRC Sdn. Bhd. & VRC ENT from June 2010 to March 2012; Freelance Consultant of Soo Minn Korea from 2008 to 2010; Business Development Manager of Polyflo Sdn. Bhd. from 2004 to 2007; Product Manager of Radcoflex Sdn. Bhd. from 2000 to 2004 and Sales & Marketing Executive of Polyflo Sdn. Bhd. from 1997 to 2000. Mr. Koo had been a Director at Jeratek Sdn. Bhd. from December 2012 until 2013. He had been an Executive Director at Biosis Group Berhad from 5 March 2013 until 2016. He had been managing a retail chain since 2016.

Currently, Mr. Koo is the Executive Director of Lambo Group Berhad and Vsolar Group Berhad, the public listed companies on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), JOE Holding Berhad (formerly known as GPA Holdings Berhad) on the Main Market of Bursa Securities as well as Sinaran Advance Group Berhad, the public company incorporated in Malaysia.

Time committed:
Mr. Koo attended two (2) Board Meetings during his tenure.

Lee Yew Weng

Independent Non-Executive Director
Aged 43 • Malaysian • Male

Date of appointment as Director:
24 March 2014

Length of service as director since appointment (as at 30 April 2021) :
7 years 1 month

Board Committee(s) served on:
- Chairman of Audit Committee
- Member of Nomination Committee
- Member of Remuneration Committee

Academic/Professional Qualification(s):
- Bachelor of Commerce from University of Adelaide, Australia in 1999
- Certified Public Accountants under the membership of CPA Australia since 2003
- Chartered Accountant under the membership of Malaysian Institute of Accountants ("MIA")

Directorship(s) in:

(i)	Other Public Listed Companies	:	1.	Sunzen Biotech Berhad
			2.	Hiap Huat Holdings Berhad
(ii)	Public Companies	:	1.	Sinaran Advance Group Berhad

Working Experience:

Upon graduation from the University of Adelaide in 1999, Mr. Lee started his career in auditing with Horwath and KPMG in Kuala Lumpur, Malaysia. He joined Jotech Holdings Berhad, a company listed on Bursa Malaysia Securities Berhad, as its Group Accountant in 2002 handling accounting, finance, treasury, corporate finance and tax matters.

In 2003, he joined the Corporate Finance Department of AmInvestment Bank Berhad. He rose to the rank of Associate Director in 2008 and was subsequently transferred to the Investment Banking Department of AmInvestment Bank Berhad in 2008. During his tenure in AmInvestment Bank Berhad, he was involved in a wide range of corporate finance advisory services, including corporate restructuring, reverse take-overs, mergers and acquisitions, fund raising in equity and debt, initial public offerings and business valuation.

Mr. Lee left AmInvestment Bank Berhad in 2010 and is currently involved in business advisory and logistics businesses.

Currently, Mr. Lee is the Non-Independent Non-Executive Director of Sunzen Biotech Berhad, the public listed company on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the Independent Non-Executive Director of Hiap Huat Holdings Berhad, the public listed company on the ACE Market of Bursa Securities. He also serves as an Independent Non-Executive Director of Sinaran Advance Group Berhad, the public company incorporated in Malaysia.

Time committed:
Mr. Lee attended all the six (6) Board Meetings.

Xiao LuXi (肖璐茜)

Independent Non-Executive Director
Aged 38 • Singaporean • Female

Date of appointment as Director:
23 May 2011

Length of service as director since appointment (as at 30 April 2021) :
9 years and 11 months

Board Committee(s) served on:
- Chairperson of Nomination Committee
- Member of Audit Committee
- Member of Remuneration Committee
- Member of Risk Management Committee

Academic/Professional Qualification(s):
- Graduated from Quanzhou HuaQiao University, PRC

Directorship(s) in:

(i)	Other Public Listed Companies	:	Nil	
(ii)	Public Companies	:	1.	Sinaran Advance Group Berhad

Working Experience:
She was formerly a national badminton player for Singapore (ladies' doubles top 10 world ranking in 2001) from 1996 to 2004. Upon her retirement from active sports in 2004, she commenced her career as a General Manager in tea industry. From 2009 to present, she is a manager of a trading company and is responsible for the overall management and operations of the company.

Currently, Ms. Xiao is the Independent Non-Executive Director of Sinaran Advance Group Berhad, the public company incorporated in Malaysia.

Time committed:
Ms. Xiao attended all the six (6) Board Meetings.

Dato' Quah Hoe Phang @ Stephen Quah

Independent Non-Executive Director
Aged 60 • Malaysian • Male

Date of appointment as Director:
21 September 2018

Length of service as director since appointment (as at 30 April 2021) :
2 years 7 months

Board Committee(s) served on:
- Chairman of Remuneration Committee
- Member of Nomination Committee

Academic/Professional Qualification(s):
- LLB Honours at National University of Singapore in 1984
- Advocate and Solicitor – Singapore
- Advocate and Solicitor – Malaysia
- Formerly appointed as a Notary Public for Wilayah Persekutuan, Malaysia on 20 May 2002 until November 2005

Directorship(s) in:

(i)	Other Public Listed Companies	:	Nil
(ii)	Public Companies	:	1. Sinaran Advance Group Berhad

Working Experience:
Dato' Quah practised in Singapore with the firm of Messrs. Goh Aik Chew & Co. from February 1985 to November 1985, where he obtained experience in both litigation and conveyancing.

Having obtained the necessary exposure and experience, he thereafter returned to Malaysia and practised with Messrs. Albar Zulkifly & Yap handling primarily civil litigation. In July 1989, he was made partner with the firm. Effective 1 January 1990, he retired as a partner and established Messrs. Kumar Jaspal Quah & Aishah as a partner. He has been managing the firm as a Managing Partner for a substantial period up till the end of 2005 and retired from legal practice and from the firm to pursue business and other private investments.

During his legal practise, he had made regular Court appearances in the High Courts in Peninsular Malaysia on matters related to corporate, banking and finance and is often called upon by foreign solicitors to handle corporate, banking and finance matters in Malaysia.

He has vast conveyancing corporate regulatory exposure in matters relating to joint ventures, corporate investment matters and land dealings in Malaysia, Myanmar, Hong Kong, Singapore and elsewhere and also had advised on the joint venture development projects carried out by the Malaysian Central Bank (Bank Negara Malaysia) on their building and construction development schemes under their TPU and TPPT schemes.

He has been involved in various business ventures including managing an industrial manufacturing marketing construction groups of companies from end 2005 till 2013 and also thereafter till now have been involved in managing private companies involved in property investment holdings, development planning and general investment holding, mergers, acquisition and disposal activities involving such companies and its assets generally.

Currently, Dato' Quah is the Independent Non-Executive Director of Sinaran Advance Group Berhad, the public company incorporated in Malaysia.

Time committed:
Dato' Quah attended all the six (6) Board Meetings.

Ng Chee Kin

Independent Non-Executive Director
Aged 51 • Malaysian • Male

Date of appointment as Director:
21 September 2020

Length of service as director since appointment (as at 30 April 2021) :
7 months

Board Committee(s) served on:
- Chairman of Risk Management Committee
- Member of Audit Committee

Academic/Professional Qualification(s):
- Chartered Institute of Management Accountants (CIMA) finalist
- Diploma in London Chamber of Commerce & Industry (LCCI)

Directorship(s) in:

(i)	Other Public Listed Companies	:	1.	Vsolar Group Berhad
			2.	Lambo Group Berhad
(ii)	Public Companies	:	1.	Sinaran Advance Group Berhad

Working Experience:
Mr. Ng is currently a Finance Manager of a "1 Stop" sport and lifestyle retail chain company. He started his career as Accounts Executive at Asagi Corporation Sdn. Bhd. from July 1991 to May 1994 and from July 1994 to May 1995 respectively. He also worked as Accounts Executive at Federal Furniture (M) Sdn. Bhd. from June 1995 to June 1997. He worked as Assistant Accountant/Accountant at Lovely Phoenix Sdn. Bhd. from July 1997 to December 1998. He then became Accounts Manager at Surebest Superstore (M) Sdn. Bhd. from January 1999 to June 2000. He worked at NAC Corporation Sdn. Bhd. as Accounts Manager, he subsequently moved to Yuen Chun Industries Sdn. Bhd. in July 2000 whereby he worked as Assistant Finance & Admin Manager from July 2000 to December 2002 and promoted as Finance and Admin Manager from January 2003 to June 2004. He also worked at Everchem Corporation (M) Sdn. Bhd. as Accounts Manager from July 2004 to March 2007. Besides having experience in Accounts and Finance, he also has twelve (12) years experience as financial consultant providing services for private entities and companies.

Currently, Mr. Ng is the Independent Non-Executive Director of Lambo Group Berhad and Vsolar Group Berhad, the public listed companies on the ACE Market of Bursa Malaysia Securities Berhad and Sinaran Advance Group Berhad, the public company incorporated in Malaysia.

Time committed:
Mr. Ng attended two (2) Board Meetings during his tenure.

Mohtar Bin Abdullah

Independent Non-Executive Director
Aged 72 • Malaysian • Male

Date of appointment as Director:
23 November 2020

Length of service as director since appointment (as at 30 April 2021) :
5 months

Board Committee(s) served on:
- None

Academic/Professional Qualification(s):
- Bachelor of Economics (Hons) Business Management from National University of Malaysia
- Diploma in Public Administration from Institut Tadbiran Awam Negara (INTAN)

Directorship(s) in:

(i)	Other Public Listed Companies	:	1.	JKG Land Berhad
			2.	Ideal United Bintang International Berhad
			3.	JOE Holding Berhad (formerly known as GPA Holdings Berhad)
(ii)	Public Companies	:	1.	Sinaran Advance Group Berhad

Working Experience:
Encik Mohtar served in Malaysian Civil Service as Assistant Trade Commissioner of Malaysia in Tokyo, Japan from 1981 to 1989. He assumed the post of Director of Investment, ASEAN Promotion Centre on Trade and Investment in Tokyo from 1991 to 1994. He was attached to Malaysia External Trade Development Corporation ("MATRADE") from 1994 to 2004 where he served as Consul and Trade Commissioner of Malaysia in Milan, Italy from 1994 to 2000 and subsequently based in Jeddah, Saudi Arabia until 2003. His last position in MATRADE was Director of Asia and Africa, MATRADE.

Currently, Encik Mohtar is the Independent Non-Executive Director of JKG Land Berhad, Ideal United Bintang International Berhad and JOE Holding Berhad (formerly known as GPA Holdings Berhad), the public listed companies on the Main Market of Bursa Malaysia Securities Berhad as well as Sinaran Advance Group Berhad, the public company incorporated in Malaysia.

Time committed:
Encik Mohtar was appointed as Director on 23 November 2020 and therefore, he has not attended any of the Board of Directors' Meeting of the Company held in the financial year ended 31 December 2020.

Notes:

1. **Family relationship**
None of the Directors and/or major shareholder of the Company is related to each other nor has any family relationship with the substantial shareholder of the Company. In addition, other than as disclosed, each of them does not have any personal interest in any business arrangement involving the Company.

2. **Directors' Shareholdings**
Details of Directors' shareholdings in the Company can be found in the "Analysis of Shareholdings" section of this Annual Report.

3. **Non-Conviction of Offences**
None of the Directors has been convicted of any offences, other than traffic offences, within the past five (5) years.

4. **No Conflict of Interest**
None of the Directors has any conflict of interest with the Company.

5. **Public sanction or penalty imposed by relevant regulatory bodies**
None of the Directors have any particulars of any public sanction or penalty imposed by the relevant regulatory bodies.

KEY MANAGEMENT'S PROFILE

(AS AT 30 APRIL 2021)

Ding ZiDi (丁梓迪), Chinese, Male

Deputy General Manager

Age	:	38
Qualifications	:	He graduated from Xiamen University (夏门大学) with an associate degree in e-business (电子商务) in 2006.
Working experience	:	Mr. Ding is responsible for managing the Design and Development Department, and Human Resource and Administration Department of the Group. He joined the Group as a management associate upon his graduation and was subsequently appointed as a Manager of the research and development department in June 2007. He is a committee member of Jinjiang City Chinese People's Political Consultative Conference Committee (晋江市政协) since 2011.
Date of Appointment to current position	:	1 January 2009
Date joining the Group	:	2007
Directorship(s) in		
(i) Public Listed Companies	:	Nil
(ii) Public Companies	:	Nil
Committee(s)	:	Member of Risk Management Committee

Huang Yanbin (黄燕宾), Chinese, Male

Production Deputy General Manager

Age	:	49
Qualifications	:	He graduated from Anxi District High School No.6 in 1990.
Working experience	:	He is primarily responsible for the Group overall production planning and management. Prior joining the Group, he worked as a production worker in Jiangtou Nanfang Leather and Plastics Factory (江头南方皮塑厂) from 1990 to 1992.
Date of Appointment to current position	:	1 January 2000
Date joining the Group	:	1993
Directorship(s) in		
(i) Public Listed Companies	:	Nil
(ii) Public Companies	:	Nil
Committee(s)	:	Member Risk Management Committee

Li Zijun (李资君), Chinese, Male

Sales and Marketing Deputy General Manager

Age	:	47
Qualifications	:	Associate Bachelor Degree from Hunan Normal University (湖南师范大学)
Working experience	:	He is primarily responsible for managing the sales to both PRC domestic and overseas markets. He started his career as a teacher from 1997 to 1998 in Jiahe District High School No. 3. From 1999 to 2000 he worked as an assistant manager in Guangdong Zhongshan Weijing (Hong Kong) Shoes Co. Ltd. (广东中山违景(香港)鞋业有限公司). Subsequently, he worked with Jinjiang Hengyu Shoes Co. Ltd (晋江恒宇鞋业有限公司) as an administrative manager from 2001 to 2003. He later left in 2004 to work as a sales representative and subsequently promoted to sales manager in Jinjiang Xin Ji Yuan Shoes & Apparel Company (晋江新纪元鞋服公司). He joined the Group in June 2005 as our sales manager.
Date of Appointment to current position	:	1 January 2006
Date joining the Group	:	2005
Directorship(s) in		
(i) Public Listed Companies	:	Nil
(ii) Public Companies	:	Nil
Committee(s)	:	Member Risk Management Committee

Ding Mingzhao (丁铭钊), Chinese, Male

Sales & Marketing Manager

Age	:	31
Qualifications	:	He graduated from Xiamen University Jiageng College (厦门大学嘉庚学院) with a bachelor degree in finance in 2013.
Working experience	:	He is primarily responsible for sales and marketing of the Group involving market survey, clientele management, credit control and risk management, sales collection and general expenses of the sales and marketing department. Upon joining the Group, he was the assistant to the Production Deputy General Manager of the Group from 2014 to 2015. Subsequently, he worked as the assistant to the Group CEO from 2015 to 2016. Prior joining the Group, he worked as an assistant manager in Industrial Securities Co. Ltd (兴业证卷), a brokerage, investment banking and asset management company from 2013 to 2014.
Date of Appointment to current position	:	1 January 2017
Date joining the Group	:	2014
Directorship(s) in		
(i) Public Listed Companies	:	Nil
(ii) Public Companies	:	Nil
Committee(s)	:	Member Risk Management Committee

Yang Qingyou (杨清油), Chinese, Male
Finance Manager

Age	:	41
Qualifications	:	He graduated from Liming Vocational University (黎明职业大学) in 2004.
Working experience	:	He is primarily responsible for day-to-day accounting and financial reporting of the Group. Prior joining the Group, he worked as an auditor in a local accounting firm in Guangzhou from 2004 to 2012.
Date of Appointment to current position	:	1 January 2013
Date joining the Group	:	2012
Directorship(s) in		
(i) Public Listed Companies	:	Nil
(ii) Public Companies	:	Nil
Committee(s)	:	Member of Risk Management Committee

Notes:

(a) Save for Mr. Ding ZiDi (son of Mr. Ding JianPing), none of the other key management has any family relationship with any Director and/or major shareholder of the Company;
(b) None of the key management has any conflict of interest with the Company;
(c) None of the key management has offences (other than traffic offences) within the past five (5) years; and
(d) None of the key management has any particulars of any public sanction or penalty imposed by the relevant regulatory bodies.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board") of K-Star Sports Limited ("K-Star"), I am pleased to present to you the Annual Report together with the Consolidated Financial Statements of the Company and its subsidiaries ("Group") for the financial year ended ("FYE") 31 December 2020.

PERFORMANCE OVERVIEW

We faced unprecedented challenges created by the Coronavirus Disease 2019 ("**Covid-19**") pandemic and it has been a challenging year for the Group in 2020 with slowing down of orders from the distributors. The revenue from the sales of our proprietary brand "Dixing" and Original Equipment Manufacturing ("**OEM**") segment have decreased by 42.01% and 51.74% respectively as compared to the preceding year. Overall gross profit margin remained sustainable and consistent with a marginal increase by 0.35%. Loss before taxation has been narrowed to RMB 5.86 million (2019: RMB 10.92 million) mainly due to the interest savings arising from the repayment of long-term borrowing and the absence of impairment on patents as well as trade fair expenses. Nevertheless, the Group sustained an earning before interest, taxation, depreciation and amortisation ("**EBITDA**") of RMB 4.32 million for the current FYE 31 December 2020.

OUR BUSINESS MODEL

Established in 1992, our Group is one of the leading sports footwear company in Jinjiang City, Fujian Province of the People's Republic of China ("**PRC**" or "**China**"). We are principally engaged in the design, manufacture and distribution of sports footwear, sports apparel and accessories under our own proprietary brands ("Dixing" and "K-Star" brands, collectively) with strong emphasis on proprietary brand management, product quality and development. We continue to innovate and create product differentiation with our research and development ("**R&D**") team.

During the year under review, the footwear distributorship business model adopted by the Group remained unchanged. The authorised distributors distributed the products under Dixing core brand in their respective exclusive geographical territory. Distributors could choose to open stores directly and could also choose to further distribute the products under Dixing core brand to the authorised retailers. This business model allows maximum flexibility at the provincial level for local city promotions, redistribution of inventories between retailers and standardised pricing. The Group currently hosts two major trade fairs per year to showcase new season's products, in which all distributors are invited to attend. The Group provides guidance to its distributors in making a sensible order to minimise high level of excessive stocking at the retailing channel, prevent deep retail discounts, and stabilise retailers' profitability and support sustainable development. These trade fairs are generally hosted six months ahead of their respective display and launch seasons to allow the orders to be manufactured and delivered to the distributors.

In 2017, the Group ventured into the construction industry through its wholly owned subsidiary, Sinaran Trilion Sdn. Bhd. to undertake contractual construction and related activities, with the intention to diversify its revenue base. The Group has been operating its construction business on a small scale basis and is expected to grow organically.

OUR PRODUCTS

Our products range which has been endorsed by renowned Olympic Champion Tian Liang, comprises athletic footwear designed for specific sporting activities such as running, tennis, basketball and mountain climbing, as well as leisure footwear. In addition, we are also an OEM and original design manufacturer ("**ODM**") for international sports brands including Umbro, Diadora, Kappa, Le Coq Sportif, Canguro, Die Wilden Kerle, Cosby, Bridgestone, Prince and Master Bunny as well as PRC footwear brand, Double Star (青岛双星).

OUR MARKET

Currently, our proprietary products are distributed across 13 provinces in the PRC at over 300 retail stores managed by our distributors and exported to Russia and other overseas markets, such as Ukraine, Belarus, the Czech Republic, Poland, Finland, Romania and Hungary.

OUR DESIGN AND PRODUCTION CAPACITY

We are strategically located in Jinjiang City, Fujian Province of the PRC, which is renowned as one of the world's largest sports shoes manufacturing hub. We generate over 600 designs annually and our current annual production output is approximately 3.0 million pairs of quality sports footwear.

MARKET REVIEW AND BUSINESS OUTLOOK

Footwear industry in the PRC

For the current financial year, due to the intense competition of the sports footwear industry, more and more sports footwear enterprises have begun to focus its efforts to embrace technological and innovation changes. With that, the market will see progressive development in technology, materials and processes towards a trendiness, superior quality and reasonable pricing of the sportswear.

According to Euromonitor, the total value of mainland footwear sales in 2019 was RMB435.2 billion, a 5.8% year-on-year increase. Of this, the sales of men's shoes delivered RMB165.4 billion in revenue, accounting for 38% of the total, while sales of women's footwear brought in a further RMB206.7 billion (47%). Sales of children's shoes accounted for RMB63.0 billion (14%). It is estimated that by 2024 the mainland footwear market will be worth around RMB563.2 billion.

Sports shoes can be classified into general sports shoes, professional training shoes and professional sports shoes, according to their specifications. Basketball shoes, football shoes, tennis shoes and hiking shoes are in relatively greater demand.

As sporting events are becoming increasingly popular, and people's interest in personal fitness continues to rise, as well as growing enthusiasm for taking part in sports under the National Fitness Programme (2019 2030) and related government policies, the cost of participating in sports related activities has become a significant part of many individuals' monthly spending. In recent years, crossover promotion of sports shoes has become an established trend, in which the marriage of innovative technology and classic styles is a common design theme.

As the concept of "leisure" is becoming increasingly important in the lives of many Chinese consumers, the market for leisure shoes is also growing rapidly, with style and comfort seen as the two primary selling points in the sector. Typically, purchasers of leisure shoes tend to be aged between 18 and 45 and more demanding than average of brand and individuality, with students and office workers forming the mainstay.

MARKET REVIEW AND BUSINESS OUTLOOK (CONT'D)

Footwear industry in the PRC (Cont'd)

As the low carbon, eco friendly trend is drawing more and more public attention, various brands in the footwear industry have launched low carbon campaigns, with some introducing low carbon products using green raw materials, energy conservation and recyclability, in a move to enhance their brand and attract consumers. In addition, enterprises are also installing more environmentally friendly facilities in shoe production. For instance, the wooden Y shaped automatic rotary drum is used in the tanning, re tanning and dyeing in the leather making process to help maintain the drum's internal temperature and reduce energy consumption.

The mainland footwear market is dominated by domestic products. There are currently four major footwear industry clusters in the country, predominantly located in the southeast coastal regions. The Guangdong footwear industry base, with Guangzhou and Dongguan at the heart, focuses on medium to high end shoes, while Zhejiang, with its footwear sector centred around Wenzhou and Taizhou, primarily produces medium to low end men's shoes. The western region's footwear industry is headed by Chengdu and Chongqing, with medium to low end women's shoes accounting for the majority of its output. Led by Quanzhou and Jinjiang, meanwhile, Fujian's footwear industry specialises in sporting shoes.

Three different kinds of businesses are targeting the mainland market. Firstly, there are imported brands, which mainly come from the US and Europe, with Italy and Spain particularly well represented. Brands such as Santoni, the Italian handmade shoes company, tend to target the higher end of the market. Then there are Sino foreign joint venture enterprises. Primarily headquartered in Hong Kong or Taiwan, their financial resources and design capabilities once dominated the mid range market. More recently, however, a number of domestic brands, most notably Belle, have made successful incursions into this particular sector.

With rapid advances in technology, many enterprises have started launching footwear products incorporating technology, fuelling further market competition. For example, smart shoes include functions that connect to smartphones. A smartphone app can be used to trigger the tying and untying of shoelaces, and this can be voice controlled.

Mainland footwear companies are facing problems of becoming outdated, lacking design innovation and having a low price performance ratio. In order to stay competitive, they are beginning to make greater use of innovative production techniques. For example, 3D foot scanner for custom-fitted shoes and 3D printing shoes.

Overall, though, intensifying competition has led to further market segmentation. This has seen many of the better known international and domestic sports shoes brands, for instance, focusing their efforts largely on the adult market. As competition continues to increase, the market is expected to become still more segmented, which will give companies in the sector scope for targeting additional niches and sub categories. As an example of this, with hiking having become widely popular across the mainland, a number of footwear companies have taken the opportunity to launch specialist hiking and walking footwear.

Many mainland manufacturers remain concerned over the renewed challenges from elsewhere in Southeast Asia, with several countries now offering considerable labour cost advantages over China, while also having improved access to better resourced local industry chains. A number of mainland producers are adopting smart production facilities to bolster production efficiency and product quality and thus competitiveness. For instance, an automatic laser cutter is being used by a company to produce footwear materials and midsoles, doing away with the manual mould making process. Another company uses a computer controlled automatic template exchange machine, which can operate automatically on a continual basis, stitching shoe uppers. Users need only input the required patterns, based on which the machine will complete the stitching.

(Source: China's Footwear Market, Hong Kong Trade Development Council)

Our Group continues to remain resilient in the wake of continued slowdown by devoting time and effort to work closely with our distributors and innovating our products to remain competitive. We continue with our efforts to bridge the highly competitive market to reach our consumers. This would be part of our brand positioning efforts and growing of our distribution networks. In addition, we continue our efforts in R&D and marketing activities to further enhance our Group's distribution network, product design and development to maintain our competitive edge in order to keep intact with the market development.

MARKET REVIEW AND BUSINESS OUTLOOK (CONT'D)

Construction industry in Malaysia

Growth in the construction sector moderated to 0.1% in 2019 (2018: 4.2%), reflecting mainly the completion and near completion of large infrastructure and mixed development projects. In the non-residential and residential subsectors, fewer and smaller new projects amid the commercial property glut and elevated level of unsold residential properties also contributed to the lower growth. While the civil engineering subsector remained the key contributor to growth, the delay in construction work for major highways, in addition to the completion of large petrochemical projects, led to a moderation in construction growth during the year.

(Source: Economic and Monetary Review 2019, Bank Negara Malaysia)

Activity in the construction sector declined by 44.5% in the second quarter of 2020 (1Q 2020: -7.9%), as almost all activities came to a standstill particularly in the month of April. Despite the partial reopening of the economy on 4 May, most construction sites faced challenges restarting due to adjustments required to comply with the strict COVID-19 Standard Operating Procedures (SOPs). Most of the construction sites were reported to remain idle as developers faced challenges to restart, including financial constraints, initial lack of clarity over the SOPs and COVID-19 testing, and disruptions in the supply of construction materials. However, the situation improved significantly towards the end of the quarter (i.e. recommencement of operation in most construction sites) after the Government implemented additional measures to facilitate the revival of the economy. These measures included providing details on standard operating procedures by publishing a set of frequently asked question, and subsidising Covid-19 tests for workers covered by SOCSO. Workers were encouraged to use the MySejahtera mobile application to aid contact tracing if needed.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)

MOVING FORWARD

In the long term, the Board expect the footwear business 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 sports related policies and programmes. The advancement of e-commerce also plays a significant part to drive growth and to cushion the deteriorating growth of the retail stores.

However, in the short term, the Board envisaged that the outlook of the China sports footwear market will remain challenging ahead due to the uncertainties surrounding China's economy as resulted from the Covid-19 outbreak and intensified US-China trade tension. Further, the Board expect market competition will continue to intensify with international sportswear brands constantly accelerating their presence in China market 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 tension, Covid-19 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 footwear business. Moving forward, the Group intends to focus on the growth of its existing operation in the footwear business. The Group will continue its efforts in the research and development (R&D) and marketing activities to further enhance its distribution network, product design and development to maintain competitive edge in order to keep intact with the market development in footwear business.

MOVING FORWARD (CONT'D)

The Board envisaged the construction business to recover rapidly in view of the series of stimulus plan introduced by the Malaysian government which aims to revive the nation's economy growth. These include the allocation of an additional RM2 billion for immediate implementation of small infrastructure repair and upgrading projects across the country particularly in rural areas, the continuation of the implementation of all projects allocated in Budget 2020 including the East Coast Rail Link and Mass Rapid Transit 2, the provision of several incentives to stimulate the property market as well as financing through the SME-GO Scheme for 16,000 qualified G2 and G3 contractors who have received projects under PRIHATIN (PRIHATIN Rakyat Economic Stimulus Package) with no collateral or deposit required. The Company 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 increased construction activities in Malaysia, which will in turn, present the Group with more business opportunities (i.e. subcontracting work from main contractor).

With the proceeds to be raised from the Proposed Special Issue earmarked solely for the expansion of the Group's construction business, the Board believe that the expansion plan would place the Group in a better position to capitalise on the envisaged growth in construction activities in the country and therefore, the Board of Directors of K-Star is cautiously optimistic on the Group's prospects for the financial year ending 31 December 2021.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to extend my gratitude to our shareholders, business partners and customers for their continuous support and faith in K-Star. I would also like to express my deepest appreciation to the Board members, management team and the employees for their dedication and contribution. With our relentless effort in executing our strategies, we are confident of enhancing shareholder value and delivering a long-term a sustainable development of the Group.

DING JIANPING (丁建萍)
Executive Chairman

BUSINESS OVERVIEW

Driven by favourable government policies and continual steady growth of macro sports demands, domestic sports market sustained its growth momentum. The discerning consumers are on constant lookout for sports footwear that are trendy, outstanding and reasonably priced. The purchasing behaviour of Chinese consumers has become increasingly sophisticated in recent years. With persistent upgrading of living standard and consumption in China, consumers are shifting their focus to functionality of sportswear for specific sports categories or physical exercise activities. This propels the need of our Group to continue to innovate and transform ourselves to satisfy these consumers. We need to continue to position ourselves in the market to remain current in the industry. Market differentiation and branding efforts will remain our Group's charted course.

Footwear industry is facing enormous challenges due to slow growth and margin erosion in view of increasing raw material and labour costs. Competition continues to intensify both from local and foreign brand in the industry and the Group had to resort to giving incentive to its distributors and to beef up in product differentiation to remain competitive. In addition to this, the Group will continue with its strategy to increase OEM/ODM activities while tightening its costs and exploring opportunities to grow. The Group will continue to reinforce its presence in the market place with greater effort in research and development and intensive marketing efforts.

Our Group continues to rationalise its overall operation in optimising our production activities, reducing operating costs, prudent practices in credit control and incentive in handling of distributors.

Sales and distribution of our proprietary brand footwear remain our primary activities in contributing to our revenue stream. In addition, following the diversification of the Group business into construction, the Group expects the construction segment is able to provide additional stream of revenue to the Group in near future.

MARKETING STRATEGIES AND BRAND BUILDING

China's sports foot wear industry remained as an exciting and promising market to long established businesses. The current situation of intense competition will remain while trend and development of better sports footwear is in the making. The rush to get sales remained necessary while new strategies are developed to increase sales.

Our proprietary brand will continue with our brand awareness campaign for trend-setting, high quality and fashionable sportswear. Our Group has continuously been building its brand with continuous research and development to create better and new products to sustain its foothold in the sports footwear market. Moving forward, our distributors are encouraged to continue to land a deal with the department store to increase brand exposure and recognition with lesser operating costs as opposed to the independent specialty outlet. The Group is also counting on its OEM/ODM activities and will pursue for other OEM/ODM opportunities as well as the Group has built its name in the OEM/ODM sector.

FINANCIAL OVERVIEW

For the FYE 31 December 2020, the Group's loss before taxation ("**LBT**") was RMB 6.03 million, narrowed by RMB 5.00 million as compared to the preceding year's LBT of RMB 11.03 million. This was mainly attributable to the interest savings arising from the repayment of long-term borrowing and the absence of impairment on patents as well as trade fair expenses.

Revenue & gross profit margin

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

The Group's overall gross profit margin was fairly consistent, stood at 9.65% as compared to the preceding year of 9.51%.

Sales and distribution expenses

The sales and distribution expenses has decreased by 37.50% as compared to the preceding year as there were no trade fair organised during the Covid-19 pandemic.

Administrative expenses

The administrative expenses was fairly consistent with a slight decrease of 6.25% as compared to the previous financial year.

Other operating expenses

There were no provision for impairment loss on property, plant and equipment, land use rights and patents as compared to the preceding year which were amounted to RMB 0.38 million, RMB 0.12 million and RMB 8.05 million respectively.

Finance costs

Finance costs incurred in the FYE 31 December 2020 has decreased by 15.36% as compared to FYE 31 December 2019 as there were repayment of long-term interest bearing payables amounted to RMB 28.50 million made during the current financial year.

Income tax expenses

There were no income taxation for footwear business and the construction segment for the current year as it was in a loss making position.

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

Dividend

There were no dividends declared by the Company for the FYE 31 December 2020.

FINANCIAL OVERVIEW (CONT'D)

Liquidity and financial resources

The Group has recorded a net cash inflow from operating activities of RMB 30.78 million for the current FYE 31 December 2020 as compared to the net cash inflow of RMB 1.95 million recorded in the FYE 31 December 2019. This was mainly due to quicker trade receivables turnover as compared to FYE 31 December 2019. There was no cash flow allocation for and from investing activities.

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

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

Working capital management

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

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

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

KEY RISKS

Our business is operated in a highly competitive sports footwear industry and facing off keen competition from international and domestic brands is a continuous business mantra. Our business model is the appointment of Authorised Regional Dealers and operators who operate Dixing Specialty Stores and shops-in-shops. We supervise and manage these dealers and operators regularly but also take cognisance that there can be no assurance that such supervision and management will be sufficient to avoid our proprietary brand being associated with inappropriate and poor service and any such negative association arising out of low quality or inappropriate and poor management by them which could damage our brand name and reputation and thus, have a material adverse effect in our business and financial performance. During the year 2018, we are not aware of any material non-compliance issues of our dealers and operators.

The sports footwear manufacturing industry is labour intensive. The continued rising labour costs have greatly impacted our margins with no assurance of stabilising. The increase in cost is not in line with the corresponding increase of the prices of our products. The imbalance is felt greatly with the dwindling of the revenue from the sportswear while the labour costs remained an upscale matter.

Like the past years, our retailers for our proprietary brand products have continued to face increasing competition for suitable retail locations and space for Dixing Speciality Stores and other retail locations respectively to merchandise and sell our proprietary brand products. In securing preferred locations or commercially optimal locations, our retailers incurred higher costs which in turn will affect the business and financial performance of our Authorised Regional Dealers/and or the Group.

PROSPECTS

Despite the challenging market conditions, the Group has managed to maintain a sustainable level of demand for its products due to amongst others, its competitive advantages. The Group's competitive advantages centred on its established brands, wide distribution network, reliable product workmanship, design and product development capabilities.

The Board is endeavouring to improve the Group's business and financial performance to create and deliver value to its shareholders. To achieve these objectives, the Group has adopted amongst others, the strategies as set out below:

i) Rationalising overly aggressive orders made by the Group's distributors to reduce long overdue receivables and collection risk;

ii) Rationalising operating costs;

iii) Continuing effort in product research and development in order to yield positive market response and/or improve cost efficiencies and keep the Group's products competitive and relevant; and

iv) Disposing non-core assets of the Group.

Moving forward, the Group intends to continue hosting its trade fairs, whereby the Group has the opportunity to interact with potential and existing distributors to secure more orders and to obtain market feedback for the Group's products as well as to obtain relevant update on information on the footwear industry in the PRC.

Looking ahead, the Group believes that the pandemic will further increase the health awareness among Chinese people, and thus we remain positive about our long-term business development and the prospects of the sportswear industry in Mainland China. Meanwhile, consolidation in the sportswear market in Mainland China has intensified in the aftermath of the pandemic. We are confident that we are well-placed to benefit from the market consolidation with our solid business foundation. We envisages that the order from its distributors and OEM customers will remain intact to sustain the Group's business. The Group will also continue to grow its construction business organically but will also look into inorganic growth if any opportunity arises.

OUR APPROACH TO SUSTAINABILITY

We have always valued the way how our business is conducted. We perceive corporate sustainability as our commitment to create long term value for our shareholders, environment and society through innovation and excellence. We have been disclosing our Corporate Sustainability Statement since financial year 2012.

To embrace all these, we act with a purpose and conduct our business in a way that protects and preserves the environment, supports our employees and in return contribute to the society.

GOVERNANCE STRUCTURE

The sustainability is currently governed by the Board to ensure accountability, oversight and review in the identification and management of sustainability matters.

SCOPE

The Corporate Sustainability Statement focuses on the Group's major business operations for the FYE 31 December 2020.

IDENTIFYING MATERIAL SUSTAINABILITY MATTERS

We are manufacturers of shoes and we consume natural resources. In the manufacturing process, we will inadvertently produce waste which affects the environment. We strive to work closely with our suppliers, employees and customers to minimise the impact to the environment. This is our responsibility. We identified the material sustainability matters that relating to the Group as follows:

A. ENVIRONMENT

Significant importance towards preserving the environment and conservation of resources are prioritised. We observe environment friendly practices in our daily operations to use energy and resources in a sustainable manner. Similarly great efforts are expended to seek continuous improvement in our operation to achieve sustainability and the same time protect the environment.

We embraced fundamental aspects of environmental sustainability in terms of our design, material selection and manufacturing process. We focus to minimise and eliminate waste as a key tenet of our strategies moving forward.

We recognise that we have the responsibility to ensure the protection of the planet, as well as the safety, health and well-being of our many stakeholders. This responsibility is at the forefront of our business practices, operations and development and form the basis on our continuous efforts to conduct business in an ethical and responsible manner, striving to extend our leadership among numerous industry players in respect of various areas other than financially.

Apart from placing strong emphasis on quality and research and development, we also require all departments to strictly observe and ensure their compliance with laws and regulations. Our Group has complied with the requirements as set out in local environmental protection laws and regulations (including but not limited to the Law of PRC on Environmental Protection(中华人民共和国环境保护法), the Law of the PRC on Prevention and Control of Water Pollution (中华人民共和国水污染防治法), the Law of the PRC on Prevention and Control of Air Pollution (中华人民共和国大氣污染防治法) and the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes (中华人民共和国固体废物污染环境防治法). There were no non-compliance cases in relation to environmental protection laws and regulations during the reporting period.

IDENTIFYING MATERIAL SUSTAINABILITY MATTERS (CONT'D)

A. ENVIRONMENT (CONT'D)

(i) Waste management

In order to maximise the control on waste, suitably treat waste and minimise waste pollution to the Group and its surroundings, we have implemented the following measures:

- All waste produced during production activities will be collected, sorted and placed to the designated area by factory operators for disposal;
- The waste produced by the activities in office, laboratory and quarters will be sorted and cleared by cleaning staff on a daily basis;
- Leftovers of food and used oil in canteens are treated appropriately.

(ii) Energy management

The Group has implemented certain measures of energy conservation and emissions reduction during the reporting period as follows:

- Use energy-efficient illumination lamps; light should be turned off when staff leave the premises to reduce electricity wastage;
- The temperature of air conditioners and heaters in each department shall be adjusted and controlled according to working conditions;
- Stringent management of production equipment that requires large electricity consumption by the production department;
- Before purchasing any machinery or equipment, respective department should assess the energy consumption of the equipment, and select the types with low energy consumption if conditions permit.

(iii) Water management

Although the Group has no significant waste water discharge in its production activities, the Group has implemented the following plans to mitigate water consumption during the reporting period:

- Enhance employees' education on environmental protection, and encourage employees to use non-hazardaous based detergent and washing powder; and
- All staff should save water in the factory, quarters and in the workplace, and no water bump to increase water pressure unless permitted, to reduce the usage of water.

(iv) Use of materials

Our products are free from heavy metals, solvents, phthalates and colour dyes that are considered to be hazardous. We bring our products to an independent professional inspection, i.e. CCTLAB and PFI Fareast for chemical safety testing and inspection.

We have continuously working on innovative ways to reduce our overall packaging footprint, specifically to reduce the overall packaging weight and to reduce/eliminate unnecessary packaging where opportunity arises. Shoe boxes, paper toe stuffing to protect the shoe tip are made of recycled paper/pulp while shopper bags are made of recycled fibre.

IDENTIFYING MATERIAL SUSTAINABILITY MATTERS (CONT'D)

B. SOCIAL

As a responsible employer, we strictly comply with all local employment laws and regulations. During the reporting period, there were no non-compliance cases in relation to human resources laws and regulations.

(i) Learning and development

We provide induction training for new staff to familiarise themselves with the new environment. To ensure continuity, we continuously identify key talents to be trained as part of our succession planning. We encourage our employees to work together in harmony to achieve a common vision. Every employee is given equal opportunity to rise up in their positions through hard work and dedication.

(ii) Talent attraction and retention

We acknowledge the contribution of our employees in driving the performance of our business. We recognise good talents and reward them accordingly with promotions and incentives.

(iii) Employee safety, health and well-being

While we are the OEM manufacturer for some international brands, we are bound to comply with the internationally-accepted standard and code of conduct to ensure a positive working environment which is safe and clean, in which people are treated with dignity and respect. These brands monitor and evaluate our implementation consistently to ensure compliance and improvement where necessary. We provide a safe, hygienic and friendly working condition for our employees and do not subject them to dangerous working practices. Our safety policy outlines the safety measures to be observed by our employees. The employees are also provided with adjacent hostels attached with necessary facilities, meeting the basic needs of the employees and is kept clean and safe.

In light of the recent outbreak of coronavirus, our group has undertaken initiative to stay vigilant and preventive measures as part of our commitment to care and to always keep our employees' health as our utmost priority. We practices self-quarantine and take record of temperature for employees returning work from their Chinese New Year's break. We also practice cleaning of frequently touched surface, and hand hygiene on a routine basis. We ensure there are sufficient supplies of mask, cleaning soap and hand sanitizer at our work place for our employees as well as visitors.

(iv) Promoting Diversity, equal oppotunities and anti-discrimination

We remain committed to diversity and support firmly the multi ethnic, multi religion and gender free practice in the working environment.

Presently, 14% of the Board members i.e. one person is female and the Board comprises of one local member and six foreign members.

Majority of the total employees of the Group comprised foreigners as the factories are based in People's Republic of China.

The Group is committed to provide fair, equitable and reasonable job opportunities for the staff. In the respect of engagement, wages, welfare and promotion, our considerations are solely based on our staff's work competence. We treat all employees equally, irrespective of their gender, age, race, blood, skin colour, nationality, political status, creed, marital status, maternity status, sexual orientation, disability or any other factors that are irrelevant to their work competence.

IDENTIFYING MATERIAL SUSTAINABILITY MATTERS (CONT'D)

B. SOCIAL (CONT'D)

(v) Working hours

We strictly control working hours in accordance with the requirements of laws and customers, and ensure that all the overtime works are on a voluntary basis. The overtime pay is fully remunerated according to local applicable labour laws. New comers will be provided with pre-employment briefing, allowing them a clear understanding of relevant working hours and their entitlements.

MOVING FORWARD

Our Group is committed to promote good corporate governance standards and building sustainability.

Management personnel is in place to assist the Board in overseeing the Group's principles, policies, and strategies pertaining to sustainability. This may include establishing new policies and procedures, identifying various sustainability matters, measures, action plans and indicators to manage the identified sustainability matters.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

"Corporate Governance remains one of our key pillars amid the volatile operating conditions."

K-Star's Corporate Governance ("CG") Commitment

Being a non-Malaysia domiciled entity listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Board of Directors (the "**Board**") of K-Star Sports Limited ("**K-Star**" or the "**Company**") is committed to extolling transparency and professionalism in all its corporate activities, with the ultimate aim of realising long-term shareholders' value and safeguarding interests of other stakeholders.

As part of this commitment, the Board is pleased to present this Corporate Governance Overview Statement ("**CG Statement**") to provide stakeholders with an overview of the extent of applications and compliance with the Practices as set out in the Malaysian Code on Corporate Governance ("**MCCG**") under the stewardship of the Board for the financial year ended 31 December 2020 ("**FYE 2020**") and/or up to the date of this CG Statement (where applicable) (hereinafter referred to as "**Applicable Period**").

This CG Statement takes guidance from the three (3) key CG principles as set out in the MCCG, which are: -

Principle A	Principle B	Principle C
Board Leadership & Effectiveness	Effective Audit & Risk Management	Integrity in Corporate Reporting & Meaningful relationship with stakeholders

This CG Statement in general complied with MCCG, Companies Act (Chapter 50) of Singapore ("**Singapore CA**"), Main Market Listing Requirements ("**Main LR**") of Bursa Securities, Malaysian Companies Act 2016 ("**Malaysian CA 2016**") (where applicable) and also be guided by the Corporate Governance Guide issued by Bursa Malaysia Berhad. This CG Statement also serves as a compliance with Paragraph 15.25 of the Main LR of Bursa Securities and should be read together with the 2020 Corporate Governance Report ("**2020 CG Report**") which is available at the "Corporate Governance" section of the Group's corporate website at:-

http://www.kstarsports.com

The 2020 CG Report provides the detailed explanations on how K-Star has applied each Practice as set out in the MCCG during the financial year ended 31 December 2020 ("**FYE 2020**") and/or up to the latest practicable date (where applicable) (hereinafter referred to as "**Applicable Period**").

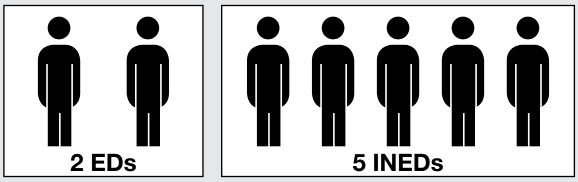
K-Star's CG Journey

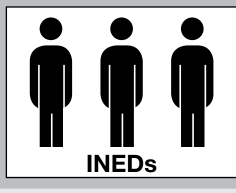
The Coronavirus Disease 2019 ("**Covid-19**") pandemic has caused immense uncertainties to the business operation of the Group. As the Management continues to grapple with its day-to-day business activities, the Board is mindful that a strong CG culture should be maintained in order to provide assurance to the stakeholders, in particular, regulatory authorities and shareholders from different jurisdictions and countries, that ethical principles are not forsaken in the pursuit of our corporate goals.

To ensure the Board continues to apply the best CG practices, during the Applicable Period, the representative of the Company Secretary ("**Company Secretary**") has tabled to the Board the CG Monitor 2020 which issued by Securities Commission Malaysia ("**SC**") in October 2020, whereby SC took several proactive measures, including temporary relief efforts to support companies as they face the challenges brought by the Covid-19 pandemic to ensure that markets continue to operate in an orderly manner. The Company Secretary has briefed the Board on the findings of the CG Monitor in order for the Board to deliberate and review the CG performance of K-Star viz-a-viz to the general levels of CG applications as reported in the CG Monitor 2020, as well as to identify areas for improvement.

K-Star's Key Focus Area

The Board is pleased to provide below a snapshot of the key focus areas in relation for the Applicable Period for information:-

MCCG Practices	Applications by K-Star
Practice 1.1 **Key Responsibilities of the Board**	✓ Strategic planning and direction to Executive Management ✓ Business overview on consumer trends and financial performance oversight ✓ Risk Management oversight – assisted by the Risk Management Committee ✓ Internal Control and compliance – ensure robustness, adequate and with integrity ✓ Stakeholders' communication – designated spokeperson for external parties and general public ✓ Human resources planning and remuneration – ensure Executive Management retain key senior management personnel with integrity and competence
Practice 4.1 **At least half the Board comprises independent directors**	✓ **71%** of the Board comprises Independent Non-Executive Directors ("**INEDs**") and the remaining **29%** are Executive Directors ("**EDs**"). 
Practice 4.7 **Nomination Committee is chaired by an independent director or senior independent director**	✓ Ms. Xiao LuXi, the longest serving INED on Board is the Chairperson of the Nomination Committee.
Practice 5.1 **Formal and objective evaluation on Board, its Committees and each individual director**	✓ Facilitated by the representatives of the Company Secretary, Ms. Xiao LuXi, as the Chair of the Nomination Committee lead the annual review of board effectiveness, ensuring the performance of each director, the Board Committees as well as the Board as a whole are assessed and documented.

MCCG Practices	Applications by K-Star
Practice 8.4 **The Audit Committee should comprise solely of independent directors**	✓ The Audit Committee comprise solely of three (3) INEDs. 
Practice 9.1 **The Board should establish an effective risk management and internal control framework**	✓ Formation of a Board-level Risk Management Committee ("**RMC**") since 30 March 2018 ✓ RMC is chaired by Mr. Ng Chee Kin, an INED ✓ **25%** of the RMC comprises INEDs and the remaining **75%** are identified key senior management personnel – having due regards to the nature of business and operating environment of the core business of K-Star

The detail applications of each of the three (3) key CG principles are set out below:-

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

The Board is responsible for the leadership, oversight and long-term success of the Group. The Board has established a Board Charter to provide guidance and clarity for Directors and Management with regard to the functions reserved for Board and those to be delegated to Management. The Board has reserved a formal schedule of matters for its decision making to ensure that direction and control of the Group are firmly in its hands.

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to respective Board Committees with each operating within it a clearly defined terms of reference. The Chairman/ Chairperson of each Committee will report to the Board on the outcome of the Committee's meetings which also include the key issues deliberated at the Committee's meetings.

The Board has put in place the following Board Committees to assist in carrying out its fiduciary duties:-

(a) Audit Committee;
(b) Nomination Committee;
(c) Remuneration Committee; and
(d) Risk Management Committee.

The Board continues to be mindful of the combined role of the Executive Chairman and Chief Executive Officer ("**CEO**") currently held by the same person, i.e. Mr. Ding JianPing in view of the commercial environment and statutory obligations on corporations and legal representatives in the People's Republic of China ("**PRC**" or "**China**"). Mr. Ding JianPing is also the legal representative of Fujian Jinjiang Dixing Shoes Plastics Co., Ltd. ("**Fujian Dixing**"), the wholly-owned active subsidiary of the Group in China.

On 21 September 2020, the Board has appointed Mr. Koo Kien Yoon as an Executive Director of K-Star to oversee the Group's business operations in Malaysia such as construction business of Sinaran Trilion Sdn. Bhd. and the distribution of pharmaceutical and/or healthcare products of K Star Healthcare Sdn. Bhd.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

As a mitigating factor, the Board is made up of seven (7) Directors of which five (5) are Independent Non-Executive Directors. Therefore, no one individual can influence board's discussions and decision making, a concern raised under Guidance 1.3 of the MCCG.

Notwithstanding the above, the roles and responsibilities of the respective Chairman and CEO are clearly defined in the Board Charter.

The Board is of the view that there is a balance of membership in the Board thus ensuring that no individual dominates the decision-making process and the results thereof.

The Board is supported by a suitably qualified and competent Company Secretary and/or Local Agent in Malaysia (where applicable). The Company Secretary provides advisory services to the Board particularly on Singapore CA whereas the Local Agent in Malaysia provides advisory services to the Board in compliance with the Malaysian CA 2016, Main LR of Bursa Securities, MCCG as well as relevant laws and regulatory requirements in Malaysia.

The Board has ready and unrestricted access to the advice and services of both Company Secretary and Local Agent in Malaysia, who are considered capable of carrying out the duties to which the post entails.

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretary and Local Agent in Malaysia in ensuring the effective functioning of the Board. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

The appointment and removal of both Company Secretary and Local Agent in Malaysia is a matter for the Board as a whole.

The Board may further seek independent professional advice at the Company's expense on specific issues to enable the Board to discharge its duties in relation to the matters being deliberated.

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. The Board had on annual basis, reviewed the Board Charter to ensure they remain consistent with the Board's objectivity and responsibilities, and relevant laws, regulations, guidelines and standards of corporate governance. A copy of the Board Charter as at 20 November 2020 is available for reference at the Company's website at www.kstarsports.com.

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. For the Applicable Period, the training programmes and seminars attended by the Directors were as follows:-

Directors	List of Training/ Conference/ Seminar/ Workshop Attended/ Participated
Ding JianPing (丁建萍)	• Briefing on Amendments to Main LR of Bursa Securities • Briefing on Guideline on Conduct of Directors of Listed Corporations and their Subsidiaries issued by the Securities Commission Malaysia ("**SC**") • ISO 9001:2008 International Quality Management Systems • Awareness of Malaysian Anti-Corruption Commission Act 2009 Section 17A ("**MACC 2009 17A**") & Corruption, Bribery and Legal Requirement • Briefing on Public Consultation on Proposed Amendments to the Companies Act (Chapter 50) of Singapore issued by Accounting and Corporate Regulatory Authority ("**ACRA**")
Koo Kien Yoon	• Covid-19 Impact on Financial Reporting and Internal Controls • Briefing on Public Consultation on Proposed Amendments to the Singapore CA issued by ACRA
Xiao LuXi (肖璐茜)	• Briefing on Amendments to Main LR of Bursa Securities • Briefing on Guideline on Conduct of Directors of Listed Corporations and their Subsidiaries issued by the SC • ISO 9001:2008 International Quality Management Systems • Briefing on Public Consultation on Proposed Amendments to the Singapore CA issued by ACRA
Lee Yew Weng	• Briefing on Amendments to Main LR of Bursa Securities • Briefing on Guideline on Conduct of Directors of Listed Corporations and their Subsidiaries issued by the SC • Awareness of MACC 17A & Corruption, Bribery and Legal Requirement • Briefing on Public Consultation on Proposed Amendments to the Singapore CA issued by ACRA
Dato' Quah Hoe Phang @ Stephen Quah	• Briefing on Amendments to Main LR of Bursa Securities • Briefing on Guideline on Conduct of Directors of Listed Corporations and their Subsidiaries issued by the SC • Briefing on Public Consultation on Proposed Amendments to the Singapore CA issued by ACRA
Ng Chee Kin	• Covid-19 Impact on Financial Reporting and Internal Controls • Briefing on Public Consultation on Proposed Amendments to the Singapore CA issued by ACRA
Mohtar Bin Abdullah	• Briefing on Public Consultation on Proposed Amendments to the Singapore CA issued by ACRA

On behalf of the Company Secretary, the Local Agent in Malaysia regularly updates the Board on changes to Main LR of Bursa Securities and other relevant guidelines/legislation at Board meetings. Upon review, the Board concluded that the Directors' Trainings for the FYE 2020 were adequate.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

2021 Directors' Training Needs

During the Applicable Period, the Nomination Committee has conducted a review of the training needs of the Directors for the financial year ending 31 December 2021 ("**FYE 2021**"). Upon review, the Nomination Committee urged the Directors to undergo at least one (1) continuing education programme in the FYE 2021, not merely to comply with the Main LR but to further enhance their skills and knowledge in the discharge of their stewardship role.

Code of Conduct

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. A copy of the Code of Conduct is available for reference at the Company's website at www.kstarsports.com.

Anti-Bribery and Corruption Policy

In line with the amendment to the Main LR of Bursa Securities to encapsulate anti-corruption measures in support of the National Anti-Corruption Plan 2019-2023 of Malaysia, the Board had established and adopted the Anti-Bribery and Corruption Policy ("**AB&C Policy**") in which the Group is committed to conducting the business ethically, as well as complying with all applicable laws including compliance with the Malaysian Anti-Corruption Commission Act 2009 ("**MACC 2009**"), MACC (Amendment) Act 2018 and any of its amendments or re-enactments that may be made by the relevant authority from time to time.

The AB&C Policy provides principles, guidelines and requirements on how to deal with bribery and corrupt practices that may arise in the course of daily business and operation activities within the Group.

The AB&C Policy applies to all individuals working for the Group and all companies within the Group at all levels and grades, the Board and any third party associated with the Group.

As at 31 December 2020, the Group has not received any report or complaint of violation of the AB&C Policy.

A copy of the AB&C Policy as at 20 November 2020 is available for reference at the Company's website at www.kstarsports.com.

Ethical and Compliance Whistleblowing Policy and Procedures

The existing Whistle Blowing Policy adopted by the Board is applied to the employees of the Group 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. The Board had on annual basis, reviewed the Whistle Blowing Policy and update as appropriate.

Notwithstanding the above, the Board had through the recommendation of AC, adopted an Ethical and Compliance Whistleblowing Policy and Procedures to cover the enhancement to existing Whistle Blowing Policy in order to comply with the AB&C Policy of the Company as well as the laws and regulations governing its operation related to the MACC 2009. A copy of the Ethical and Compliance Whistleblowing Policy and Procedures as at 20 November 2020 is available for reference at the Company's website at www.kstarsports.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

Ethical and Compliance Whistleblowing Policy and Procedures (Cont'd)

Consequent to the adoption of the Ethical and Compliance Whistleblowing Policy and Procedures, the Board has established a Whistleblowing Committee on 20 November 2020 and as an interim measure, the AC assumes the role of the Whistleblowing Committee. The composition of the Whistleblowing Committee is as follows:-

Name	Position	Directorate/ Designation
Mr. Lee Yew Weng	Chairman	Independent Non-Executive Director
Ms. Xiao LuXi	Member	Independent Non-Executive Director
Mr. Ng Chee Kin	Member	Independent Non-Executive Director

In view of the establishment of the Whistleblowing Committee, a Terms of Reference of the Whistleblowing Committee has been adopted by the Board on 20 November 2020.

As part of the procedures, whistle blowers may raise a concern in writing by filing in email or mail "**Confidential**" to the designated persons to one of the following manners:-

(a) By hand or post

Audit Committee
Registered Office in Singapore
K-Star Sports Limited
c/o S.S. Corporate Management Pte. Ltd.
138, Cecil Street, #12-01A Cecil Court, Singapore 069538
Telephone Number: +65 6534 0181

Or

Audit Committee
Registered Branch Office in Malaysia
K-Star Sports Limited
c/o Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia
Telephone Number: +603 2084 9000

(b) By e-mail to Audit Committee at whistleblower.kstar@gmail.com

As at 31 December 2020 and up to the date of this Statement, the Whistleblowing Committee has not received any report/ complaint of violation of the Ethical and Compliance Whistleblowing Policy and Procedures.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION

For the FYE 2020 up to the date of this Statement, the Board consists of seven (7) members comprising of one (1) Executive Chairman/CEO, one (1) Executive Director and five (5) Independent Non-Executive Directors ("**INEDs**").

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, the Remuneration Committee and the Risk Management Committee respectively.

Upon examining the mix of skills on board as well as the unique business environment i.e. Singapore domiciled, predominantly operating in PRC and listed on Bursa Securities, the NC has concluded that a potential candidate, of either Singapore or Malaysian nationality with commercial experience and business acumen in the PRC should be sought as a candidate for Board Member. In view thereof, the NC has not used other sources such as Directors' registry or open advertisement which are costly and yet of no relevance.

The independent element brings an objective and independent judgement to the decision-making process of the Board.

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 NC and the Board is then satisfied that the proposed candidate is able to continue to bring independent judgement to the Board's deliberations.

Ms. Xiao LuXi, an INED who has served the Board since 23 May 2011. In accordance with the Practice 4.2 of the MCCG, Ms. Xiao LuXi had sought the annual shareholders' approval for her retention as an INED of the Company at the Annual General Meeting 2020 held on 26 June 2020.

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 PRC.

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.

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.

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.

The Board has through the recommendation of the NC, appointed Mr. Koo Kien Yoon as an Executive Director and Mr. Ng Chee Kin as an Independent Non-Executive Director of the Company with effect from 21 September 2020.

In addition, the Board has on 20 November 2020 through the recommendation of the NC, resolved to appoint Encik Mohtar Bin Abdullah as an Independent Non-Executive Director of the Company with effect from 23 November 2020.

The Board believes that the Directors with younger age profile will be able to provide different perspective and bring vibrancy to the Group's strategy making process whilst capitalising on the experience and technical skills of the Executive Chairman/CEO.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

While the Executive Chairman/CEO, Mr. Ding JianPing is 64 years of age, the general age profile of the majority of the Directors are between thirties to forties years of age.

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.

The Board is satisfied with the level of time commitment of the Directors from their attendance at the Meetings. The record of the Directors' attendance at Board Meeting for the FYE 2020 is contained in the table below:-

Directors	Attendance	Percentage of Attendance
Ding JianPing (丁建萍)	6 out of 6 meetings	100%
Koo Kien Yoon *(Appointed w.e.f. 21 September 2020)*	2 out of 2 meetings	100%
Xiao LuXi (肖璐茜)	6 out of 6 meetings	100%
Lee Yew Weng	6 out of 6 meetings	100%
Dato' Quah Hoe Phang @ Stephen Quah	6 out of 6 meetings	100%
Ng Chee Kin *(Appointed w.e.f. 21 September 2020)*	2 out of 2 meetings	100%
Mohtar Bin Abdullah *(Appointed w.e.f. 23 November 2020)*	Not applicable	Not applicable
Norman Tai Lik Young *(Resigned w.e.f. 28 September 2020)*	4 out of 4 meetings	100%
Lee Choon Kwong *(Resigned w.e.f. 1 October 2020)*	4 out of 4 meetings	100%

Nomination Committee ("NC")

The NC comprises solely of three (3) INEDs. 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.

As at 31 December 2020 and up to the date of this Statement, Ms. Xiao LuXi confirmed that she has not received any correspondences of concerns from any shareholder.

The principal objective of the NC is to assist the Board to identify, nominate and orientate new Directors. The duties and responsibilities of NC are clearly outlined in the Terms of Reference ("**TOR**") of NC. The NC and the Board had on annual basis, reviewed the TOR of NC and update as appropriate. A copy of the TOR of NC as at 20 November 2020 is available for reference at the Company's website at www.kstarsports.com.

The Board has through the Nomination Committee, conducted the annual assessment on the effectiveness of each individual directors, the Board as a whole and the Board Committees. The results of the assessment were disclosed in the Company's CG Report for the FYE 2020.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

Nomination Committee ("NC") (Cont'd)

The NC met twice and had undertaken the following activities for the FYE 2020:-

(i) Facilitated the self and peers' assessment on AC Members;
(ii) Reviewed the effectiveness of the AC as a whole;
(iii) Reviewed the effectiveness of the individual directors, the Board as a whole;
(iv) Annual review of the composition of the Board and all Board Committees having regard to the mix of skills, character, experience, integrity, competence and time commitment rendered;
(v) Reviewed the independence of Independent Directors;
(vi) Reviewed the required mix of skills, experience and other qualities of the Board;
(vii) Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming AGM of the Company;
(viii) Reviewed and recommended to the Board, the retention of the Independent Non-Executive Director;
(ix) Reviewed the attendance records of Directors' trainings and discussed the training needs of the Directors;
(x) Reviewed the attendance of Board members at Board and Committees Meetings; and
(xi) Reviewed and recommended to the Board, the appointments of Mr. Koo Kien Yoon, Mr. Ng Chee Kin and Encik Mohtar Bin Abdullah as additional members of the Board based on the designated evaluation criteria.

The Board took note of the proceedings of each NC Meetings held which was reported by the Chairperson of the NC, and approved the recommendations made by the NC, if so required.

The Directors are required to notify the Chairman of the Board before accepting any new directorships and to indicate the time expected to be spent on the new appointment. Generally, Directors are at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Company and do not adversely affect the Director's performance as a member of the Board.

As at 31 December 2020 and up to the date of this Statement, the Board has received two (2) notifications from Mr. Lee Yew Weng, the Independent Non-Executive Director of the Company informed that he has been appointed as a Non-Independent Non-Executive Director of Sunzen Biotech Berhad and an Independent Non-Executive Director of Hiap Huat Holdings Berhad, both public listed companies on the ACE Market of Bursa Securities.

3. REMUNERATION

The Remuneration Committee ("**RC**") comprises solely of three (3) INEDs. The RC is chaired by an INED, Dato' Quah Hoe Phang @ Stephen Quah.

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 Director so as to be able to attract and retain the best against its interest in not paying excessive remuneration. The duties and responsibilities of RC are clearly outlined in the TOR of RC. The RC and the Board had on annual basis, reviewed the TOR of RC and update as appropriate. A copy of the TOR of RC as at 20 November 2020 is available for reference at the Company's website at www.kstarsports.com.

The Board does not have any formal remuneration policy. Notwithstanding that, the RC is guided by the TOR of RC to recommend to the Board a Remuneration Framework on the fee structure and level of remuneration for the Executive Director, CEO and Senior Management as well as remuneration package for Non-Executive Directors. The determination of remuneration packages of NEDs is a matter for the Board as a whole.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

The RC had met twice and undertaken the following activities during the FYE 2020:-

1) Reviewed the remuneration package of the Executive Chairman and CEO and Executive Directors for the FYE 2020 and FYE 2021, respectively;
2) Reviewed the director's fees of wholly-owned subsidiary of the Company;
3) Reviewed the remuneration package of the Key Senior Management team for the FYE 2021;
4) Reviewed the Directors' Fees of the Board for the FYE 2021; and
5) Reviewed the TOR of the RC.

The Board took note of the proceedings of RC Meeting held which was reported by the Chairman of the RC, and approved the recommendations made by the RC, if so required.

The details of the remuneration of Directors on named basis for the FYE 2020 were as follows:-

(i) Company Level

		Directors' Fees (RMB'000)	Salaries, other emoluments and benefits (RMB'000)	Allowances (RMB'000)	Total (RMB'000)
Executive Director					
(i)	Ding JianPing (丁建萍)	–	840	–	840
(i)	Koo Kien Yoon *(Appointed w.e.f. 21 September 2020)*	16	–	–	16
(ii)	Norman Tai Lik Young *(Resigned w.e.f. 28 September 2020)*	–	–	–	–
Subtotal		**16**	**840**	**–**	**856**
Non-Executive Directors					
(i)	Xiao LuXi (肖璐茜)	60	–	–	60
(ii)	Lee Yew Weng	79	–	–	79
(iii)	Dato' Quah Hoe Phang @ Stephen Quah	199	–	–	199
(iv)	Ng Chee Kin *(Appointed w.e.f. 21 September 2020)*	16	–	–	16
(v)	Mohtar Bin Abdullah *(Appointed w.e.f. 23 November 2020)*	2	–	–	2
(vi)	Lee Choon Kwong *(Resigned w.e.f. 1 October 2020)*	45	–	–	45
Grand Total		**417**	**840**	**–**	**1,257**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

(ii) Group Level

	Directors' Fees (RMB'000)	Salaries, other emoluments and benefits (RMB'000)	Allowances (RMB'000)	Total (RMB'000)
Executive Director				
(i) Ding JianPing (丁建萍)	–	1,088	–	1,088
(i) Koo Kien Yoon *(Appointed w.e.f. 21 September 2020)*	16	–	–	16
(ii) Norman Tai Lik Young *(Resigned w.e.f. 28 September 2020)*	–	50	–	50
Subtotal	**16**	**1,138**	**–**	**1,154**
Non-Executive Directors				
(i) Xiao LuXi (肖璐茜)	60	–	–	60
(ii) Lee Yew Weng	79	–	–	79
(iii) Dato' Quah Hoe Phang @ Stephen Quah	199	–	–	199
(iv) Ng Chee Kin *(Appointed w.e.f. 21 September 2020)*	16	–	–	16
(v) Mohtar Bin Abdullah *(Appointed w.e.f. 23 November 2020)*	2	–	–	2
(vi) Lee Choon Kwong *(Resigned w.e.f. 1 October 2020)*	45	–	–	45
Grand Total	**417**	**1,138**	**–**	**1,555**

(a) The details of the remuneration of Senior Management for the FYE 2020 were as follows:-

Senior Management Staff Category	Group RMB'000	Company RMB'000
Salaries	552	–
Other emoluments and benefits	25	–
Allowances	–	–
Total	**577**	**–**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

(b) The number of Senior Management whose total remuneration falls with the following bands of RM50,000/- were as follows:-

Range of remuneration	Number of Senior Management
Below RMB50,000/-	–
RMB50,001 - RMB100,000	1
RMB100,001 – RMB150,000	4
Total	**5**

Taking into consideration the commercial environment and cultural sensitivity in China, the Board has resolved not to adopt Step Up Practice 7.3 of disclosing the detailed remuneration of each member of senior management on a named basis, in order to alleviate negative impact arising from the disclosure, and the larger need to maintain a stable work environment to meet long-term strategic goals.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT COMMITTEE ("AC")

The AC comprises solely of three (3) INEDs. The AC is chaired by an INED, Mr. Lee Yew Weng. The Board would ensure that the AC as a whole is financially literate and has sufficient understanding of the Group's business.

The Board had formalised 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 AC. Such policy was incorporated in the Policies and Procedures to assess the suitability, objectivity and independence of the External Auditors ("**External Auditors Policy**") which was approved by the Board in February 2019.

The AC had conducted an annual assessment on the suitability, objectivity and independence of External Auditors, Messrs. Foo Kon Tan LLP for the FYE 2020 in accordance with the External Auditors Policy adopted by the AC, before considering the audit fees and re-appointment until the conclusion of the next AGM of the Company. The AC is guided by the criteria as prescribed under the External Auditors Policy.

The AC noted, for the FYE 2020, 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.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Risk Management Committee ("**RMC**") currently comprises of two (2) INEDs and one (1) Executive Chairman/CEO, as well as five (5) key senior management personnel to oversee the Group's risk management and policies. Taking into consideration the nature of business of the Company as well as the commercial environment in China, the Board opined that such composition would be ideal and applicable to K-Star in overseeing the Company's risk management framework and policies. In view thereof, the Board has resolved not to adopt Step Up Practice 9.3 which requires the formation of a RMC with a majority of independent directors.

A copy of the TOR of RMC as at 20 November 2020 is available for reference at the Company's website at www.kstarsports.com.

The Board 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 the Group's internal control system.

The Internal Audit Function was outsourced to an independent professional company, alphaOne Governance Sdn. Bhd. since 11 November 2016. Further details of the internal audit function are set out in the AC Report of the Company's Annual Report 2020.

Further details of the risk management and internal audit function are set out in the Statement on Risk Management and Internal Control and the AC Report of the Company's Annual Report 2020.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. COMMUNICATION WITH STAKEHOLDERS

The Board is aware of K-Star's commitment to enhancing long-term shareholders' value through regular communication with all its shareholders, irregardless of individual or institutional investors.

The Company has a website which is accessible at www.kstarsports.com.

The Board has in place a Corporate Disclosure Policy in line with the Main LR of Bursa Securities. The Executive Chairman/Executive Director is the spokesperson of the Company on all matters relating to the Company to ensure compliance with the disclosure obligations as well as overseeing and co-ordinating disclosure of information. The Board has delegated the authority to the Executive Chairman/Executive Director to approve all corporate announcements. The Executive Chairman works closely with the Board, the Senior Management and the Company Secretary who are privy to the information to maintain strict confidentiality of the information.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

2. CONDUCT OF GENERAL MEETINGS

(A) AGM 2020

For the FYE 2020 and up to the date of this Statement, the Company had convened several general meetings as follows with the attendance of Directors:-

Directors	Number of General Meetings attended/held	
	AGM 2020 held on 26 June 2020	Extraordinary General Meeting ("EGM") and Court Convened Meetings for Shareholders and Holders of Warrants 2018/2021 ("CCMs") held on 1 March 2021 respectively
Ding JianPing (丁建萍)	1/1	3/3
Koo Kien Yoon *(Appointed w.e.f. 21 September 2020)*	Not applicable	3/3
Xiao LuXi (肖璐茜)	1/1	3/3
Lee Yew Weng	1/1	3/3
Dato' Quah Hoe Phang @ Stephen Quah	1/1	3/3
Ng Chee Kin *(Appointed w.e.f. 21 September 2020)*	Not applicable	3/3
Mohtar Bin Abdullah *(Appointed w.e.f. 23 November 2020)*	Not applicable	3/3
Norman Tai Lik Young *(Appointed w.e.f. 13 February 2020 and resigned w.e.f. 28 September 2020)*	1/1	Not applicable
Lee Choon Kwong *(Resigned w.e.f. 1 October 2020)*	1/1	Not applicable

The Board had on 28 May 2020, at least 28 days before the date of AGM, issued its Notice of the AGM 2020 of the Company held on 26 June 2020. The Notice clearly identified the directors' seeking re-election, the auditors seeking re-appointment, the payment of directors' fees, the retention of INED and proposed amendment to the Constitution of K-Star. In view thereof, the shareholders had been given sufficient time and notice to consider the resolutions that would be discussed and decided at the AGM 2020. The Company had conducted the manual poll voting for the shareholders to cast their votes at the AGM 2020.

Save for Mr. Ding JianPing and Ms. Xiao LuXi who were present virtually at the AGM 2020 due to the travel restriction amid the Covid-19 pandemic globally, all Directors, Management's representatives and the Representative of the Company Secretary of the Company were present physically at the AGM 2020 to respond to the queries raised by shareholders, proxies and corporate representatives present.

The Board had appointed Dato' Quah Hoe Phang @ Stephen Quah as Chairman to chair the AGM 2020 on behalf of Executive Chairman of the Company, Mr. Ding JianPing. The Chairman of the AGM 2020 provided sufficient time for the present to ask questions for each agenda in the Notice of the AGM 2020 before putting the resolution to vote.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

2. CONDUCT OF GENERAL MEETINGS (CON'D)

(A) AGM 2020 (CONT'D)

As a listed entity on Bursa Securities in Malaysia, the Board noted that majority of the shareholders of the Company reside in Malaysia, and predominantly in Klang Valley area. Therefore, the general meeting of the Company has been held in the Klang Valley area. In the event of changes in the shareholders' base where majority of the shareholders move out of the Klang Valley area, the Board would consider the leverage on technology to facilitate voting in absentia or remote shareholders' participation at general meetings, subject to cost effectiveness and the availability of remote voting facility.

Notwithstanding the Government of Malaysia has enforced the Recovery Movement Control Order ("**MCO**") ("**RMCO**") to curb the spread of the Covid-19 for the period 10 June 2020 to 31 August 2020, the Company had convened its physical AGM 2020 duly held on 26 June 2020 in compliance with the General Standard Operating Procedures on Event Implementation of Government and Private Institutions issued by the Majlis Keselamatan Negara/Malaysian National Security Council ("**MKN**") ("**MKN's SOP**") as well as the Guidance and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers ("**Guidance Note**") issued by the Securities Commission Malaysia ("**SC**").

The Company had taken the necessary precautions and preventive measures as directed by the relevant authorities. The shareholders were advised to take all necessary precautions and preventive as directed by the Ministry of Health Malaysia before attending the AGM 2020.

(B) EGM and CCMs

Considering the arising of the Covid-19 cases throughout Malaysia in the early of year 2021, the Company had leveraged on technology to facilitate voting in absentia and remote shareholders' and warrant holders' participation at the EGM and CCMs for the first time. The Company had its first fully virtual general meetings i.e. EGM and CCMs of the Company held on 1 March 2021 via live streaming webcast and online remote voting using the remote participation and voting facilities ("**RPV**") without physical attendance by the shareholders, warrant holders and proxies in accordance with Sections 327(1) and (2) of the Malaysian CA 2016, Article 49(A) of the Company's Constitution and the SC's Guidance Note.

The Board has been regularly updated by the Local Agent of the Company with regard to the Guidance Notes issued by the SC from time to time ensuring that the Company has complied with the latest SC's Guidance Note and MKN's SOP for conducting the general meeting of the Company.

The essential persons i.e. Chairmen of the EGM and CCMs, Representative of the Company Secretary and the Scrutineer were present at Broadcast Venue of the EGM and CCMs at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia to conduct the EGM and CCMs in an orderly manner. Whereas the remaining of the Directors, Management's representatives, principal adviser and Singapore Lawyer of the Company joined the EGM and CCMs virtually.

The Board had appointed Mr. Koo Kien Yoon, the Executive Director of the Company to chair the EGM of the Company. Whereas the Board had appointed Mr. Yee Yit Yang, the Scheme Manager for the Scheme of Arrangement of the Company, as the Chairman to chair the CCMs of the Company. The Chairmen of the EGM and CCMs provided sufficient time for the present to ask questions for each agenda in the Notice of the EGM and CCMs after all the items on the Agenda had been dealt with.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

2. CONDUCT OF GENERAL MEETINGS (CON'D)

(B) EGM and CCMs (Cont'd)

The Notice of the EGM and CCMs together with the Administrative Guide for registration and voting procedures were issued to the shareholders and warrant holders at least 21 days before the date of the EGM and CCMs In view thereof, the shareholders and warrant holders had been given sufficient time and notice to consider the resolutions that would be discussed and decided at the EGM and CCMs. The shareholders and warrant holders were advised to participate the EGM and CCMs via RPV as a precautionary measure to curb the spread of the Covid-19. The Company had conducted an online remote voting system for the shareholders and warrant holders to cast their votes during the EGM and CCMs.

Key CG future priorities for financial year ending 31 December 2021 ("FYE 2021")

Outbreak of Covid-19 Pandemic

(1) <u>Business-As-Usual</u>

The outbreak of the Covid-19 in China since early 2020 has resulted the PRC Government to impose lockdown on Wuhan city and other cities in Hubei Province in an effort to quarantine the centre of the outbreak of Covid-19. During this period of movement control, there were delay of certain factory workers resuming to work after the Chinese New Year break from provinces with travel restriction and self quarantine measure. Under these circumstances, the production and product delivery of the Group were inevitably be slowed in February 2020 and the recovery was picking up in March 2020. The Board's immediate future priority for FYE 2021 would be to ensure Management could cushion the impact from the delay in productivity and product delivery in order to achieve the "business-as-usual" status and lessen the financial impact to the Company for FYE 2021.

(2) <u>To instil risk awareness and good conduct conscious within the Group</u>

The Covid-19 pandemic has resulted in governments in China, Singapore and Malaysia to impose the Stay-at-Home measure and to maintain stringent personal hygiene for individuals. As a future priority for FYE 2021, the Board would take the opportunity to urge the Management to instil risk awareness and ensure Management comply with the relevant preventive measures mandated by the regulatory authorities as well as to maintain good corporate conduct, in particular, the corporate obligations to maintain a safe and high level workplace hygiene as well as to provide the necessary peripherals such as face masks, gloves, social distancing arrangement at food court and constant communications to the staff of the Group to maintain good conduct and personal hygiene.

The Board noted strong CG is the glue that holds a company together in times of crisis. The Covid-19 pandemic has caused additional challenge of connecting rapidly-deployed crisis management process with governance and risk management arrangements.

CONCLUSION

As at 31 December 2020, the Board is satisfied that, it complies substantially with the Practices of MCCG with the adoption of one Step Up Practice.

This CG Statement and the CG Report are made in accordance with the approval by the Board of Directors on 12 May 2021.

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and as guided by the Statement of Risk Management and Internal Control Guidelines for Directors of Listed Issuers (the "**Guidelines**"), the Board of Directors of K-Star Sports Limited ("**K-Star** or the "**Company**") is pleased to include this statement on the state of internal controls of K-Star and its subsidiaries (the "**Group**").

BOARD'S RESPONSIBILITIES

The Board of Directors recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board of Directors acknowledges its overall responsibilities for maintaining a sound system of risk management and internal control and for reviewing its adequacy and integrity.

In addition, the Board of Directors has received written assurance from the Executive Chairman / Chief Executive Officer, Executive Director and Finance Manager that the Group's system of risk management and internal controls is operating adequately and effectively in all material aspects.

Due to the inherent limitations in any risk management and internal control system, such system implemented by the management is designed to manage, rather than eliminate, risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable but no absolute assurance against material misstatement or losses.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The key elements of the Group's risk management and internal control system that have been established to facilitate proper conduct of the Group's businesses are as follows:

A. RISK MANAGEMENT SYSTEM

During the financial year under review, the Risk Management Committee, comprising the Executive Chairman/ Chief Executive Officer and the Heads of Department reviewed the existence of new risks and assessed the relevance of the Group's existing risk profile to ensure that adequate and effective measures are in place to mitigate the risks identified. The significant risks affecting the Group's business objectives are monitored closely by the Executive Chairman/ Chief Executive Officer. The results of the risk assessments are brought to the attention of the Audit Committee at their scheduled meetings.

The abovementioned risk management practices of the Group serve as the on-going process used to identify, evaluate and manage risks. This process has been in place for the year under review and up to the date of approval of this Statement. The Board of Directors shall re-evaluate the existing risk management practices and, where appropriate and necessary, revise such practices accordingly.

B. INTERNAL CONTROL SYSTEM

- ***Organisation Structure & Authorisation Procedures***

  The Group maintains a formal organisation structure that includes clear delegation of responsibilities and accountability. The Executive Chairman / Chief Executive Officer heads the organisation structure and is assisted by his team of key management are well in place to monitor the internal control system of the Group.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

B. INTERNAL CONTROL SYSTEM (Cont'd)

- ***Group Policies and Procedures***

  The policies and procedures are documented and reviewed in order to be current.

- ***Information and Communication***

  Official information is communicated to the personnel of the Group to ensure that matters that require the attention of the Board of Directors and its Senior Management are highlighted for review on a timely basis.

- ***Monitoring and Review***

  Management meetings are held to discuss and review business plans and the requisite action plans to achieve the target and operational performances of the Group. The financial performance of K-Star and the Group are reviewed, deliberated and recommended to the Board of Directors for the approval during the scheduled meetings each quarter.

C. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm to assist the Board of Directors, the Audit Committee ("**AC**") and the Risk Management Committee ("**RMC**") in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditors reported to the AC and RMC on issues relating to internal controls and the associated risks together with recommendations for appropriate actions to the AC and RMC. The AC is chaired by an Independent Non- Executive Director and its members comprise of Non-Executive Directors.

During the financial year ended ("**FYE**") 31 December 2020, an internal audit review was carried out as directed by the AC based on their assessment of risks faced by K-Star and matters of concern to them.

For the FYE 31 December 2020, the entity being audited was Sinaran Trilion Sdn. Bhd. and the business processes / audit areas covered were as follows:

Audit Area	Audit Objectives and Scope
Construction/ contract management	1. To ensure there is a proper internal control system in place for: ➢ Project schedule and project budgeting ➢ Project progress and cost monitoring ➢ Project status reporting ➢ Obtaining regulatory approval ➢ Compliance with regulations (e.g. Occupational Safety And Health Act 1994, Human Resources Development Fund, Factories and Machineries Act, etc). 2. Review of policies and procedures. 3. Review of insurance policies. 4. To ensure compliance with policies and procedures & authority limits.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

C. INTERNAL AUDIT FUNCTION (Cont'd)

The results of the audit and the recommendations were discussed with Senior Management and subsequently, the audit findings including updating the risk assessment, the recommendations for improvement and the follow-up review to ascertain the status implementation of the agreed upon management action plans of the previous internal audit report, were reported to the AC at their scheduled meeting on 20 November 2020.

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

The professional fees paid for outsourcing the internal audit function for the year ended 31 December 2020 was RM20,000/- (RMB 32,460).

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with Recommended Practice Guide ("**RPG**") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("**MIA**"). Based on their review, the External Auditors have reported to the Board of Directors that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report of the Group, in all material aspects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or

(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

For the financial year under review and up to the date of issuance of the Financial Statements, the Board of Directors has received assurance from the Chief Executive Officer, Executive Director and Finance Manager and is satisfied with the adequacy, integrity and effectiveness of the Group's systems of internal controls and risk management. Due to the changing circumstances and conditions, the effectiveness of an internal control system may vary from time to time and the Board of Directors will continually evaluate and take measures to strengthen the internal control systems.

AUDIT COMMITTEE REPORT

The Audit Committee ("**AC**") of the Company is pleased to present to the shareholders of the Company, the AC Report which provides insights as to the manner the Audit Committee discharged its functions for the Group for the financial year ended 31 December 2020 ("**FYE 2020**").

A. COMPOSITION AND ATTENDANCE

The AC comprised of three (3) members, all of whom are independent and non-executive directors. The current composition complies with Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

Six (6) AC Meetings were held during the FYE 2020 and the attendance of the AC members were as follows:-

Members	Position/ Designation	Attendance
Lee Yew Weng	Chairman/ Independent Non-Executive Director	6 out of 6 meetings
Xiao LuXi (肖璐茜)	Member/ Independent Non-Executive Director	6 out of 6 meetings
Ng Chee Kin *(Appointed w.e.f. 21 September 2020)*	Member/ Independent Non-Executive Director	2 out of 2 meetings
Lee Choon Kwong *(Ceased w.e.f. 1 October 2020)*	Member/ Independent Non-Executive Director	4 out of 4 meetings

Mr. Lee Yew Weng who being CPA and member of the MIA, the Company has thereby complied with the minimum requirements as set forth under Paragraph 15.09(1)(c) of the Main LR of Bursa Securities as well as Clause 2 of the Terms of Reference of the AC.

B. ASSESSMENT ON TERM OF OFFICE AND PERFORMANCE OF THE AC

The Nomination Committee ("**NC**") had on 20 November 2020, reviewed the Term of Office and performance of the AC as well as whether its members have carried out their duties in accordance with the Terms of Reference of AC for the FYE 2020.

Upon review, the NC was satisfied the overall performance of the AC and its individual members for the FYE 2020. The NC had reported its satisfaction to the Board of Directors for notation.

C. TERMS OF REFERENCE

The Terms of Reference of the AC as at 20 November 2020 is available for reference at the Company's website at www.kstarsports.com.

D. MEETINGS

For the FYE 2020, the AC members have attended and participated the AC meetings which were held physically and/or via tele-conferencing. Each of the AC member had achieved full attendance of the AC meetings held in the FYE 2020.

Representatives from the Management, the Chief Executive Officer, Mr. Ding JianPing and the Executive Director, Mr. Koo Kien Yoon were invited to attend AC Meetings to highlight and provide clarifications on audit issues arising from the Group's operations.

D. MEETINGS (CONT'D)

For the FYE 2020, the AC held two (2) private sessions with Messrs. Foo Kon Tan LLP without the presence of the executive Board Members and employees which were conducted on 21 February 2020 and 24 December 2020.

The notice of the AC meetings is served at least one (1) week prior each AC meeting and the meeting papers would be e-mailed in advance to each AC member for reference. As a standing practice, the AC Chairman would brief the Board at each of the Board of Directors' Meeting on the matters discussed during the AC Meeting held earlier.

Minutes of the AC Meetings were recorded by the Secretarial Agent in attendance and tabled for confirmation at the next following AC Meeting and subsequently be presented to the Board for notation. The AC Chairman conveyed the Board on issues of significant concern raised by the AC, Internal Auditors and/or External Auditors.

E. SUMMARY OF THE WORKS OF THE AC

The works undertaken by the AC during the FYE 2020 were summarised as follows:-

(i) Oversight of Financial Reporting matters

- Reviewed the unaudited quarterly results and year-end financial statements, prior to submission to the Board for deliberation and approval for the announcement to be released.
- Reviewed the Audited Consolidated Financial Statements, Directors' Statement and Independent Auditors' Report and other significant accounting issues from the audit of the FYE 2020.

(ii) Oversight of External Audit

- Reviewed the External Auditors, Messrs. Foo Kon Tan LLP's the Audit Planning Memorandum for the FYE 2020, which covered the matters as follows and thereafter recommended the same to the Board for notation:-
  - The organisation;
  - Auditor's, Management's and AC's responsibilities;
  - Audit process;
  - Fraud consideration;
  - Audit scope;
  - Developments during the year;
  - Risk assessment;
  - Key audit matters;
  - Audit materiality;
  - Communications with the AC and Management;
  - Changes in financial reporting standards;
  - Update to regulatory matters;
  - Financial reporting surveillance programme;
  - Audit quality;
  - Independence;
  - Timeline and deliverables;
  - Audit fees; and
  - Administrative matters.

E. SUMMARY OF THE WORKS OF THE AC (CONT'D)

The works undertaken by the AC during the FYE 2020 were summarised as follows:- (Cont'd)

(ii) Oversight of External Audit (Cont'd)

- Updated by the External Auditors on changes to the relevant guidelines on the regulatory and statutory requirements.
- Two (2) private sessions held with Messrs. Foo Kon Tan LLP without the presence of executive Board members and employees to discuss on issues of concern.
- Recommended to the Board the re-appointment of Messrs. Foo Kon Tan LLP as the External Auditors at the forthcoming Annual General Meeting 2021.

(iii) Oversight of Internal Audit Function

Please refer to the Section (F) of this AC Report.

(iv) Whistleblowing Committee

A Whistleblowing Committee has been established by the Board which the AC was assumed the role of the Whistleblowing Committee to oversee the implementation of the Ethical and Compliance Whistleblowing Policy and Procedures and receiving and handling the whistleblowing report(s).

(v) Other activities

- Reviewed the quarterly status of any related party transactions, debtors' ageing reports for local and foreign distributors for Fujian Jinjiang Dixing Shoes Plastics Co., Ltd. ("**Fujian Dixing**") and Sinaran Trilion Sdn. Bhd.
- Reviewed the Corporate Sustainability Statement, Corporate Governance Overview Statement and Audit Committee Report prior to submission to the Board for approval and inclusion in the Annual Report 2020.
- Proposed re-appointment of external auditors.
- Reviewed and revised the TOR of AC.
- Reviewed the Ethical and Compliance Whistleblowing Procedures and Policy, the establishment of Whistleblowing Committee which to be assumed by the Audit Commitee and recommended the same to the Board for approval and adoption.

F. SUMMARY OF THE WORKS OF THE INTERNAL AUDIT FUNCTION

The AC is supported by the internal audit team whose primary responsibility is to evaluate and report the adequacy, integrity and effectiveness of the overall system of internal control of the Group.

The Internal Audit ("**IA**") function of the Group is outsourced to an independent professional company, namely alphaOne Governance Sdn. Bhd. ("**alphaOne**" or the "**Outsourced Internal Auditors**") since 11 November 2016.

The Profile of the Outsourced Internal Auditors is set out as follows:-

Date of Appointment	:	11 November 2016
Principal Engagement Director	:	Mr. Allen Tham
Qualifications	:	• Certified Internal Auditor, USA; • Certification in Control Self-Assessment, USA; • Member of the Association of Chartered Certified Accountants; • Chartered Member of the Malaysian Institute of Accountants; and • BSc Accounting and Finance (Hons), UK.
Experiences	:	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.
Number of resources	:	The fieldwork for the audited areas were conducted by two (2) personnel.

alphaOne assisted the AC in ensuring a sound internal control state at the Group which is highly emphasised by the Malaysian regulators. alphaOne reports directly to the AC with its findings and recommendations. Any necessary corrective actions after reporting to the Board by the AC would be directed by the Board.

Assessment on adequacy and performance

The AC has conducted an assessment to evaluate the adequacy and performance of alphaOne for the FYE 2020 based on the following main criteria:-

(i) Qualification and experience;
(ii) Understanding;
(iii) Scope of internal audit functions;
(iv) Communication; and
(v) Performance.

Upon evaluation, the AC concluded that the overall performance of the IA for the FYE 2020 was "**Satisfactory**" and the AC was satisfied with the adequacy and performance of the IA during the FYE 2020.

For the FYE 2020, the Outsourced Internal Auditors have affirmed to the AC that they were free from any relationship or conflicts of interest, which could impair their objectivity and independence.

F. SUMMARY OF THE WORKS OF THE INTERNAL AUDIT FUNCTION (CONT'D)

IA Approach

The AC noted alphaOne would perform their IA programmes using a two-pronged approaches:-

(i) Risk-based IA Approach

A structured method to provide the assurance that "**auditable**" risks have been included in the IA plan with sufficient coverage on the effectiveness as well as the compliance level of the underlying internal controls.

(ii) Top-down Approach

To ensure that the organisation's corporate governance, strategy, and operations are aligned:-

- Preliminary risk assessment to first identify the key risk areas and issues.
- Construct an audit work programme for the business processes/ units with the corresponding objectives and audit procedures and observations.

Internal Audit Plan and Internal Audit Review by alphaOne

For the FYE 2020, alphaOne has presented the IA Plan for the FYE 2020 to the AC for review and adoption. The AC has in turn recommended the same to the Board for notation. The IA Plan for the FYE 2020 covered the introduction, overview of IA approach, auditable areas for the FYE 2020, prior audited areas since previous year and proposed IA fee for the FYE 2020.

For the FYE 2020, alphaOne has managed to conduct an internal audit review on the assessment of the "**key risks**" and the assessment of the adequacy and effectiveness of the systems and internal control and compliance of Sinaran Trilion Sdn. Bhd., being the wholly-owned subsidiary of the Company in Malaysia.

alphaOne has tabled the above IA Report at the AC Meeting held on 20 November 2020 for AC's review and adoption. The AC has in turn recommended the same to the Board for notation whilst requesting the Management to attend to the IA issues as highlighted by alphaOne.

The cost incurred for the IA function in respect of the FYE 2020 was approximately RMB32,460 equivalent to RM20,000 (2019: RMB34,044 equivalent to RM20,000).

This AC Report is made in accordance with the approval by the Board of Directors on 12 May 2021.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are required by the Singapore Companies Act (Chapter 50) to prepare financial statements that are in accordance with the Singapore Financial Reporting Standards and reflect a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured that applicable accounting standards have been followed;
- prepared the financial statements on a going concern basis; and
- ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to detect and prevent fraud and other irregularities.

This Statement is made in accordance with the approval by the Board of Directors on 12 May 2021.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The directors submit this statement to the members of the Company together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2020.

In our opinion,

(a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, having regard to the matters disclosed in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

The supplementary information set out in Note 30 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

NAMES OF DIRECTORS

The directors of the Company in office at the date of this report are:

Ding JianPing
Lee Yew Weng
Xiao LuXi
Dato' Quah Hoe Phang @ Stephen Quah
Koo Kien Yoon *(Appointed on 21 September 2020)*
Ng Chee Kin *(Appointed on 21 September 2020)*
Mohtar Bin Abdullah *(Appointed on 23 November 2020)*

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares, debentures, warrants or options of the Company or of any other corporate body, other than as disclosed in this statement.

DIRECTORS' INTEREST IN SHARES, DEBENTURES OR WARRANTS

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, the following directors who held office at the end of the financial year were interested in the shares or warrants of the Company and its related corporations as follows:

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at 1.1.2020	**As at 31.12.2020**	As at 1.1.2020	**As at 31.12.2020**
The Company – K-Star Sports Limited		Number of ordinary shares		
Ding JianPing	–	**–**	70,828,500	**–**
		Number of warrants		
Ding JianPing	–	**–**	35,189,400	**189,400**

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or of its subsidiaries.

No shares were issued during the financial year to which this report related by virtue of the exercise of options to take up unissued shares of the Company or of its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

WARRANTS

On 20 April 2018, the Company completed the issuance of 152,380,799 warrants on the basis of two warrants for every five existing shares. The exercise price of the warrants has been fixed at RM0.08. The warrants will expire on 10 April 2021. The warrant holders will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants for new shares.

The new shares to be issued arising from the above exercise of the warrants will, upon allotment and issuance, rank pari passu in all respects with the then existing shares, except that they shall not be entitled to any dividends, rights, allotments, and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new shares.

As at 31 December 2020, 64,156,620 warrants have been exercised and converted into ordinary shares in the capital of the Company. 81,999,179 warrants remained unexercised as at the financial year end.

AUDIT COMMITTEE

The Audit Committee ("AC") at the end of the financial year comprises the following members:

Lee Yew Weng (Chairman)
Xiao LuXi (Member)
Ng Chee Kin (Member)

The AC performs its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance. The functions performed are detailed in the Corporate Governance Overview Statement set out in the Annual Report of the Company for the financial year ended 31 December 2020.

The AC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The AC also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Full details regarding the AC are provided in the Corporate Governance Overview Statement and AC Report.

INDEPENDENT AUDITOR

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

....
DING JIANPING
DIRECTOR

....
KOO KIEN YOON
DIRECTOR

Dated: 12 May 2021

STATUTORY DECLARATION

Pursuant to Paragraph 9.27 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

I, Ding JianPing (Passport No. E21763110), being the director primarily responsible for the financial management of K-STAR SPORTS LIMITED, do solemnly and sincerely declare that the accompanying financial statements set out on pages 66 to 121 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the prevailing laws governing declarations for oaths in China.

....

DING JIANPING
DIRECTOR

Subscribed and solemnly declared by the above mentioned in Fujian Jinjiang.

This day of 12 May 2021

Before me: **DULY NOTARISED IN CHINA BY 刘卫建, NOTARY PUBLIC IN CHINA**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of K-Star Sports Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Company as at 31 December 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment assessment of the Group's non-financial assets, including investments in subsidiaries

The Group's property, plant and equipment and right-of-use assets (collectively known as "PPE") amounted to RMB 30.8 million and RMB 40.4 million, respectively as at 31 December 2020 arose from the Group's sports footwear business in the People's Republic of China ("PRC"). At the Company's level, the cost of investment amounting to RMB 43.4 million arose primarily from the investment in Fujian Jinjiang Dixing Shoes Plastics Co., Ltd. ("Fujian Dixing").

The Group's revenue from its sports footwear segment for the current financial year has declined by approximately 44% and its continuing operations in Fujian Dixing have historically been loss making. The macro environment remains challenging due to intense competition within the sports footwear industry and the effects of the outbreak of COVID-19 pandemic in the PRC since the first quarter of FY 2020. These are therefore indicators of possible impairment on the Group's PPE and the Company's investment in Fujian Dixing as at the reporting date.

An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount and the recoverable amount of the cash-generating unit is determined based on the higher of value-in-use or fair value less costs to sell.

Key Audit Matters (Cont'd)

1. Impairment assessment of the Group's non-financial assets, including investments in subsidiaries (Cont'd)

The recoverable amount of the Group's PPE was determined based on the fair value less cost to sell method, derived using the income capitalisation method. The same methodology was used by the Group's appointed external and independent valuer (the "Valuer") in determining the recoverable amounts of the Group's PPE in the previous financial year, which had been reviewed by our external valuation specialist who had evaluated and concurred on the appropriateness of the valuation methodology used by the Valuer. The income capitalisation method takes into account estimates such as (i) monthly contracted market rent; (ii) annual rental growth; and (iii) capitalisation rate, respectively.

In respect of the Company's cost of investment in Fujian Dixing, management determined the recoverable amount, including the non-trade amounts extended to Fujian Dixing, based on its realisable net assets value.

We considered the impairment testing of these non-financial assets to be a significant risk area due to judgemental nature of the key assumptions used by management and the significance of the carrying amounts of these assets in the statements of financial position of the Group and the Company.

Management has carried out the assessment and concluded that no further impairment loss/ reversal of impairment loss is required on the Group's PPE and the Company's cost of investment in subsidiaries as at the balance sheet date.

Our response and work performed:

We assessed the appropriateness of management's identification of the cash generating unit ("CGU") through making inquiries with management and our understanding of the Group's operations and its internal management reporting process.

In respect of the recoverable amount of the Group's PPE determined using the income capitalisation method, we corroborated the monthly contracted market rent and annual rental growth rate used by management to the current contracted rent and actual rental growth rate of comparable properties in the same vicinity of Chendai Town, Jinjiang City, Fujian Province

In addition, we ran a range of sensitivity analyses where a reasonably possible change in assumptions could have a significant impact to the valuation and found that there is sufficient headroom between the recoverable amount and the current carrying amount as at the balance sheet date. We have also considered the adequacy of the disclosure in the financial statements, regarding the inherent degree of subjectivity and key assumptions used in the estimates. This includes the relationship between the inputs used and fair values.

In respect of the recoverable amount of the Company's investments in subsidiaries, we obtained an understanding from management on their assessment of the potential impact of COVID-19 pandemic has on the operations of the subsidiaries of the Company. In addition, the audit procedures discussed in the preceding paragraphs relating to the impairment assessment of the Group's PPE and other factors such as the various subsidiaries' historical and current performance and financial positions were taken into consideration when assessing the impairment assessment of investments in subsidiaries, including the non-trade amounts extended to the subsidiaries.

Disclosure of the pertinent information has also been set out in Notes 5 and 7 to the financial statements.

Key Audit Matters (Cont'd)

2. Impairment assessment of financial assets

The Group's trade and other receivables as at 31 December 2020 amounted to RMB 31.5 million (Note 10), representing 25% of the Group's total assets. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. Management determines impairment of trade receivables by making debtor-specific assessment for credit-impaired debtors. For the remaining group of debtors, management provides lifetime expected credit losses using a provision matrix. The provision rates are determined based on the Group's historical default rates analysed based on days past due by grouping customers based on their profiles, adjusted for current and forward-looking information.

This area is a key audit matter due to the amounts, as well as the inherent subjectivity that was involved in making judgement by the management in relation to assumptions used in the expected credit loss ("ECL") model such as forward-looking macroeconomic factors.

Our response and work performed:

As part of our audit, we assessed the Group's processes and key controls relating to the monitoring of trade receivables including the process in determining whether a debtor is credit-impaired and the Group's processes in collating the key data sources and assumptions for data used in the ECL model.

We reviewed the key data sources and assumptions for data used in the determination of default rate and the current and forward-looking adjustment factor. We considered the age of the debts as well as the trend of collections to identify the collection risks. We obtained trade receivable confirmations and reviewed for collectability by way of obtaining evidence of receipts from the debtors on a sampling basis subsequent to the balance sheet date. We also considered the disclosures in the financial statements about the extent of estimation and judgement involved in determining allowance for doubtful debts.

Disclosure of the pertinent information has been set out in Notes 10 and 25 to the financial statements respectively.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Kong Chih Hsiang Raymond.

Other Reporting Responsibilities

The supplementary information set out in Note 30 to the financial statements is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 12 May 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	The Group 31 December 2020 RMB'000	The Group 31 December 2019 RMB'000	The Company 31 December 2020 RMB'000	The Company 31 December 2019 RMB'000
ASSETS					
Non-current					
Property, plant and equipment	5	**30,789**	33,842	**2**	4
Intangible assets	6	**–**	–	**–**	–
Investment in subsidiaries	7	**–**	–	**43,439**	42,578
Right-of-use assets	8	**39,312**	40,383	**–**	–
		70,101	74,225	**43,441**	42,582
Current					
Right-of-use assets	8	**1,071**	1,071	**–**	–
Inventories	9	**2,132**	4,454	**–**	–
Trade and other receivables	10	**31,658**	75,178	**1,144**	24
Cash and bank balances	11	**21,519**	17,955	**2,715**	93
		56,380	98,658	**3,859**	117
TOTAL ASSETS		**126,481**	172,883	**47,300**	42,699
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	**117,779**	100,021	**117,779**	100,021
Reserves	13	**(137,661)**	(128,271)	**11,883**	21,181
Retained earnings/ (accumulated losses)		**63,536**	69,397	**(82,997)**	(79,588)
		43,654	41,147	**46,665**	41,614
LIABILITIES					
Non-current					
Deferred tax liabilities	14	**4,795**	4,963	**–**	–
Borrowings	15	–	44,500	**–**	–
		4,795	49,463	**–**	–
Current					
Borrowings	15	**50,630**	34,630	**–**	-
Trade and other payables	16	**27,402**	47,643	**635**	1,085
		78,032	82,273	**635**	1,085
TOTAL LIABILITIES		**82,827**	131,736	**635**	1,085
TOTAL EQUITY AND LIABILITIES		**126,481**	172,883	**47,300**	42,699

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	**Year ended 31 December 2020 RMB'000**	Year ended 31 December 2019 RMB'000
Revenue	17	**133,420**	202,728
Cost of sales	18	**(120,544)**	(183,451)
Gross profit		**12,876**	19,277
Other income		**292**	219
Selling and distribution expenses		**(1,460)**	(2,336)
Administrative expenses		**(11,512)**	(12,280)
Other operating expenses		**–**	(8,550)
Finance costs	19	**(6,225)**	(7,355)
Loss before tax	20	**(6,029)**	(11,025)
Income tax credit	21	**168**	106
Net loss for the year		**(5,861)**	(10,919)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(93)**	16
Other comprehensive (loss)/income for the year, at nil tax		**(93)**	16
Total comprehensive loss for the year attributable to owners of the Company		**(5,954)**	(10,903)
Loss per share attributable to owners of the Company (RMB cents)			
Basic/ diluted	23	**(1.29)**	(2.71)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Group	Share capital RMB'000	Statutory common reserve RMB'000	Merger reserve RMB'000	Warrant reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019	93,774	24,712	(174,156)	22,083	(24)	80,316	46,705
Total comprehensive loss for the year	–	–	–	–	16	(10,919)	(10,903)
Transactions with owners, recognised directly in equity:							
Contributions by and distributions to owners of the Company							
Issuance of ordinary shares (Note 12)	4,527	–	–	–	–	–	4,527
Exercise of warrants (Note 12)	1,720	–	–	(902)	–	–	818
At 31 December 2019	100,021	24,712	(174,156)	21,181	(8)	69,397	41,147
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(93)**	**(5,861)**	**(5,954)**
Transactions with owners, recognised directly in equity:							
Contributions by and distributions to owners of the Company							
Exercise of warrants (Note 12)	**17,758**	**–**	**–**	**(9,297)**	**–**	**–**	**8,461**
At 31 December 2020	**117,779**	**24,712**	**(174,156)**	**11,884**	**(101)**	**63,536**	**43,654**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	**Year ended 31 December 2020 RMB'000**	Year ended 31 December 2019 RMB'000
Cash Flows from Operating Activities			
Loss before tax		**(6,029)**	(11,025)
Adjustments for:			
Amortisation of right-of-use assets	8, 20	**1,071**	1,071
Amortisation of intangible assets	6, 20	**–**	9,662
Depreciation of property, plant and equipment	5, 20	**3,053**	3,272
Impairment loss recognised on property, plant and equipment	5, 20	**–**	384
Impairment loss recognised on right-of-use assets	8, 20	**–**	118
Interest expense	19	**6,225**	7,355
Interest income	20	**(20)**	(20)
Operating profit before working capital changes		**4,300**	10,817
Changes in inventories		**2,322**	(176)
Changes in trade and other receivables		**43,627**	1,205
Changes in trade and other payables		**(19,386)**	(9,963)
Cash flows generated from operations		**30,863**	1,883
Interest received		**20**	20
Income tax (paid)/ refunded		**(107)**	49
Net cash flows generated from operating activities		**30,776**	1,952
Cash Flows from Financing Activities			
Interest paid	Note A	**(7,080)**	(7,555)
Proceeds from bank borrowings	Note A	**34,630**	34,630
Repayment of bank borrowings	Note A	**(34,630)**	(35,630)
Repayment of loans from an unrelated party	Note A	**(28,500)**	–
Proceeds from issuance of ordinary shares	12(A)	**–**	4,527
Proceeds from issuance of ordinary shares via warrants conversion	12(B)	**8,461**	818
Restricted bank balances	16(B)	**–**	17,542
Net cash flows (used in)/ generated from financing activities		**(27,119)**	14,332
Net increase in cash and cash equivalents		**3,657**	16,284
Cash and cash equivalents as at beginning of year		**17,955**	1,655
Effect of exchange rate changes on cash and cash equivalents		**(93)**	16
Cash and cash equivalents as at end of year	11	**21,519**	17,955

CONSOLIDATED STATEMENT OF CASH FLOWS
(Cont'd)

Note A: Reconciliation of liabilities arising from financing activities, excluding equity items:

	Borrowings (Note 15) RMB'000	Interest payable (Note 16) RMB'000	Total RMB'000
At 1 January 2019	80,130	1,535	81,665
Interest paid	–	(7,555)	(7,555)
Proceeds from bank loans	34,630	–	34,630
Repayment of bank loans	(35,630)	–	(35,630)
Cash flows	(1,000)	(7,555)	(8,555)
Non-cash flows: Interest expense	–	7,355	7,355
At 31 December 2019	79,130	1,335	80,465
Interest paid	**–**	**(7,080)**	**(7,080)**
Proceeds from bank loans	**34,630**	**–**	**34,630**
Repayment of bank loans	**(34,630)**	**–**	**(34,630)**
Repayment of loans from an unrelated party	**(28,500)**	**–**	**(28,500)**
Cash flows	**(28,500)**	**(7,080)**	**(35,580)**
Non-cash flows: Interest expense	**–**	**6,225**	**6,225**
At 31 December 2020	**50,630**	**480**	**51,110**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 GENERAL INFORMATION

The financial statements of the Group and the Company for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

K-Star Sports Limited (the "Company") (Company Registration Number: 200820976H) is a limited liability company incorporated in Singapore and is registered in Malaysia as a foreign company (Malaysian Branch Registration Number: 200902000042 (995214-D)). The Company is currently listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company has two registered offices which are located in Singapore and Malaysia. The registered office of the Company in Singapore is at 138 Cecil Street, #12-01A Cecil Court, Singapore 069538; while the registered office in Malaysia is at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The principal place of business of the Group is located at No. 125-127 Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City, Fujian Province, 362211, The People's Republic of China ("PRC").

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

2 GOING CONCERN

The Group reported a loss before tax and total comprehensive loss of RMB 6.0 million and RMB 6.0 million respectively, for the financial year ended 31 December 2020 and the Group's current liabilities have exceeded its current assets by approximately RMB 21.7 million as at 31 December 2020.

In assessing the appropriateness of the use of going concern basis of accounting in the preparation of the financial statements, management has considered the disruptions caused by the COVID-19 pandemic and the following sources of liquidity and funding available to the Group:

(a) Future cash inflows from the Group's operating activities for the financial year ending 31 December 2021;

(b) On 1 March 2021, the Company's shareholders approved the proposed special issuance of up to 142,097,400 new ordinary shares in the Company to independent third-party investors. The issue price of the special issue shares was fixed at MYR 0.0922 each per special issue share on 9 March 2021. The Company subsequently received net proceeds amounting to MYR 13.0 million (equivalent to approximately RMB 20.7 million) on 17 March 2021.

(c) The shareholders also approved the proposed internal restructuring of the Company by way of a members' scheme of arrangement under Section 210 of the Singapore Companies Act (Chapter 50) comprising (a) the proposed exchange of all existing shares in the Company with new ordinary shares in Sinaran Advance Group Berhad ("SAG"), a new investment holding company on a one-for-one basis and (b) all outstanding warrants of the Company with new warrants to be issued by SAG on a one-for-one basis. Lastly, the shareholders have also approved the transfer of the Company's listing status to SAG, followed by the admission of SAG to and withdrawal of the Company from the Official List of Bursa Securities and the listing and quotation for the new SAG shares and warrants on the Main Market of Bursa Securities and the transfer of the Company's entire shareholding in its wholly owned subsidiary, Sinaran Trilion Sdn Bhd to SAG.

2 GOING CONCERN (CONT'D)

(d) Subsequent to year end, the Company received proceeds amounting to MYR 5.7 million (equivalent to RMB 9.0 million) from the exercise of 70.9 million warrants by the warrant holders of the Company; and

(e) Fujian Jinjiang Dixing Shoes Plastics Co., Ltd has also obtained two loans of RMB 5 million each, bearing interest of 1% per month, from a third party, on 15 and 16 March 2021 respectively. The loans will be repaid within 5 years from the date of draw down.

The financial statements have been prepared on a going concern basis, which contemplate the realisation of assets and the satisfaction of liabilities in the normal course of business. As described above, management is of the view that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

If for any reason the Group and the Company are unable to continue as a going concern, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as "current assets" and "current liabilities" respectively. No such adjustments have been made to the financial statements of the Group and the Company in respect of these.

3 BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related SFRS(I) Interpretations ("SFRS(I) INT") promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements of the Group and the Company are presented in Chinese Renminbi ("RMB"), which is also the functional currency of the Company. All the financial information presented in RMB has been rounded to the nearest thousand ("RMB'000") unless otherwise stated. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

3.1 Adoption of new and amended standards and interpretations

On 1 January 2020, the Group and the Company adopted the new and revised SFRS(I), SFRS(I) Interpretations and amendments to SFRS(I), effective for the current financial year that are relevant. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	*Definition of Material*	1 January 2020
Revised *Conceptual Framework for Financial Reporting*		1 January 2020

3 BASIS OF PREPARATION (CONT'D)

3.1 Adoption of new and amended standards and interpretations

<u>Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*</u>

The amendments include clarifications to the definition of 'material' and the related guidance:

- the threshold of "could influence" has been replaced with "could reasonably be expected to influence";
- the term of 'obscuring information' has been included in the definition of 'material' to incorporate the existing concept in FRS 1-1 and examples have been provided of circumstances that may result in information being obscured; and
- the scope of 'users' has been clarified to mean the primary users of general purpose financial statements and their characteristics have been defined.

The amendments are to be applied prospectively and are effective for annual periods beginning on or after 1 January 2020.

There is no material impact to the Group's and the Company's financial statements on initial application.

<u>Revised *Conceptual Framework for Financial Reporting*</u>

The purpose of the Conceptual Framework is to assist in developing financial reporting standards. The Conceptual Framework is not a standard itself and none of the concepts contained therein override the requirements in any standard. The main changes to the Conceptual Framework's principles have implications for how and when assets and liabilities are recognised and derecognised in the financial statements. These revisions affect those entities which had developed their accounting policies based on the Conceptual Framework in the absence of specific FRS requirements. In such cases, the entities shall review those policies and apply the new guidance retrospective for annual periods beginning on or after 1 January 2020.

Some SFRS(I), their accompanying documents and SFRS(I) practice statements contain references to, or quotations from the Conceptual Framework. The Amendments to References to the Conceptual Framework in SFRS(I), issued together with the revised Conceptual Framework, sets out updates to SFRS(I), their accompanying documents and SFRS(I) practice statements to reflect the issue of the revised Conceptual Framework. These amendments are effective for annual periods beginning on or after 1 January 2020.

There is no material impact to the Group's and the Company's financial statements on initial application.

3.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application, as discussed below.

Reference	**Description**	**Effective date (Annual periods beginning on or after)**
Amendments to SFRS(I) 16	*COVID-19 Related Rent Concessions*	1 June 2020
Amendments to SFRS(I) 1-16	*Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022

3 BASIS OF PREPARATION (CONT'D)

3.2 Standards issued but not yet effective (Cont'd)

Amendments to SFRS(I) 16 *COVID-19 Related Rent Concessions*

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change,
(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
(c) there is no substantive change to other terms and conditions of the lease.

Entities applying the practical expedient must disclose this fact, whether the expedient has been applied to all qualifying rent concessions, and the nature of the contracts to which it has been applied, as well as the amount recognised in the statement of comprehensive income arising from the rent concessions.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity shall recognise such sales proceeds and related costs in statement of comprehensive income and measure the cost of those items in accordance with SFRS(I) 1-2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly' and specify this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

3 BASIS OF PREPARATION (CONT'D)

3.2 Standards issued but not yet effective (Cont'd)

Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g. direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

3.3 Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Consolidation of the subsidiaries in the People's Republic of China ("PRC") is based on the subsidiaries' financial statements prepared in accordance with SFRS(I). Profits reflected in the financial statements prepared in accordance with SFRS(I) may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations in PRC, profit available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if, and only if, the Group has all of the following:

(i) power over the investee;
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

(i) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) potential voting rights held by the Group, other vote holders or other parties;
(iii) rights arising from other contractual arrangements; and
(iv) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional 'concentration test' is met, and the acquired set of activities and assets is not a business, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Change in ownership interest without loss of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

Loss of control

When the Group loses control of a subsidiary, a gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, where applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFRS(I) 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Goodwill

Goodwill on acquisition of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in RMB, which is also the functional currency of the Company.

Conversion of foreign currencies

Foreign currency transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the statement of comprehensive income.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to statement of comprehensive income, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)

Foreign currency transactions and balances (Cont'd)

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of that statement of financial position;
(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets after deducting the residual value of the assets (i.e. estimated proceeds to be obtained from disposal of the asset, after deducting the estimated costs of disposal) as follows:

Buildings	:	20 years
Plant and machineries	:	5 to 10 years
Motor vehicles	:	5 to 10 years
Furniture, fixtures and office equipment	:	5 years
Renovation	:	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

For acquisitions and disposals during the year, depreciation is provided from the month of acquisition and to the month before disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written-off where, in the opinion of the directors, no further future economic benefits are expected to arise.

Patents

Costs relating to patents and licenses which are acquired and registered with 中国人民共和国国家知识产权局, are capitalised and amortised on straight-line basis over their useful life of five to ten years.

Research costs

Research costs are expensed as incurred.

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

(a) Lease liabilities (Cont'd)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in the statement of comprehensive income in the periods that trigger those lease payments. For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component. The lease liabilities are presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to the statement of comprehensive income if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modifications.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

(b) Right-of-use assets

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Amortisation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Land use rights	:	Over the lease term of 50 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies SFRS(I)15 to allocate the consideration in the contract.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the statement of comprehensive income. An impairment loss is reversed in the statement of comprehensive income if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Financial instruments

Financial instruments carried on the statement of financial position include financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These are recognised on the Group's and the Company's statement of financial position when the Group and the Company become a party to the contractual provisions of the instrument. Disclosures of the Group's and the Company's financial risk management objectives and policies are provided in Note 25.

Financial assets and financial liabilities are offset and the net amount presented on the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL").

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Initial recognition and measurement (Cont'd)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL

The Group and the Company do not hold any financial assets at FVOCI or financial assets at FVTPL.

Subsequent measurement of debt instruments depends on the Group's and the Company's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the assets are derecognised or impaired, and through the amortisation process.

The Group's and the Company's financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents (including fixed deposits).

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instrument assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

For trade receivables, the Group and the Company measure the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition, are accounted for as follows:

- Raw materials - purchase cost on a first-in first-out basis.
- Work-in-progress and finished goods - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made for obsolete, slow- moving and defective inventories in arriving at the net realisable value. The amount of any write-down of inventories to net realisable value is recognised as an expense in the period the write-down occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statements of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

Share capital and share issue expenses

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Warrant reserve

The fair value ascribed to warrants less issue expenses is credited as a reserve in equity under warrant reserve and the related balance is transferred to the share capital account as and when the warrants are exercised or expired.

Financial liabilities

Initial recognition and measurement

The Group and the Company determine the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at FVTPL, directly attributable transaction costs.

Borrowings to be settled within the Group's normal operating cycle are considered as "current". Other borrowings due to be settled more than 12 months after the reporting date are included in "non-current" borrowings in the statement of financial position. Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of borrowing using the effective interest method.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Financial guarantees

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Group will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

Revenue

The Group is principally in the business of manufacturing and distribution of sports footwear, apparel and accessories as well as construction related business. Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods or service and that is allocated to that performance obligation. The goods or service is transferred when or as the customer obtains control of the goods or service.

Sale of sportwear

The Group manufactures and sells a range of sport footware products through the Group's distributors. Revenue is recognised at a point in time when the control of the goods is transferred to the distributors (i.e. when the goods are delivered in accordance with the applicable terms and conditions and significant risks and rewards of ownership of the goods have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Construction service income

The Group provides construction service to the customers based on specifically negotiated contracts with customers. Revenue is recognised over time as the Group generally has the enforeceable rights to payment for performance completed to date. The stage of completion is assessed by reference to the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised.

Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception.

The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred.

The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. There are no costs incurred to fulfil a contract during the year ended 31 December 2020 and 2019.

Rental income

Rental income is recognised as 'other income' on a straight-line basis over the term of the lease.

Interest income

Interest income is recognised as it accrues in the statement of comprehensive income on a time proportion basis using the effective interest method.

Borrowing costs

Borrowing costs are reocgnised in the statement of comprehensive income as incurred except to the extent that they are capitalised. Borworing costs are capitlalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs.

Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are readgy for their intended use or sale.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Employee benefits

<u>Pension obligations</u>

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. In particular, employees of the subsidiary in PRC are required to participate in a certain pension scheme operated by the local municipal government (the "Central Pension Scheme"), whereby the PRC subsidiary is required to contribute a certain percentage of the basic salaries of their employees to the Central Pension Scheme. These contributions to national pension schemes are charged to the statement of comprehensive income in the period to which the contributions relate.

<u>Employee leave entitlements</u>

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of each reporting period.

<u>Key management personnel</u>

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Income taxes (Cont'd)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Value added tax ("VAT")

The Group's sales of goods in the PRC are subject to VAT at the applicable tax rate of 13%/16% for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the consolidated statements of financial position.

Revenue, expenses and assets are recognised net of the amount of VAT except:

(a) where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(b) receivables and payables that are stated with the amount of VAT included.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

    (i) has control or joint control over the Company;
    (ii) has significant influence over the Company; or
    (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company

3 BASIS OF PREPARATION (CONT'D)

3.3 Summary of significant accounting policies (Cont'd)

Related parties (Cont'd)

A related party is defined as follows: (Cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third party and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and warrants.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All operating segments' operating results are reviewed regularly by the Group's directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Additional disclosures on operating segments are shown in Note 24 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the Group's directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant accounting estimates and judgement

The critical accounting estimates and assumptions used in applying accounting policies and areas involving a high degree of judgement are described below.

(a) Judgements made in applying accounting policies

(i) Identification of functional currencies

The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. Determination of the functional currency involves significant judgement and other companies may make different judgements based on similar facts.

The functional currency of each of the Group entities is principally determined by the primary economic environment in which the respective entity operates. The Group reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of the non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the statement of comprehensive income. It also impacts exchange gains and losses included in the statement of comprehensive income.

(ii) Income taxes (Note 21)

The Group has exposure to income taxes arising from their operations in the PRC and Malaysia. Significant judgments are involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The PRC subsidiaries make tax submissions to the local tax authorities in accordance with interpretations and local practices. Management has assessed and concluded that all tax submissions are appropriate and except for the outstanding payments so determined, there are no further tax related liabilities.

As at 31 December 2020, the Group did not recognise deferred tax assets in relation to unutilised tax losses and temporary differences arising from deductible expenses due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefits.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Significant accounting estimates and judgement (Cont'd)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based on its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Useful life of property, plant and equipment (Note 5)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage, maintenance programmes, and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A reduction/ extension in the useful life of the property, plant and equipment by one year (2019 - one year) would increase/decrease the Group's loss for the financial year by approximately RMB 181,000/RMB 166,000 (2019 - RMB 200,000/RMB 176,000).

(ii) Allowance for inventory obsolescence (Note 9)

The Group reviews the ageing analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for inventories is estimated based primarily on the latest invoice prices and current market conditions to assess future demand for products. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of each reporting period is disclosed in Note 9 to the financial statements.

If the net realisable values of finished goods were to decrease by 10% from management estimates, the Group's allowance for inventory obsolescence and the Group's loss before tax will increase by RMB 80,000 (2019 – RMB 198,000).

(iii) Impairment of non-financial assets (Notes 5 ,7 and 8)

The Group's property, plant and equipment and right-of-use assets, and the Company's investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If there are indicators of impairment, the recoverable amounts of cash-generating-units will be determined based on higher of value-in-use calculations or the fair value less costs to sell. At the reporting date, management has assessed and acknowledged that impairment indicators existed on these non-financial assets on the basis that the Group has been registering significant and persistent losses since 31 December 2012. Management does not believe that these assets' value-in-use, based on discounted cash flow model, will materially exceeds its fair value less costs of disposal. Accordingly, management has determined the recoverable amount of these assets based on fair value less cost to sell, which is based on these assets' highest and best use, using the income approach to value them. The market approach takes into account the net rental income derived from the existing leases entered and/or rental income achievable in the existing market. Where appropriate, reference has also been made to comparable sale transactions as available in the market.

The recoverable amounts of the non-financial assets could change significantly as a result of changes in the assumptions used in determining the fair value less costs to sell. The key assumptions used based on market approach, using the income capitalisation method, are those regarding (i) monthly market rent; (ii) capitalisation rate; and (iii) the annual rent growth rate, respectively.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Significant accounting estimates and judgement (Cont'd)

(b) Key sources of estimation uncertainty (Cont'd)

(iii) Impairment of non-financial assets (Notes 5 ,7 and 8) (Cont'd)

The above estimates are particularly sensitive in the following areas:

(1) By keeping other variables constant, a decrease of 12% (2019 – 0.5%) or more to the monthly market rent would result in a further impairment loss of at least RMB 349,000 (2019 - RMB 1,000,000); or

(2) By keeping other variables constant, an increase of 20% (2019 – 2%) or more to the capitalisation rate of 5% used would result in a further impairment loss of at least RMB 763,000 (2019 - RMB 1,000,000); or

(3) By keeping other variables constant, a decrease of 14% (2019 – 5%) or more to the annual rent growth rate of 2% used would result in a further impairment loss of at least of RMB 1,000,000 (2019 - RMB1,000,000).

The carrying amounts of property, plant and equipment, investments in subsidiaries and right-of-use assets as at 31 December 2020 are disclosed in Notes 5, 7 and 8 to the financial statements respectively.

(iv) Allowance for expected credit losses of trade and other receivables (Note 10)

As at 31 December 2020, the Group's net trade receivables amounted to RMB 31.4 million (2019 – RMB 75.0 million). Management uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated based on the historical observed default rates. Management will calibrate the matric to adjust for historical credit loss experience with forward-looking information. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

The Group's and the Company's credit risk exposure on other receivables are based on qualitative and quantitative factors that are indicative of risk of default (including but not limited to external ratings, audited financial statements, management accounts, cashflow projections and available press information). Impairment on these balances have been measured on a 12-month ECL basis.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Notes 10 and 25.

5 PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings RMB'000	Plant and machineries RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Total RMB'000
Cost						
At 1 January 2019, 31 December 2019 and 2020	**63,038**	**9,616**	**1,398**	**4,571**	**18,992**	**97,615**
Accumulated depreciation and impairment losses						
At 1 January 2019	30,922	6,768	1,231	4,114	17,082	60,117
Depreciation charge for the year (Note 20)	2,837	415	20	–	–	3,272
Impairment loss recognised (Note 20)	384	–	–	–	–	384
At 31 December 2019	34,143	7,183	1,251	4,114	17,082	63,773
Depreciation charge for the year (Note 20)	**2,658**	**390**	**5**	–	–	**3,053**
At 31 December 2020	**36,801**	**7,573**	**1,256**	**4,114**	**17,082**	**66,826**
Net carrying amount						
At 31 December 2020	**26,237**	**2,043**	**142**	**457**	**1,910**	**30,789**
At 31 December 2019	28,895	2,433	147	457	1,910	33,842

(a) **Depreciation expense**

Depreciation expense is recognised in the consolidated statement of comprehensive income as follows:

The Group	2020 RMB'000	2019 RMB'000
Depreciation charged to:		
- Cost of sales	**1,084**	1,109
- Administrative expenses	**1,969**	2,163
	3,053	3,272

No depreciation expense was recorded for motor vehicles and renovation as their carrying amounts represent their respective residual values. As at 31 December 2020, the Company's property, plant and equipment comprises office equipment with cost of RMB 8,000 (2019 - RMB 8,000) and accumulated depreciation of RMB 6,000 (2019 - RMB 4,000), respectively.

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) The details of the buildings are as follows:

Location	Construction Gross Floor Area (Square metres) 2020	2019	Ownership
No. 125-127 Jiangtou Qianjin Road North Jiangtou Industrial Zone, Jiangtou Village Chendai Town, Jinjiang City, Fujian, PRC (晋江市陈埭镇江头村前进北路125-127号)	**25,181**	25,181	Fujian Dixing
Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village Chendai Town, Jinjiang City, Fujian, PRC (晋江市陈埭镇江头村前进北路)	**2,144**	2,144	Saifeite

(c) As at 31 December 2020, bank loans of RMB 9,800,000 (2019 - RMB 9,800,000) are secured on the buildings and renovation of the Group with carrying amount of approximately RMB 16,554,000 (2019 - RMB 17,946,000) (refer to Note 15).

(d) As at 31 December 2020, motor vehicles with carrying amount of approximately RMB 457,000 (2019 – RMB 457,000) are registered in the names of certain employees of the Group and are held-in-trust on behalf of the Group at the reporting date.

(e) As at 31 December 2019, loans payable to an unrelated party of RMB 15,000,000 were secured on the buildings and renovation of the Group with carrying amount of approximately RMB 12,859,000 (refer to Note 15).

Impairment loss recognised:

In view of the recurring losses in difficult industry conditions as at 31 December 2020, management performed an impairment assessment on the Group's buildings (see Note 5(b) above) and the related right-of-use assets as disclosed in Note 8 to the financial statements (collectively known as "non-financial assets"), which are considered as one distinct cash generating unit.

The recoverable amounts of the Group's non-financial assets were determined based on the fair value less cost to sell method, derived using the income capitalisation method. The same methodology was used by the Group's appointed external and independent valuer (the "Valuer") in determining the recoverable amounts of the Group's PPE in the previous financial year, which had been reviewed by our external valuation specialist who had evaluated and concurred on the appropriateness of the valuation methodology used by the Valuer. Based on management's review, no additional or reversal of impairment loss was required for the financial year ended 31 December 2020.

In the previous financial year, the estimated recoverable amounts were based on valuation reports obtained from independent professional valuers, having the appropriate recognised professional qualifications and experience in the assets being valued. Impairment losses of RMB 0.4 million; and RMB 0.1 million, respectively, were recognised for the Group's buildings classified as "property, plant and equipment"; and land use rights prepayments classified as "right-of-use assets" (refer to Note 8), respectively, in the consolidated statement of comprehensive income for the financial year ended 31 December 2019.

The recoverable amounts could change significantly as a result of changes in market conditions and assumptions used in determining the market value. Key assumptions used in the calculation of recoverable amounts of the Group's buildings and land-use-rights prepayments include (a) monthly contracted market rate of RMB 12 (2019 - RMB 10) to RMB 120 (2019 - RMB 90) per month per sqm in the same vicinity of Chendai Town, Jinjiang City, Fujian Province; (b) an annual rental growth rate of 2% (2019 - 2%); and (c) a capitalisation rate of 5% (2019 - 5%), respectively.

6 INTANGIBLE ASSETS

The Group	**2020 RMB'000**	2019 RMB'000
Patents		
Cost		
At 1 January	**24,200**	26,400
Written-off (Note A)	**–**	(2,200)
At 31 December	**24,200**	24,200
Accumulated amortisation		
At 1 January	**24,200**	16,738
Amortisation charge for the year (Note B) (Note 20)	**–**	9,662
Written-off (Note A)	**–**	(2,200)
At 31 December	**24,200**	24,200
Net carrying amount		
At 31 December	**–**	–

Amortisation expense was charged to administrative expenses.

Note A:
In the previous financial year, a patent amounting to RMB 2.2 million that was acquired in FY 2013 and had been fully amortised, was written off.

Note B:
In the previous financial year, management carried out a review on the useful lives of the remaining design and utility patents to better reflect and align the economic benefits expected to be generated from these patents, based on the expected product life cycle of the Group's sportwear products produced and decided not to renew the licences of these patents. Following this review, management accelerated the amortisation expense of these patents and wrote down the remaining carrying amounts of the patents to Nil prospectively in the consolidated statement of comprehensive income in accordance with SFRS(I) 1-8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.

7 INVESTMENTS IN SUBSIDIARIES

The Company	2020 RMB'000	2019 RMB'000
Unquoted equity investments, at cost:		
- At 1 January	**234,542**	234,542
- Additions	**861**	–
- At 31 December	**235,403**	234,542
Amounts due from a subsidiary (non-trade)	**42,176**	42,176
	277,579	276,718
<u>Accumulated impairment losses</u>		
At 1 January	**(234,140)**	(219,350)
Impairment losses recognised	**–**	(14,790)
At 31 December	**(234,140)**	(234,140)
Unquoted equity investment, net	**43,439**	42,578

During the current financial year, the Company subscribed for 500,000 new ordinary shares of MYR 1.00 per share in the share capital of the wholly owned subsidiary Sinaran Trilion Sdn Bhd by way of a cash, equivalent to RMB 861,000.

Pursuant to a directors' resolution dated 31 December 2019, the non-trade amounts due from a subsidiary amounting to RMB 42.2 million were reclassified from "trade and other receivables" in Note 10 to "investments in subsidiaries" as the non-trade amounts represent an extension of the Company's net investment in the subsidiary.

These amounts are unsecured and interest-free with repayment terms at the discretion of the subsidiary. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is considered to be part of the cost of investment, and is stated at cost, less impairment losses, if any.

As at 31 December 2020, management performed an impairment assessment and concluded that impairment indicators existed. Accordingly, management carried out a review of the recoverable amount of its investment in subsidiaries using the realisable net assets value ("RNAV") approach of the subsidiaries. Based on management's review, no additional or reversal of impairment loss was required for the financial year ended 31 December 2020.

As at 31 December 2019, an impairment loss of RMB 14.8 million was recorded in the cost of investment in Fujian Jinjiang Dixing Shoes Plastics Co., Ltd in the Company's statement of comprehensive income, as carrying amount of the asset exceeded its recoverable amount determined using the RNAV approach.

The fair value was primarily determined based on fair value measurement category within Level 3 of the fair value hierarchy.

7 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation/ Principal place of business	Principal activities	Effective equity interest held by the Group 2020 %	2019 %	Cost of Investment 2020 RMB'000	2019 RMB'000
Held by the Company						
Fujian Jinjiang Dixing Shoes Plastics Co., Ltd ("Fujian Dixing")[1,3] 福建省晋江市帝星鞋塑有限公司	PRC	Design, manufacture and distribution of sports footwear, apparel and accessories	**100**	100	**276,316**	276,316
Sinaran Trilion Sdn Bhd ("STSB")[2]	Malaysia	Construction related businesses	**100**	100	**1,263**	402
K Star Healthcare Sdn Bhd	Malaysia	Distribution of pharmaceutical and healthcare products.	**100**	–	**–**	–
					277,579	276,718
Held by Fujian Dixing						
Jinjiang Saifeite Shoes Plastics Co., Ltd ("Saifeite")[1,3] 晋江市赛飞特鞋塑有限公司	PRC	Property investment holding	**100**	100		

1 Audited by Foo Kon Tan LLP for consolidation purpose
2 Audited by a member firm of HLB International
3 Audited by 深圳市国信泰会计事务所 in the PRC

8 RIGHT-OF-USE ASSETS

The Group	2020 RMB'000	2019 RMB'000
Cost		
At 1 January and 31 December	**50,641**	50,641
Accumulated amortisation and impairment loss		
At 1 January	**9,187**	7,998
Amortisation for the year (Note 20)	**1,071**	1,071
Impairment loss recognised (Note 20)	**–**	118
At 31 December	**10,258**	9,187
Net carrying amount		
At 31 December	**40,383**	41,454
Non-current	**39,312**	40,383
Current	**1,071**	1,071
	40,383	41,454

8 RIGHT-OF-USE ASSETS (CONT'D)

(a) The details of the parcels of land are as follow:

Location	Land area 2020 (Sqm)	Land area 2019 (Sqm)	Ownership	Tenure/ Effective date
No. 125-127 Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City (晋江市陈埭镇江头村前进北路125 - 127号)	**2,581**	2,581	Fujian Dixing	50 years expiring on 08 October 2062
No. 125-127 Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City (晋江市陈埭镇江头村前进北路125 - 127号)	**2,410**	2,410	Villagers Committee of Jiangtou Huizu Village, Chendai Town, Jinjiang City (晋江市陈埭镇江头村回族村民委员会)	20 October 2006 (Note 1)
No. 125-127 Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City (晋江市陈埭镇江头村前进北路125 - 127号)	**2,675**	2,675	Fujian Dixing	50 years expiring on 20 October 2056
Jiangtou Village, Chendai Town, Jinjiang City (晋江市陈埭镇江头村)	**675**	675	Saifeite	50 years expiring on 20 October 2056

Note 1: The Group has the rights to use the lands with in-principle approval from the land owners, who has contractually transferred the ownership of the lands, subject to registration with the Jinjiang State-owned Land Resource Bureau (晋江市国土资源局). Pursuant to the letter of confirmation dated 3 January 2020, the Villagers Committee of Jiangtou Huizu Village, Chendai Town, Jinjiang City (晋江市陈埭镇江头回族村民委员会) has confirmed that these lands have been transferred to Fujian Dixing.

(b) As at 31 December 2020, bank loans of RMB 9,800,000 (2019 – RMB 9,800,000) are secured on land-use-rights of the Group at No. 125-127 Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City (晋江市陈埭江头前进北路125 - 127 号) (land area: 2,675 sq m) with carrying amount of approximately RMB 9,540,000 (See Note 15).

(c) As at 31 December 2019, loans payable to an unrelated party of RMB 15,000,000 are jointly secured on land use rights of the Group with carrying amount of approximately RMB 31,914,000 (See Note 15). The loan has since been repaid in full as at 31 December 2020.

9 INVENTORIES

The Group	2020 RMB'000	2019 RMB'000
Raw materials, at cost	**895**	1,076
Work-in-progress, at cost	**440**	1,401
Finished goods, at cost (Note 18)	**797**	1,977
	2,132	4,454
Inventories recognised as an expense in cost of sales	**81,248**	146,965

10 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**31,477**	75,095	**–**	–
Other receivables	**69**	54	**15**	-
Deposits	**–**	24	**–**	24
Amounts due from subsidiaries (non-trade)	**–**	–	**1,129**	–
Financial assets at amortised cost	**31,546**	75,173	**1,144**	24
Tax recoverable	**112**	5	**–**	–
Total trade and other receivables	**31,658**	75,178	**1,144**	24

Trade receivables are non-interest bearing and are generally granted credit terms of 90 days (2019 - 90 days). The Group does not require collateral in respect of trade receivables. Based on historical zero default rates, the Group believes that no additional impairment allowance is necessary in respect of trade receivables based on their credit standing and payment histories.

As at 31 December 2019, the non-trade amounts due from subsidiaries were reclassified to "investments in subsidiaries" as the amounts represent the Company's net investment in the subsidiary.

The carrying amounts of trade and other receivables approximate their fair value.

<u>Financial assets that are neither past due nor impaired</u>

Trade and other receivables that are neither past due nor impaired are creditworthy customers with a good payment record with the Group.

The ageing of financial assets at amortised costs that were not impaired at the reporting date was:

	The Group		The Company	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
No credit terms	**344**	78	**1,144**	24
Not past due	**23,069**	57,342	**–**	–
Past due but not impaired:				
- Less than 30 days	**7,076**	17,753	**–**	–
- 31-60 days	**83**	–	**–**	–
- more than 60 days	**974**	–	**–**	-
	31,546	75,173	**1,144**	24

<u>Financial assets that are impaired</u>

There are no financial assets at amortised cost that are past due and impaired and no exposure to credit risk and ECLs for trade receivables of individual customers as at the year end.

11 CASH AND BANK BALANCES

	The Group		The Company	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**92**	29	**1**	1
Cash at bank	**21,427**	17,926	**2,714**	92
	21,519	17,955	**2,715**	93

The cash placed with financial institutions earn interest at floating rates based on daily bank deposit rates. The effective interest rates as at 31 December 2020 for the Group and the Company were 0.30% and Nil (2019 - 0.30% and Nil), respectively.

As at 31 December 2020, included in the cash at bank is an amount of RMB 17.5 million (2019 - 17.5 million) received from three unrelated third parties as guarantees for indemnity purposes

12 SHARE CAPITAL

The Company	**2020** No. of shares issued '000	**2020** RMB'000	2019 No. of shares issued '000	2019 RMB'000
Issued and fully paid ordinary shares				
At 1 January	**425,872**	**100,021**	380,952	93,774
Issuance of ordinary shares:				
- Placement	**–**	**–**	38,695	4,527
- Exercise of warrants	**64,156**	**17,758**	6,225	1,720
At 31 December	**490,028**	**117,779**	425,872	100,021

(A) Placement of shares
On 19 July 2019, the Company issued 38,695,200 new ordinary shares in the capital of the Company at an issue price of MYR 0.07 per share to a group of independent third party investors, amounting to RMB 4,526,719 (equivalent to MYR 2,708,664).

(B) Exercise of warrants
During the current financial year, 64,156,620 warrants were exercised and converted into ordinary shares in the capital of the Company, for a consideration of MYR 5,198,719 (equivalent to RMB 8,460,397). Accordingly, the related balance of RMB 9,297,475 in the warrant reserve was transferred to share capital.

In the previous financial year, 6,225,000 warrants were exercised and coverted into ordinary shares in the share capital of the Company, for a cash consideration of MYR 498,000 (equivalent to RMB 817,716). Accordingly, the related balance of RMB 902,117 in the warrant reserve was transferred to share capital, resulting in an increase of RMB 1,719,833 in share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets. The ordinary shares have no par value.

13 RESERVES

	The Group		The Company	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Statutory common reserve	**24,712**	24,712	**–**	–
Merger reserve	**(174,156)**	(174,156)	**–**	–
Warrant reserve	**11,884**	21,181	**11,883**	21,181
Translation reserve	**(101)**	(8)	**–**	–
	(137,661)	(128,271)	**11,883**	21,181

Statutory common reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Group established in the PRC are required to transfer 10% of their profits after taxation prepared in accordance with the accounting regulation of the PRC to the statutory common reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of the subsidiaries subject to the approval from the PRC relevant authority, and are not available for dividend distribution to the shareholders.

Merger reserve

The merger reserve represents the difference between the consideration paid and the paid-in capital of the subsidiaries when business combination of entities under common control was accounted for by applying the pooling-of-interest method.

Warrant reserve

Warrant reserve relates to the portion of proceeds from the shares issue ascribed to the attached warrants. 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 have expired on 10 April 2021, after the reporting date. Accordingly, the balance in the warrant reserve will be transferred to retained earnings in FY2021.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

14 DEFERRED TAX LIABILITIES

The Group	**Balance at 1 January 2019 RMB'000**	**Recognised in profit or loss RMB'000 (Note 22)**	**Balance at 31 December 2019 RMB'000**	**Recognised in profit or loss RMB'000 (Note 22)**	**Balance at 31 December 2019 RMB'000**
Deferred tax liabilities	5,131	(168)	4,963	**(168)**	**4,795**

14 DEFERRED TAX LIABILITIES (CONT'D)

The movement relates to the unwinding of the deferred tax liabilities in the manner in which the Group expects to recover the carrying amounts of the value of the property, plant and equipment and land use rights, which were measured at fair value at acquisition date.

As at 31 December 2020, deferred tax liabilities of RMB 4.8 million (2019 – RMB 5.0 million) arose from the fair value adjustment on the non-financial assets in connection with the acquisition of Saifeite by Fujian Dixing in FY 2012 under a business combination.

15 BORROWINGS

The Group	2020 RMB'000	2019 RMB'000
Non-current		
Loans from an unrelated party (Note A)	**–**	44,500
Current		
Bank loans (Note B):		
- Secured	**9,800**	9,800
- Unsecured	**24,830**	24,830
Loans from an unrelated party (Note A)	**16,000**	–
	50,630	34,630
	50,630	79,130

Note A: Loans from an unrelated party

As at the 31 December 2020, the loans were secured by personal guarantees from a director – Ding JianPing and bore interest at 1% per month and were repayable by the 1st quarter of FY 2021. Loan repayments of RMB 28.5 million were made to the unrelated party during the current financial year. Subsequent to the balance sheet date, management was successful in renegotiating the repayment terms of the outstanding loans to the 1st quarter of FY2026.

As at 31 December 2019, the loans were secured and bore interest at 1% per month and were secured against certain property, plant and equipment (Note 5(c)) and right-of-use assets (Note 8) of the Group with carrying amount of RMB 12,969,000 and RMB 31,944,000 respectively and a personal guarantee from a director – Ding JianPing and were repayable by 1st quarter FY2021.

15 BORROWINGS (CONT'D)

Note B: Bank loans

Bank loans denominated in RMB comprise:

The Group	Note	2020 RMB'000	2019 RMB'000
#1 (secured)	(a)	**2,700**	2,700
#2 (unsecured)	(b)	**2,800**	2,800
#3 (unsecured)	(b)	**6,170**	6,170
#4 (unsecured)	(c)	**8,810**	8,810
#5 (secured)	(d)	**7,100**	7,100
#6 (unsecured)	(e)	**7,050**	7,050
		34,630	34,630

(a) As at 31 December 2020, the secured bank loan facilities #1 of RMB 2,700,000 (2019 - RMB 2,700,000), granted to Fujian Dixing bears interest at a fixed rate of 5.655% per annum (2019 - 5.655% per annum) and is secured against certain property, plant and equipment (Note 5) and right-of-use assets (Note 8) of Fujian Dixing and is repayable on or before 5 June 2021 (2019 - 6 June 2020).

(b) As at 31 December 2020, the unsecured bank loan facility #2 and #3, totalling RMB 8,970,000 (2019 - RMB 8,970,000) granted to Fujian Dixing bears interest at a fixed rate of 5.655% per annum (2019 - 5.655% per annum) and is guaranteed by a joint personal guarantee from a director – Mr Ding Jianping and his spouse, Ms Wang LiLing and is repayable on or before 28 June 2021 (2019 - 28 June 2020).

(c) As at 31 December 2020, the unsecured bank loan facility #4 of RMB 8,810,000 (2019 - RMB 8,810,000) granted to Fujian Dixing bears interest at a fixed rate of 5.655% per annum (2019 - 5.655% per annum) and is guaranteed by a joint personal guarantee from a director – Mr Ding Jianping and his spouse, Ms Wang LiLing and is repayable on or before 24 July 2021 (2019 – 26 July 2020).

(d) As at 31 December 2020, the secured bank loan facilities #5 of RMB 7,100,000 (2019 - RMB 7,100,000), granted to Fujian Dixing bears interest at a fixed rate of 5.655% per annum (2019 - 5.655% per annum) is secured against certain property, plant and equipment (Note 5) and right-of-use assets (Note 8) of Fujian Dixing and is repayable on or before 28 August 2021 (2019 – 30 August 2020).

(e) As at 31 December 2020, the unsecured bank loan facility #6 of RMB 7,050,000 (2019 - RMB 7,050,000) granted to Fujian Dixing bears interest at a fixed rate of 5.655% per annum (2019 - 5.655% per annum) and is guaranteed by a joint personal guarantee from a director – Mr Ding Jianping and his spouse, Ms Wang LiLing and is repayable on or before 27 September 2021 (2019 - 27 September 2020).

The carrying amounts of the bank loans approximate their fair values.

16 TRADE AND OTHER PAYABLES

	The Group		The Company	
Current	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Trade payables	**7,375**	25,127	**–**	–
Interest payable	**480**	1,335	**–**	–
Accrued payroll costs	**1,129**	2,455	**–**	97
Other accrued operating expenses	**680**	565	**635**	544
Amounts due to a director (Non-trade) (Note A)	**–**	74	**–**	74
Amount due to a subsidiary (Non-trade)	**–**	–	**–**	370
Deposits received from third parties (Note B)	**17,542**	17,542	**–**	–
Financial liabilities carried at amortised cost	**27,206**	47,098	**635**	1,085
Other operating tax payable	**196**	545	**–**	–
Total trade and other payables	**27,402**	47,643	**635**	1,085

Trade payables generally have credit terms ranging from 30 days to 90 days (2019 - 30 days to 90 days) and are expected to be repaid within 12 months from the end of the reporting period.

Note A: Amounts due to a director (Non-trade)
As at 31 December 2019, the non-trade amounts due to a director were unsecured, interest free and repayable on demand. This amount was settled in cash in FY 2020.

Note B: Deposits received from third parties
The deposits received from third parties represent amounts deposited by 3 unrelated third parties as a guarantee for indemnity purposes. The deposits are under the custody and control by Fujian Dixing, a wholly-owned subsidiary of the Group in PRC.

17 REVENUE

The Group	**2020 RMB'000**	2019 RMB'000
Sales of goods (at a point in time)	**112,971**	202,261
Construction services income (over time)	**20,449**	467
	133,420	202,728

Revenue represents the net invoiced amounts, after discounts and sales related taxes.

18 COST OF SALES

The Group	**2020 RMB'000**	2019 RMB'000
Opening inventories of finished goods	**1,977**	2,057
Cost of manufacturing	**118,927**	182,625
Local education contribution fees	**88**	149
Additional education contribution fees	**218**	373
Urban maintenance and construction tax fees	**131**	224
	121,341	185,428
Less: Closing inventories of finished goods (Note 9)	**(797)**	(1,977)
	120,544	183,451

19 FINANCE COSTS

The Group	**2020 RMB'000**	2019 RMB'000
Interest expense on bank loans	**1,990**	2,015
Interest expense on loan from an unrelated party	**4,235**	5,340
	6,225	7,355
Weighted average effective interest rate per annum	**8.80%**	9.22%

20 LOSS BEFORE TAX

The Group	**Note**	**2020 RMB'000**	2019 RMB'000
Loss before income tax is arrived at after charging:			
Interest income		**(20)**	(20)
Rental income		**(203)**	(199)
Amortisation of patents	6	**–**	9,662
Amortisation of right-of-use assets	8	**1,071**	1,071
Depreciation of property, plant and equipment	5	**3,053**	3,272
Impairment loss recognised on property, plant and equipment	5	**–**	384
Impairment loss recognised on right-of-use assets	8	**–**	118
Employee compensation	22	**23,665**	40,137

21 INCOME TAX

Major components of income tax

The major components of income tax for the year ended 31 December 2020 and 31 December 2019 are:

The Group	**2020 RMB'000**	2019 RMB'000
Current tax		
Current year	**–**	114
Over-provision in prior year	**–**	(52)
	–	62
Deferred tax		
Current year movements in temporary difference (Note 14)	**(168)**	(168)
Income tax credit recognised in the consolidated statement of comprehensive income	**(168)**	(106)

Relationship between tax expense and loss before tax

A reconciliation between tax expense and the product of loss before tax multiplied by the applicable tax rate for the financial years ended 31 December 2020 and 31 December 2019 is as follows:

The Group	**2020 RMB'000**	2019 RMB'000
Loss before tax	**(6,029)**	(11,025)
Tax at applicable statutory tax rates	**(1,228)**	(2,606)
Expenses not deductible for tax purposes	**798**	627
Income not taxable for tax purposes	**–**	–
Overprovision of prior year taxation	**–**	(52)
Deferred tax assets not recognised	**430**	2,093
Reversal and origination of temporary differences	**(168)**	(168)
	(168)	(106)

Expenses not deductible for tax purposes mainly include non-income generating expenses such as professional fees and other expenses incurred at Company level.

The Company is subjected to tax rate of 17% for the year of assessment 2020 (YA2020 - 17%). No provision for Singapore income tax have been made as the Group did not have assessable income arising from or derived in Singapore during the financial year.

On 16 March 2007, the National People's Congress of China enacted the Enterprise Income Tax Law of the PRC which took effect on 1 January 2008 (the "New EIT Law"). In accordance with the New EIT Law, a unified Enterprise Income Tax rate of 25% and unified tax deduction standards will be applied equally to both domestic invested enterprises and wholly foreign-owned enterprises in the PRC. Accordingly, the subsidiaries in the PRC (i.e. Fujian Dixing and Saifeite) are subjected to the applicable EIT rate of 25% (2019 - 25%).

Sinaran Trilion Sdn Bhd ("STSB") is subject to Malaysia income tax. The provision for Malaysia income tax on profits arising from operations in the Malaysia is calculated based on statutory income tax rate of 24% in accordance with the Malaysia income tax rules and regulations.

21 INCOME TAX EXPENSE (CONT'D)

As at the reporting date, no deferred tax liabilities have been recognised for the withholding tax that will be payable on the unremitted earnings of the PRC subsidiaries when remitted as dividends to the Company, as the subsidiaries do not have distributable earnings due to their accumulated losses.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 135 million (2019 - RMB 133.0 million) that is available for offset against future taxable profit of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of respective countries in which the companies operate.

22 EMPLOYEE COMPENSATION

The Group	**2020 RMB'000**	2019 RMB'000
Directors' fees – directors of the Company	**417**	399
Salaries and related costs	**20,790**	32,653
Employer's contribution to defined contribution plan	**2,459**	7,085
	23,665	40,137
Directors' fees - directors of the Company	**417**	399
Directors' remuneration other than fee		
- Salaries of the Company	**840**	720
- Salaries of the subsidiary corporations	**710**	240
- Employer's contribution to defined contribution plan	**5**	11
	1,555	971
Key management personnel (other than Directors)		
- Salaries and related costs	**552**	552
- Employer's contribution to defined contribution plan	**25**	53
	577	605
Other than Directors and key management personnel		
- Salaries and related costs	**18,688**	31,141
- Employer's contribution to defined contribution plan	**2,428**	7,021
	21,116	38,162
Total	**23,665**	40,137

The remuneration of key management personnel is determined by the Board of Directors having regards to the performance of individuals and market trends.

23 BASIC AND DILUTED LOSS PER SHARE

The following table reflects loss and share data used in the computation of basic loss per share for the years ended 31 December:

The Group	**2020**	2019
Loss for the year attributable to owners of the Company (RMB'000)	**(5,861)**	(10,919)
Issued ordinary shares at beginning of year ('000)	**425,872**	380,952
Effect of ordinary shares issued ('000)	**28,305**	22,126
Weighted average number of ordinary shares ('000)	**454,177**	403,078
Basic/ diluted loss per share (RMB cents)	**(1.29)**	(2.71)

Basic loss per share is calculated by dividing the Group's consolidated loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted loss per share is calculated on the same basis as basic loss per share as 81,999,000 warrants (2019 – 146,155,000) were excluded as their effect would have been anti-dilutive.

24 OPERATING SEGMENTS

For management purposes, the Group is organised into the following reportable operating segments as follows:-

(1) Sports footwear segment relates to the design, manufacture and sale of sports footwear, sports apparel and accessories in the PRC;
(2) Construction segment relates to the construction business in Malaysia; and
(3) Others comprise corporate office function in Malaysia

Other than the three business segments as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The chief executive officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment.

24 OPERATING SEGMENTS (CONT'D)

Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements.

2020	Sports footwear RMB'000	Construction RMB'000	Others RMB'000	Total RMB'000
The Group				
Segment revenue				
Sales to external customers	112,971	20,449	–	133,420
Segment results				
Segment gross profit	12,120	756	–	12,876
Finance costs	(6,225)	-	–	(6,225)
Other income	225	67	–	292
Selling and distribution expenses	(1,460)	–	–	(1,460)
Administrative expenses	(6,921)	(1,161)	(3,430)	(11,512)
Loss before tax	(2,261)	(338)	(3,430)	(6,029)
Income tax credit	–	168	–	168
Loss for the year	(2,261)	(170)	(3,430)	(5,861)
Segment assets				
Total assets	121,608	2,140	2,733	126,481
Segment liabilities				
Total liabilities	81,579	613	635	82,827
Other information				
Depreciation of property, plant and equipment	3,051	–	2	3,053
Amortisation of right-of-use assets	1,071	–	–	1,071

24 OPERATING SEGMENTS (CONT'D)

2019	Sports footwear RMB'000	Construction RMB'000	Others RMB'000	Total RMB'000
The Group				
Segment revenue				
Sales to external customers	202,261	467	–	202,728
Segment results				
Segment gross profit	19,017	260	–	19,277
Other income	219	–	–	219
Selling and distribution expenses	(2,336)	–	–	(2,336)
Administrative expenses	(10,340)	(37)	(1,903)	(12,280)
Other operating expenses	(8,550)	–	–	(8,550)
Finance costs	(7,355)	–	–	(7,355)
(Loss)/profit before tax	(9,345)	223	(1,903)	(11,025)
Income tax credit/(expense)	168	(62)	-	106
(Loss)/profit for the year	(9,177)	161	(1,903)	(10,919)
Segment assets				
Total assets	172,199	563	121	172,883
Segment liabilities				
Total liabilities	130,778	243	715	131,736
Other information				
Depreciation of property, plant and equipment	3,270	–	2	3,272
Amortisation of right-of-use assets	1,071	–	–	1,071
Amortisation of intangible assets	9,662	–	–	9,662
Impairment loss of property, plant and equipment	384	–	–	384
Impairment on right-of-use assets	118	–	–	118

In respect of the disclosures on operating segment for the financial year ended 31 December 2020 and 31 December 2019, the directors of the Company considered that the business of the Group is organised in one segment as the design, manufacture and distribution of sports footwear, apparel and accessories. Additional disclosure in relation to segment information is not presented as the directors of the Company assessed the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

24 OPERATING SEGMENTS (CONT'D)

Allocation basis

Segment loss before taxation is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

The Group	**Revenue RMB'000**	**Non-current assets RMB'000**
2020		
PRC	**112,971**	**70,099**
Malaysia	**20,449**	**2**
Total	**133,420**	**70,101**
2019		
PRC	202,261	74,221
Malaysia	467	4
Total	202,728	74,225

Information about major customers
There is a single external customer or group of customers who accounts for 12% or more (2019 – 10% or more) of the Group's revenue. Accordingly, no information about major customers is disclosed.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's and the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instrument and investing excess liquidity.

There has been no change to the Group's and Company's exposure to financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis indicated below.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

It is, and has been throughout the years under review, the Group's and Company's policy that no trading in derivative financial instruments shall be undertaken.

The Group's and the Company's principal financial instruments comprise borrowings and cash and bank balances. The main purpose of these financial instruments is to provide funds for the Group's and Company's operations. The Group and Company have various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's and the Company's financial instruments are interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For trade receivables recorded at amortised cost, the Group has guidelines governing the process of granting credit. Transactions with these counterparties are restricted to those that meet the appropriate credit criteria.

The principal risk to which the Group is exposed to in respect of trade receivables relate to debtors that are in significant difficulties and have defaulted on payments. To mitigate the risk, management continually monitors the risk and has established processes including performing credit evaluations of the parties it extends credit to. In some circumstances, management would require full payment in advance prior to the delivery of the goods. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as disclosed in Note 10.

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on similar credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers under each business.

Trade receivables are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group generally considers a financial asset to be in default if the counterparty fails to make contractual payments within 60 days when the amounts fall due and management writes off the financial asset when the Group assesses that the debtor fails to make contractual payments. When receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. When recoveries are made, they are recognised in the statement of comprehensive income.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's financial liabilities comprising trade and other payables and borrowings. Nevertheless, the Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group maintains a sufficient level of cash and bank balances and has available adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (Cont'd)

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets. In particular, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
2020					
Financial liabilities:					
Borrowings (Note 15):	**50,630**	**52,188**	**52,188**	**–**	**–**
Trade and other payables (Note 16)	**27,206**	**27,206**	**27,206**	**–**	**–**
Total undiscounted financial liabilities	**77,836**	**79,394**	**79,394**	**–**	**–**
2019					
Financial liabilities:					
Borrowings (Note 15):	79,130	88,412	41,133	47,279	–
Trade and other payables (Note 16)	47,098	47,098	47,098	–	–
Total undiscounted financial liabilities	126,228	135,510	88,231	47,279	–
The Company					
2020					
Financial liabilities:					
Trade and other payables (Note 16)	**635**	**635**	**635**	**–**	**–**
Total undiscounted financial liabilities	**635**	**635**	**635**	**–**	**–**
2019					
Financial liabilities:					
Trade and other payables (Note 16)	1,085	1,085	1,085	–	–
Total undiscounted financial liabilities	1,085	1,085	1,085	–	–

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their interest bearing borrowings from a financial institution, loan payable to a non-related party and cash at bank balances. The Group ensures that it is not exposed to significant fluctuation in future cash flows arising from changes in market interest rates by maintaining its borrowings and other payables at fixed rate. Management does not expect cash at bank rates to fluctuate materially in the coming year from current level and hence, does not present the sensitivity analysis.

Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has currency exposures arising from the exchange rate movements of Malaysia Ringgit ("MYR"), United States Dollar ("USD"), Hong Kong Dollar ("HKD") and Singapore Dollar ("SGD") to Chinese Renminbi ("RMB"), which is the Company's functional currency. Consequently, the Group is exposed to movements in foreign currency exchange rates. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

There are no formal policies in place to mitigate the effect of this currency risk exposures.

The Group's and the Company's exposures in financial instruments to the various foreign currencies are mainly as follows:

	2020		2019	
	MYR	**SGD**	MYR	SGD
The Group	**RMB'000**	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**15**	**–**	24	–
Cash and bank balances	**2,715**	**–**	93	-
Trade and other payables	**(224)**	**(321)**	(195)	(337)
	2,506	**(321)**	(78)	(337)

		2020		2019	
	USD	**MYR**	**SGD**	MYR	SGD
The Company	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**450**	**682**	**–**	24	–
Cash and bank balances	**–**	**2,715**	**–**	93	–
Trade and other payables	**–**	**(224)**	**(321)**	(566)	(337)
	450	**3,173**	**(321)**	(449)	(337)

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in China, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

Exchanges of RMB for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of RMB into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

Sensitivity analysis for foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in the SGD, MYR, USD and HKD (against RMB), with all other variables held constant, of the Group's loss net of tax and equity.

	Loss net of tax/Equity	
	(Increase)/ decrease	(Increase)/ decrease
	2020	2019
The Group	**RMB'000**	RMB'000
SGD/RMB - strengthened 3% (2019 - 3%)	**(8)**	(8)
- weakened 3% (2019 - 3%)	**8**	8
MYR/RMB - strengthened 3% (2019 - 3%)	**65**	(2)
- weakened 3% (2019 - 3%)	**(65)**	2
The Company		
SGD/RMB - strengthened 3% (2019 - 3%)	**(8)**	(8)
- weakened 3% (2019 - 3%)	**8**	8
USD/RMB - strengthened 3% (2019 - 3%)	**10**	–
- weakened 3% (2019 - 3%)	**(10)**	–
MYR/RMB - strengthened 3% (2019 - 3%)	**72**	10
- weakened 3% (2019 - 3%)	**(72)**	(10)

26 FAIR VALUE AND FINANCIAL INSTRUMENT CLASSIFICATION

Fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

(a) Level 1 : those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

(b) Level 2 : those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 : those derived from valuation technique that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurement of financial instruments

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances, trade and other payables and interest-bearing borrowings) or those which reprice regularly approximate their fair values because of the short period to maturity or repricing.

27 FINANCIAL INSTRUMENTS

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	**Note**	**2020 RMB'000**	2019 RMB'000
At 31 December			
Financial assets at amortised cost			
Trade and other receivables	10	**31,546**	75,173
Cash and bank balances	11	**21,519**	17,955
		53,065	93,128
Financial liabilities at amortised cost			
Borrowings	15	**50,630**	79,130
Trade and other payables	16	**27,206**	47,098
		77,836	126,228

27 FINANCIAL INSTRUMENTS (CONT'D)

The Company	Note	2020 RMB'000	2019 RMB'000
At 31 December			
Financial assets at amortised cost			
Trade and other receivables	10	**1,144**	24
Cash and bank balances	11	**2,715**	93
		3,859	117
Financial liabilities at amortised cost			
Trade and other payables	16	**635**	1,085
		635	1,085

28 CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's abilities to continue as a going concern;
(b) To support the Group's and the Company's stabilities and growth;
(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capabilities; and
(d) To provide an adequate return to the shareholders.

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2020. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group and the Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group and the Company includes within net debt, short term bank loans, trade and other payables less cash and bank balances. Capital includes equity attributable to the equity holders less the abovementioned restricted PRC statutory reserve fund.

28 CAPITAL MANAGEMENT (CONT'D)

	The Group		The Company	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Borrowings (Note 15)	**50,630**	79,130	**–**	–
Trade and other payables (Note 16)	**27,402**	47,643	**635**	1,085
Total debt	**78,032**	126,773	**635**	1,085
Less: Cash and bank balances (Note 11)	**(21,519)**	(17,955)	**(2,715)**	(93)
Net debt	**56,513**	108,818	**(2,080)**	992
Equity attributable to the equity holders	**43,654**	41,147	**46,665**	41,614
Capital and net debt	**100,167**	149,965	**44,585**	42,606
Gearing ratio	**56.4%**	72.6%	**N/M**	2.3%

29 SUBSEQUENT EVENTS

Proposed internal reorganisation

The Company entered into a Scheme Agreement with SAG to undertake an internal reorganisation which includes the exchange of all existing shares of the Company with SAG shares on a one-for-one basis and all outstanding warrants of the Company with new SAG warrants on a one-for-one basis. In addition, the listing status of the Company will also be transferred to SAG onto the Official List of Bursa Securities.

On 6 January 2021, the Company announced that Bursa Securities has approved the listing and quotation of up to 142,097,400 Special Issue Shares on the Main Market of Bursa Securities and the Company convened an Extraordinary General Meeting on 1 March 2021 to seek shareholders' approval for the mandate.

On 1 March 2021, the Company's shareholders approved the proposed special issuance of up to 142,097,400 new ordinary shares in the Company to independent third-party investors where the issue price of the special issue shares was fixed at MYR 0.0922 each per Special Issue Share as announced on 9 March 2021.

On 17 March 2021, the Company received proceeds from the special issuance of new ordinary shares in the Company amounting to MYR 13.0 million (equivalent to RMB 20.7 million).

On 31 March 2021, the Company announced the application made to High Court of the Republic of Singapore in HC/OS 286/2021 for the sanction of the Scheme of Arrangement under Section 210 of the Companies Act and the Court hearing of the same has been fixed on 12 April 2021.

On 14 April 2021, the Company announced that the Scheme of Arrangement took effect on 13 April 2021 following the lodgement of the Court Order with the Accounting and Corporate Regulatory Authority, Singapore.

On 26 April 2021, the Company issued a Notice to Shareholders informing them that,

- The Entitlement Date for the one-for-one Share Exchange of the Company's existing shares against new SAG shares will be effective on 10 May 2021 at 5pm; and
- The suspension of trading of the Company's shares from 9am, 7 May 2021, which will continue until the admission of SAG to the Official List of Bursa Securities and the listing of and quotation for the new SAG shares to be issued under the Shares Exchange on the Main Market of Bursa Securities.

30 SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised accumulated profits of the Group at 31 December 2020 is presented in accordance with the directive issued by Bursa Securities dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The breakdown of the retained earnings of the Group as at the financial year end, into realised and unrealised profits, pursuant to the directive, is as follows:

The Group	**2020** **RMB'000**	2019 RMB'000
Total retained earnings of the Group		
Realised	**68,331**	74,360
Unrealised	**(4,795)**	(4,963)
	63,536	69,397

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

LIST OF PROPERTIES

Location	Description/ Existing use	(i) Land area (ii) Built-up area (square metres)	Tenure	Approximate age of building (years)	Carrying amounts at 31 December 2020 RMB '000	Date of Acquisition
No. 125-127 Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City, Fujian Province, PRC	Industrial	(i) 7,666 (ii) 25,181	50 years up to 2062	20	22,777 (land) 21,685 (building)	20 October 2006
Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City, 36211 Fujian Province, PRC	Industrial	(i) 675 (ii) 2,144	50 years up to 2056	25	17,606 (land) 4,551 (building)	18 October 2011

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2021

Total number of issued shares	:	703,816,580 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 APRIL 2021

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
Less than 100	5	0.00	223	0.00
100 – 1,000	301	7.00	130,897	0.02
1,001 – 10,000	1,076	26.00	7,441,260	1.05
10,001 – 100,000	2,152	52.00	91,415,920	12.99
100,001 to less than 5% of the issued shares	607	15.00	284,594,480	40.44
5% and above of the issued shares	3	0.00	320,233,800	45.50
Total	4,144	100.00	703,816,580	100.00

DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2021

		Direct interest		Deemed interest	
No.	Name	No. of Shares	%	No. of Shares	%
1.	Ding JianPing (丁建萍)	0	0.00	0	0.00
2.	Koo Kien Yoon *(Appointed w.e.f. 21 September 2020)*	0	0.00	0	0.00
3.	Xiao LuXi (肖璐茜)	0	0.00	0	0.00
4.	Lee Yew Weng				
5.	Dato' Quah Hoe Phang @ Stephen Quah	0	0.00	0	0.00
6.	Ng Chee Kin *(Appointed w.e.f. 21 September 2020)*	0	0.00	0	0.00
7.	Mohtar Bin Abdullah *(Appointed w.e.f. 23 November 2020)*	0	0.00	0	0.00

SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2021

		Direct interest		Deemed interest	
No.	Name	No. of Shares	%	No. of Shares	%
1.	M & A Nominee (Tempatan) Sdn. Bhd. – Oriented Media Holdings Limited	124,600,000	17.70	0	0.00
2.	Cartaban Nominees (Asing) Sdn. Bhd. – Barclays Bank PLC (RE Equities)	113,259,600	16.09	0	0.00
3.	DB (Malaysia) Nominee (Asing) Sdn, Bhd. – Exempt An For Nomura PB Nominees Ltd	82,374,200	11.70	0	0.00

THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2021

No.	Shareholders	No. of Shares	% of issued share capital
1.	M & A NOMINEE (ASING) SDN. BHD. - *ORIENTED MEDIA HOLDINGS LIMITED*	138,097,400	17.70
2.	*CARTABAN NOMINEES (ASING) SDN. BHD.* - *BARCLAYS BANK PLC (RE EQUITIES)*	113,259,600	16.09
3.	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. - *EXEMPT AN FOR NOMURA PB NOMINEES LTD*	82,374,200	11.70
4.	CITIGROUP NOMINEES (ASING) SDN. BHD. - *UBS AG FOR MAYBANK KIM ENG SECURITIES PTE LTD*	26,300,000	3.73
5.	SKYLITECH RESOURCES SDN. BHD.	10,314,500	1.46
6.	KONG KOK KEONG	9,067,700	1.28
7.	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. - *EXEMPT AN FOR LAZARUS SECURITIES PTY LTD*	8,000,000	1.13
8.	ANG WAN JOO	7,000,000	0.99
9.	*CARTABAN NOMINEES (ASING) SDN. BHD.* - *EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE (EFGBHK-ASING)*	6,000,000	0.85
10.	NG CHUNG FATT	4,777,100	0.67
11.	MOK TZUAN LING	4,440,000	0.63
12.	TAN CHEE KEONG	4,280,000	0.60
13.	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. - *PLEDGED SECURITIES ACCOUNT FOR TEO CHEE HAW (MUAR-CL)*	4,000,000	0.56
14.	TAN SENG CHEE	4,000,000	0.56
15.	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. - *PLEDGED SECURITIES ACCOUNT FOR TAN JAYNE QI (MY2603)*	3,104,900	0.44
16.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. - *EXEMPT AN FOR LAZARUS CORPORATE FINANCE PTY LTD*	3,000,000	0.42
17.	CHOONG KEAN LEANG	2,550,000	0.36
18.	LOGANATHEN A/L JAYABALAN	2,500,000	0.35
19.	LIM KEN HONG	2,120,000	0.30
20.	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. - *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	2,075,000	0.29
21.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. - *NG CHIA HER*	2,000,000	0.28
22.	*PUBLIC NOMINEES (TEMPATAN) SDN. BHD.* - *PLEDGED SECURITIES ACCOUNT FOR ANG HONG LIM (E-TJJ/TMB)*	1,919,000	0.27
23.	*M & A NOMINEE (TEMPATAN) SDN. BHD.* - *PLEDGED SECURITIES ACCOUNT FOR HO HOCK CHENG (PNG)*	1,900,000	0.26
24.	YIN YIT FUN	1,880,000	0.26
25.	LIOU CHAI HOON	1,880,000	0.25
26.	MOHD NAJID BIN MD YAHYA	1,800,000	0.25
27.	PUBLIC INVEST NOMINEES (TEMPATAN) SDN. BHD. - *EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)*	1,650,000	0.23
28.	ONG LENG CHUN	1,600,000	0.22
29.	TAY CHIN HENG	1,500,000	0.21
30.	ZAMRI BIN MOHAMAD	1,500,000	0.21

INFORMATION DISCLOSURES

In compliance with the Main LR of Bursa Securities, the following are provided:

(1) Utilisation of proceeds raised from corporate proposals

The Company had raised approximately RM13.10 million from its last private placement exercise which was completed on 17 March 2021. This private placement was intended to fund the Group's day-to-day general working capital requirement and additional working capital requirement arises from the Covid-19 pandemic, to support the expansion of construction business and to obtain funding for acquisition of machinery and equipment in anticipation of the future expansion in construction segment.

As at 30 April 2021, the status of the utilisation of the placement proceeds was as follows:-

Details of utilisation	**Original Utilisation (As per circular dated 05 February 2021) RM'000**	**Utilisation based on actual proceeds raised RM'000**	**Amount Utilised RM'000**	**Amount Unutilised RM'000**
General working capital	6,868	2,840	2,840	–
Working capital for construction segment	12,000	9,788	6,061	3,727
Acquisition of machinery and equipment for construction segment	12,220	–	–	–
Expenses for the corporate exercises	600	473	473	–
Total:	**31,688**	**13,101**	**9,374**	**3,727**

(2) Share buy-back

The Company did not undertake any share buy-back exercise.

(3) Audit and Non-Audit Fees

The amounts of audit and non-audit fees paid by the Group to the External Auditors were as follows:-

	Group (RMB'000)
Audit services rendered	453
Non-audit services rendered	–
Total	453

(4) Recurrent Related Party Transactions ("RRPT")

There were no related party transactions during the financial year.

(5) Material Contracts

There are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries within the two (2) years immediately preceding the date of this Annual Report.

(6) Corporate Social Responsibilities

The Company is mindful of its corporate social responsibilities towards the shareholders, communities, other stakeholders and the environment. The Group also supports the community through various sponsorships of education and cultural activities. Our Group has been in compliance with the applicable laws and regulations in the countries which we operate in and was not involved in any significant litigation, arbitrations or claims during the financial year. Great emphasis is placed on quality assurance in all aspect of our operations, from procurement to production, to ensure that we satisfy our customers' quality requirements and minimise wastage due to inefficiencies.

(7) Statement pertaining to the allocation of Share Options to Employees

The shareholders of the Company had vide its Extraordinary General Meeting held on 1 March 2021, approved the Proposed Establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares of Sinaran Advance Group Berhad ("SAG") or K-Star (as the case may be) (collectively referred to as "Company") (excluding treasury shares, if any) at any point in time during the duration of the ESOS, for the eligible employees and Directors of SAG or K-Star (as the case may be) and its subsidiaries.

The ESOS will be implemented after the completion of the Transfer of Listing from K-Star to SAG.

K-Star

K-STAR SPORTS LIMITED

Malaysian Branch Registration No. 200902000042 (995214-D)