K-One®
innovate

OEM/ODM/EMS

MEDICAL/HEALTHCARE PRODUCTS

pengkomputeran AWAN CLOUD computing 云端

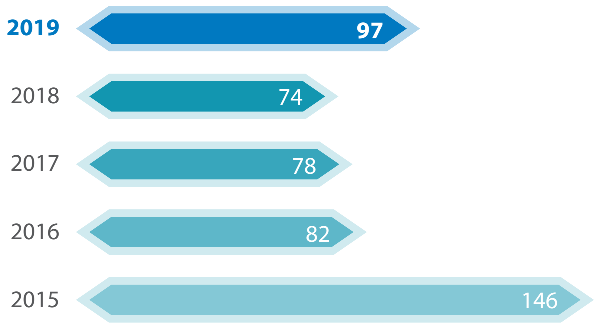
pengkomputeran AWAN CLOUD computing 云端

annual report 2019

TABLE OF CONTENTS

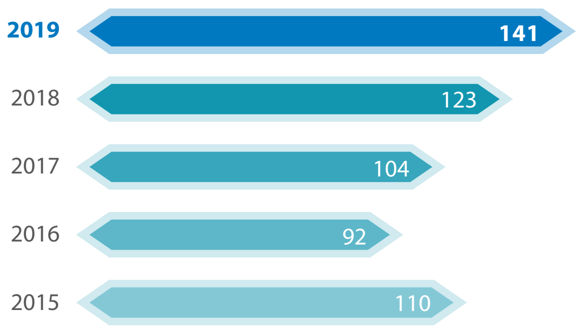
PAST FINANCIAL INFORMATION SUMMARY

SALES (RM MILLION)

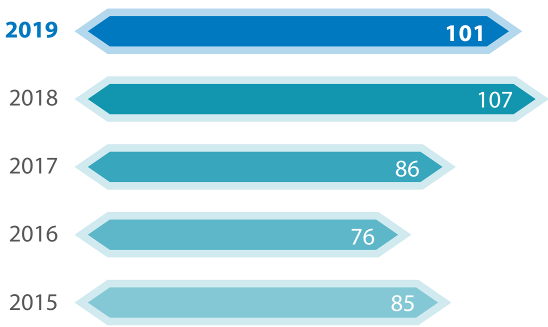


PROFIT (RM MILLION)

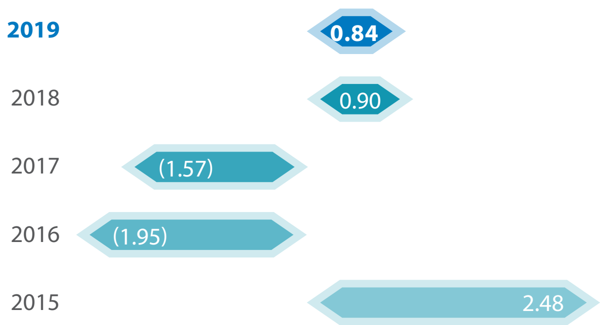
TOTAL ASSETS (RM MILLION)



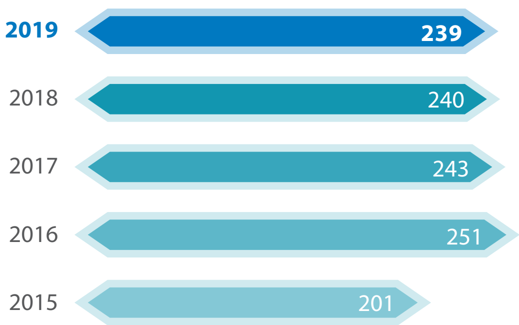
SHAREHOLDER EQUITY (RM MILLION)



EARNINGS PER SHARE (SEN)



HUMAN RESOURCES (NO. OF EMPLOYEES)



CORPORATE INFORMATION

BOARD OF DIRECTORS

IR. EDWIN LIM BENG FOOK
(Executive Chairman)

DATO' MARTIN LIM SOON SENG
(Chief Executive Officer)

BJØRN BRÅTEN
(Non-Independent Non-Executive Director)

GOH CHONG CHUANG
(Independent Non-Executive Director)

LOI KIM FAH
(Independent Non-Executive Director)

ANITA CHEW CHENG IM
(Independent Non-Executive Director)

DATO' AZLAM SHAH BIN ALIAS
(Independent Non-Executive Director)

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)

AUDITORS

Messrs Baker Tilly Monteiro Heng PLT
Chartered Accountants

SOLICITORS

Messrs Azman Davidson & Co
Advocates & Solicitors

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No.5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor
Tel : +603 7890 4700
Fax : +603 7890 4670

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad
(Listed since 5 January 2006)

STOCK SHORT NAME & CODE

K1 (0111)

REGISTERED OFFICE

HMC Corporate Services Sdn Bhd
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : +603 2241 5800
Fax : +603 2282 5022

HEAD OFFICE

66 & 68, Jalan SS 22/21
Damansara Jaya
47400 Petaling Jaya
Selangor
Tel : +603 7728 1111
Fax : +603 7728 6212

GROUP PRINCIPAL BANKERS

United Overseas Bank
(Malaysia) Berhad

Standard Chartered Bank
Malaysia Berhad

CIMB Bank Berhad

WEBSITE

www.k-one.com

CORPORATE STRUCTURE

IR. EDWIN LIM BENG FOOK

Executive Chairman, Malaysian, Age 62

Ir. Edwin Lim Beng Fook co-founded K-One Technology Berhad in 2001. He was appointed as an Executive Director on 20 February 2001 and has been the Executive Chairman since its inception in 2001.

He holds a Bachelor of Science (Hons) in Engineering with Business Studies from Sheffield Hallam University, United Kingdom and a Master of Science in Mechanical Engineering from the University of Alberta, Canada. He is a professional engineer registered with the Board of Engineers, Malaysia and a corporate member of the Institution of Engineers, Malaysia. He is also a Chartered Engineer registered with the Institution of Engineering & Technology, United Kingdom.

He is a member of the Remuneration Committee.

Ir. Edwin Lim Beng Fook was awarded the Entrepreneur of the Year Award by the Malaysia-Canada Business Council in 2004 and the Alumni Award of Excellence by the University of Alberta in 2005. He was also the winner of the EY Entrepreneur of the Year Malaysia 2016 (Technology Category) organised by Ernst & Young.

His career spanned almost 20 years with three multinationals, namely; Mobil Oil (Malaysia) Sdn Bhd, Renold (Malaysia) Sdn Bhd and AMP Products (Malaysia) Sdn Bhd (now known as TE Connectivity).

His global experience in the electronics industry stems from him leading AMP as its Country General Manager in 1992, building up the Malaysian operation from a sales outfit to establishing from greenfield AMP's manufacturing facility and Research & Development Centre. In addition to his Country General Manager's role, he also held the dual role of being the Director, Automotive Industry responsible for the ASEAN region for a period of time.

His directorships in other companies in the K-One Group are EMB Technology Sdn Bhd, K-One Industry Sdn Bhd, Big'Ant (M) Sdn Bhd, K-One Resources Sdn Bhd, K-One Manufacturing Sdn Bhd, K-One Electronics Sdn Bhd, K-One Venture Sdn Bhd and G-AsiaPacific Sdn Bhd.

DATO' MARTIN LIM SOON SENG

Chief Executive Officer, Malaysian, Age 57

Dato' Martin Lim Soon Seng, a co-founder was appointed as the Chief Executive Officer in 2001 and Executive Director of K-One Technology Berhad on 29 July 2002.

He holds both the Bachelor of Engineering (Hons) in Electronics Engineering and Master of Engineering in Electronics Engineering from the University of Hull, United Kingdom. He also holds a Master of Business Administration from the University of Coventry, United Kingdom. He is a registered Chartered Engineer of the Institution of Engineering & Technology, United Kingdom.

He worked in the UK as an engineer in a precision plastic moulding company after graduation, followed by career progression as an engineer, manager and finally Chief Executive Officer of TFP Precision Industries Sdn Bhd (a local/European joint venture) spanning a period of about 14 years.

His directorships in other companies in the K-One Group are EMB Technology Sdn Bhd, K-One Industry Sdn Bhd, Big'Ant (M) Sdn Bhd, K-One Resources Sdn Bhd, K-One Manufacturing Sdn Bhd, K-One Venture Sdn Bhd, K-One Electronics Sdn Bhd, K-One International Ltd and G-AsiaPacific Sdn Bhd.

BJØRN BRÅTEN

Non-Independent Non-Executive Director, Norwegian, Age 62

Bjørn Bråten co-founded K-One Technology Berhad in 2001 and was appointed as an Executive Director on 20 February 2001. He became a Non-Independent Non-Executive Director on 19 December 2008.

He has a Diploma in Engineering from the Telecom College, Norway and Bachelor of Economics and Master in Management from the Norwegian School of Management, Norway.

He is a member of the Audit & Risk Management Committee and Nomination Committee.

He has been involved in the global communications business for more than 20 years and has served in a variety of leadership roles including Director of Marketing, Vice President and President/CEO for various international companies. He has worked closely with senior executives on projects worldwide including establishing greenfield and joint venture operations globally.

DIRECTORS' PROFILE
Cont'd

GOH CHONG CHUANG
Independent Non-Executive Director, Malaysian, Age 67

Goh Chong Chuang was appointed as an Independent Non-Executive Director of K-One Technology Berhad on 3 February 2005. He holds a Certificate in Electrical Engineering from City & Guild of London, United Kingdom, Certificate in Mechanical Engineering from Collier MacMillan School, Australia and Certificate Advance Manufacturing Coordinator from Sanno Institute of Business Administration, Japan.

He is the Chairman of the Nomination Committee and Remuneration Committee and a member of the Audit & Risk Management Committee.

He started his career with Naito Electronics (M) Sdn Bhd, a Japanese semiconductor assembly plant in 1974. He had proven himself to be assigned to key positions as the Manufacturing Superintendent, Production Manager and finally Engineering Manager over a 14 year tenure until 1988. He then joined Alps Electric (Malaysia) Sdn Bhd, a Japanese multinational where he assumed the positions of Product Manager, Plant Manager, Deputy General Manager, Executive Director and finally Advisor over a period of 12 years until 2000, thereafter venturing out as an entrepreneur. He was the Chairman of the Federation of Malaysian Manufacturers (FMM) Negeri Sembilan branch, a position he held from 1998 to 2006.

LOI KIM FAH
Independent Non-Executive Director, Malaysian, Age 53

Loi Kim Fah was appointed as an Independent Non-Executive Director of K-One Technology Berhad on 3 February 2005.

He holds a Bachelor of Accounting from the University of Malaya. He is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and the Malaysian Institute of Taxation respectively. He is currently the principal of Loi & Co, an audit firm.

He is the Chairman of the Audit & Risk Management Committee and a member of the Remuneration Committee and Nomination Committee.

He has been in public practice since 1991 with initial engagements with international accounting firms prior to starting his own practice in 1996. Over the years, he has been involved in the audit of companies in various industries which include securities, banking, finance, construction, aquaculture and manufacturing. He has also been engaged in business advisory assignments in the like of merger and acquisition, internal control review, accounting system consultation, feasibility study, listing exercise and business planning.

ANITA CHEW CHENG IM
Independent Non-Executive Director, Malaysian, Age 53

Anita Chew Cheng Im was appointed as an Independent Non-Executive Director of K-One Technology Berhad on 11 April 2016.

She holds a Bachelor of Economics, majoring in Accounting from Monash University, Australia.

She is a member of the Audit & Risk Management Committee.

She started her career as an audit assistant at KPMG, Melbourne in 1990. While in KPMG, she was engaged in the audit of the media, retail and mining industries.

In 1992, she joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad (now known as Alliance Investment Bank Berhad after merging with Amanah Bank Berhad) and was with the investment bank for approximately 5 years. Subsequently, she held the position of Director, Corporate Finance at Alliance Investment Bank Berhad from 1997 to 2003. From 2003 to 2007, she worked at HwangDBS Investment Bank Berhad as the Senior Vice President, Equity Capital Market.

She was mainly involved in corporate finance and related matters during her 15 year tenure in the various investment banks, having advised clients on numerous IPOs, fund raising and corporate and debt restructuring exercises.

She is currently an Independent Non-Executive Director of Notion Vtec Berhad, MK Land Holdings Berhad and Yi-Lai Berhad.

DATO' AZLAM SHAH BIN ALIAS

Independent Non-Executive Director, Malaysian, Age 59

Dato' Azlam Shah bin Alias was appointed as an Independent Non-Executive Director of K-One Technology Berhad on 2 February 2017.

He holds a Diploma in Business Studies from Mara Institute of Technology and a Bachelor of Business Administration, majoring in Finance from Eastern Michigan University, United States of America.

He is a member of the Audit & Risk Management Committee.

He started his career in 1987 as a Retail Development Representative with Mobil Oil Malaysia Sdn Bhd. In 1992, he moved on as a Retail Development Senior Associate with Esso Malaysia Berhad handling site research on petrol and service stations, retail acquisitions, retail management and divestment portfolios. Subsequently, in 1999, he was posted to ExxonMobil Asia Pacific Private Limited based in Singapore as the Regional Real Estate Sourcing Manager, responsible for managing the outsourcing of Asia Pacific real estates and its rationalization during the merger years of Exxon and Mobil.

In 2001, he joined Tesco Malaysia as its Regional Property Director. As part of Tesco's business expansion strategy in Malaysia, Dato' Azlam Shah bin Alias was tasked to lead the Government and Corporate Affairs functions in 2002, to help deliver business expansion plans by developing local supply networks, hypermarkets and superstores and a sustainable distributive network. His portfolio included stakeholder and media engagement while implementing business social responsibility initiatives.

He has been a key member of Tesco Malaysia's Leadership Board, Legal Compliance and Risk Management and Property Acquisition Committees together with various other internal and external functions.

Dato' Azlam Shah bin Alias currently serves as an independent director reporting to the Chief Executive Officer of Tesco Malaysia and concurrently is the Chairman of Tesco's Halal Council. He continues with active involvement in industry advocacy work representing Malaysian International Chambers of Commerce and Industry (MICCI), British-Malaysia Chambers of Commerce and Malaysian Retailers Association (MRA) in various dialogues with the authorities. He was previously on the Boards of the European Union-Malaysia Chambers of Commerce and Industry (EU-MCCI) and MRA.

He is also currently the Chairman of Mr DIY Group Bhd.

None of the Directors, except Ir. Edwin Lim Beng Fook and Dato' Martin Lim Soon Seng who are brothers, has any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. None of the Directors had any convictions for offences within the past 10 years, except for traffic offences.

EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

"On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of K-One Technology Berhad for the financial year ended 31 December 2019."

BUSINESS PERFORMANCE FOR 2019

The Group's sales revenue soared to RM97.0 million in 2019 from RM73.8 million in 2018, representing a 31% increase. Its mainstay EMS business was augmented by its foray into the Cloud business via the acquisition of a 60% equity stake in G-AsiaPacific Sdn. Bhd. which was concluded end March 2019. Effectively, the Group is now powered by 2 technology growth engines:- a)EMS and b)Cloud.

EMS

Electronic Manufacturing Solutions

EMS's sales eased marginally from RM73.8 million in 2018 to RM73.1 million in 2019. The existing floor-care products, electronic security peripherals, consumer electronic products and electronic headlamps succumbed to the softening global markets as the year unfolded. Fortunately, the new customers in medical/healthcare devices, IoT gadgets and industrial products demonstrated sturdy growth to cushion the preceding sales decline.

Cloud

The Cloud business contributed sales revenue of RM23.9 million in 2019 following its acquisition in end March 2019. It posted strong double digit growth as compared to the previous financial year.

The Group recorded profit attributable to equity holders of the parent company of RM6.1 million for 2019 as compared to RM5.7 million in 2018, which was an improvement of 7%. Profit could have been better at RM6.6 million if the one-off loss of RM0.5 million to account for the disposal of the associate company involved in security service were discounted.

EMS

EMS registered profit of RM4.1 million, representing net profit margin of 5.6%.

Cloud

Cloud's profit came in at RM2.5 million based on 60% equity interest in GAP and accounting consolidation commencing end March 2019. The net profit margin was 17.6%.

PROSPECTIVE BUSINESS OUTLOOK

The start of 2020 was overwhelmed with the outbreak of the Covid-19 infections in China which took drastic measures in locking down cities to contain its spread. Nevertheless, it went viral and on 11 March 2020, the World Health Organization (WHO) declared Covid-19 as a pandemic. It had spread to other parts of Asia, Europe, US, North and South America, the Middle East, Africa and Oceania, infecting both the personal wellbeing and the economic health of many countries the world over. With each country progressively going on lockdowns in early 2020, the global economy is expected to go into a recession and will take time to pick up momentum in the recovery process. It is anticipated to be colored with volatility, although the signing of the Phase 1 Trade Agreement between US and China on 15 January 2020 might provide slight comfort in limiting the swings, provided both parties honor the Agreement moving forward.

Nonetheless, the K-One Group expects its business for the year ahead in 2020 to be cautiously hopeful barring unforeseen circumstances while operating in the new normal based on the ensuing rationale.

For the EMS business, its efforts to focus in the medical/healthcare and IoT businesses over the last few years enabled the Group to secure a few key US and European customers in 2019. After all the development and industrialization work in 2019, albeit with delays, these few key customers have commenced mass production and are anticipated to ramp up with increasing sales contributions as the year unfolds as it expects the medical/healthcare segment to hold up against recessionary pressures and/or the Covid-19 pandemic. At the same time, it is working hard to convert potential US customers in the pipeline to actual clients to take advantage of the need to divert production out of China as part of risk management for multinationals manufacturing in China, even though the US/China trade war has eased.

On the Cloud business, it is expected to follow through with escalating positive contributions in both the top and bottom lines in 2020 as the lockdowns spurred Cloud usage with people working from home engaging in e-meetings and increased online activities. The coming widespread launch of 5G in many countries will further drive Cloud adoption as demand for data storage grows in tandem with internet speed. The government's incessant promotion of digitalization and embracing of Industry 4.0 is also a strong catalyst for Cloud adoption. Therefore, the Cloud business has promising growth potential in Malaysia and in ASEAN. The foray into Indonesia towards the end of 2019 is seeing good progress and is expected to yield positive results in 2020. This is an exciting space to be in as it has vast untapped potential with low hanging fruits, both in Malaysia and ASEAN. The Group expects and is looking forward to acquire the balance of the 40% equity interest from the co-founders of GAP as soon as it is permissible in the next couple of months so that it is able to reap the full benefits in consolidating the accounts in total.

The Group will not pay any dividend for 2019 as it prefers to conserve its cash to grow its business. Further, the surplus cash would come in handy to take on additional synergistic M&A candidates as we move forward in 2020 and beyond.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my deepest appreciation to all our customers, business associates, financiers and shareholders for their continued support and confidence in the Group. I also wish to express my sincere appreciation to the Management and staff for their dedication and contribution in 2019.

Ir. Edwin Lim Beng Fook
Executive Chairman

CEO'S OPERATIONS REVIEW

Dear Shareholders,

"I would like to take this opportunity to report key aspects and performance of our operations for the financial year ended 31 December 2019."

SALES AND FINANCIALS

The Group registered sales revenue of RM97.0 million in 2019 as compared to RM73.8 million in the previous year against the backdrop of a volatile global market, tainted with episodes of the US/China trade war and a tumultuous Brexit.

EMS

EMS's sales declined marginally to RM73.1 million in 2019 from RM73.8 million a year ago. The mainstay floor-care products, electronic security/surveillance peripherals, consumer electronic lifestyle products and electronic headlamps retracted but were fortunately propped up by significant sales growth in medical/healthcare devices, IoT gadgets and industrial products.

Cloud

Cloud registered sales revenue of RM23.9 million in 2019 (March-December) following its acquisition end March 2019. It posted strong double digit growth as compared to the previous year.

The Group recorded profit attributable to equity holders of the parent company of RM6.1 million in 2019 as compared to RM5.7 million in 2018, reflecting an increase of 7%. Discounting the one-off loss of RM0.5 million due to the disposal of an associate company involved in security service, the Group would have made a profit of RM6.6 million.

EMS

EMS achieved profit of RM4.1 million, representing net profit margin of 5.6%.

Cloud

Cloud contributed profit of RM2.5 million based on 60% equity interest in GAP and accounting consolidation commencing end March 2019. The net profit margin was 17.6%.

DESIGN AND DEVELOPMENT

With the signing up of various key US and European customers in the medical/healthcare and IoT industries in 2019, the R&D engineers were very focused in developing medical/healthcare devices and IoT gadgets throughout the year.

Besides the above, the Group's R&D engineers also spent some efforts in expanding the product portfolio of its OBM (Own Brand Manufacturing) products which comprised of consumer electronic lifestyle products and mobile phone accessories.

However, the main focus of the R&D team remains with the development of medical/healthcare devices as the Group believes its future lies with the medical/healthcare industry which promises high growth, longer product life cycle and attractive margins.

MANUFACTURING

In the manufacturing front, during the course of the year, the Group leveraged on its FDA (Food & Drug Administration, US) registration achieved in 2018 to pitch for medical/healthcare based customers in US. Towards this end, it was successful in garnering much interest from potential US customers in the medical/healthcare arena and managed to acquire a few new US customers.

Much progress was made in promoting and advancing Industry 4.0 on the shopfloors. The implementation of automation and Industry 4.0 would be augmented by specific customers who are pushing for the design of impending products which are conducive for automation and robotics implementation.

HUMAN RESOURCE

The Group's overall staff turnover rate was approximately 5% in 2019. It is working hard to reduce the staff turnover rate as it views workforce stability as crucial to productivity and business success. Hiring the right talents in the technical and business development fields remains a challenge. In this regard, the Group had embarked on new avenues such as engaging non-conventional job portals and doing personal headhunting through specific social media platform last year to search for such talents. It was promising but it needs to step up efforts this year as the Group envisages to hire more specialized skills to cope with the changing job requirements as it pursues its digital transformation.

CORPORATE DEVELOPMENT

On 29 October 2019, the Group entered into a Share Buy Back Agreement ("Agreement") with the original vendors; namely, Dato' Mohammad Fadzllee bin Mustapa, Datin Sri Fuziah binti Mohd Nor and Mohammed Fadzlan bin Mustapa (collectively referred to as "Purchasers") in respect to the Group's disposal of 4,500,00 ordinary shares in AHM Consultancy & Security Services Sdn. Bhd. ("AHM") for RM8.7 million to be settled via the granting of Option Agreements by the Purchasers and family members to K-One Technology Bhd to dispose of their respective properties and using the net proceeds (sales proceeds of the properties less deductions utilized towards redeeming the properties from existing financiers and legal fees payable to transaction solicitors) to pay for their share buy back in 2 tranches. The first tranche of RM2.9 million is to be paid using the net proceeds on completion, short of which will be granted an automatic extension of 6 months and further extension subject to mutual agreement. The balance is to be paid within 18 months from the date of the Agreement and may be mutually extended for another fixed period subject to mutual agreement, failing which will default to an extension of 6 months following the expiry of the settlement period.

The Share Buy Back was completed on 10 December 2019 following the fulfilment of the conditions precedent.

The disposal is in line with the Group's business rationalization process to dispose of business which is not in line with its current strategy of focusing on its mainstay Electronic Manufacturing Service and Cloud businesses.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our appreciation to the Management, staff, valued customers, vendors, business partners and shareholders for their trust, support and working together to brave through 2019 which was challenging but exciting.

Dato' Martin Lim Soon Seng
CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

1. BUSINESS OBJECTIVES AND STRATEGIES

Since inception in 2001, the K-One Group has traditionally relied on being an OEM/ODM to multinationals and technology conglomerates worldwide. In essence, the Group specializes in providing both design/development and electronic manufacturing services (EMS) to the medical/healthcare, IoT, consumer electronics, computer, communication, industrial and automotive industries. Although its forte lies in design/development, its sales revenue is very much driven by contributions from EMS. Therefore, the ensuing elaboration and focus will be on EMS.

Since March 2019, the K-One Group has diversified into cloud computing (Cloud) following its acquisition of G-AsiaPacific Sdn. Bhd. (GAP).

Both of these core businesses are under the auspices of Industry 4.0. Effectively, the K-One Group has morphed to be powered by 2 core businesses; namely, EMS and Cloud.

The EMS business is engaged in the development and manufacture of medical/healthcare devices, IoT gadgets, automotive aggregates, electronic security/surveillance devices, computer peripherals, electronic headlamps, consumer electronic lifestyle gadgets, floor-care and industrial products. The EMS business is export driven, on average with more than 90% of its business each year since its inception in 2001, exported primarily to Europe, US and various countries in Asia. Its clients comprise mainly of multinationals or technology conglomerates. The key driving force and differentiating factor of the EMS business, amongst others, is its design, innovation and development capabilities of electronic, mechatronic or technology based products. This is complemented by its strength in manufacturing precision and high quality complete end products or occasionally sub-systems to meet the stringent requirements of global customers.

The Cloud business is principally involved in the provision of advanced cloud technology which comprises infrastructure as a service (IAAS), platform as a service (PAAS), software and mobile application development and consultancy as well as cloud management related services. Following the joint venture (JV) signed with its Indonesian partners on 4 September 2019, GAP thru' its associate co, P.T. GAsia Pasific Indo has made good progress in promoting Cloud computing solutions in Indonesia. Nonetheless, revenue contribution from the Cloud business was mainly derived from Malaysia in 2019 as the Indonesian venture was started from greenfield which requires time to bear "fruits". GAP was awarded Country Partner of the Year (Malaysia) in the AWS Summit 2019 which was held in Singapore in April 2019. It is an endorsement by AWS (Amazon Web Services) that GAP is a market leader in terms of sales and technical know-how in the cloud space in Malaysia.

It has been the Group's strategy to diversify into other synergistic technology-based businesses under the Industry 4.0 ecosystem in order to accelerate its digital transformation process to stay relevant for sustainable growth. The digital transformation pathway towards the attainment of Industry 4.0 is imminent as the Group's EMS business had witnessed an increasing shift towards products which are IoT enabled over the last couple of years.

2. FINANCIAL REVIEW

Financial Performance

The Group's revenue surged 31% year-on-year, from RM73.8 million in 2018 to RM97.0 million in 2019. The core EMS business was augmented for the first time following the Group's diversification into the Cloud business.

EMS

EMS's sales eased marginally by 1% to RM73.1 million, compared with RM73.8 million in the preceding year. Floor-care products, electronic security/surveillance peripherals, consumer electronic products and electronic headlamps succumbed to the softening global markets as the global economic headwinds gained strength as the year unfolded. On the other hand, medical/healthcare devices, IoT gadgets and industrial products demonstrated sturdy revenue growth as their sales projectiles were boosted by business from new customers.

Cloud

Cloud business generated post-acquisition revenue of RM23.9 million registering strong double digit growth year-on-year, following the completion of its acquisition in March 2019.

The Group recorded profit attributable to equity holders of RM6.1 million for 2019 as compared to a profit of RM5.7 million in 2018, representing an increase of 7%. The indicated profit was offset by a one-time non-recurring loss of RM0.5 million on the disposal of the K-One Group's entire 30% equity interest in the associate company - AHM Consultancy & Security Services Sdn. Bhd. (AHM). The realised loss of RM0.5 million was solely attributable to a reversal of the recognition of share of profit of AHM in 2018 as the disposal proceeds and purchase consideration of AHM shares which the Group acquired were the same. Discounting the preceding one-off loss, the Group would have registered a profit of RM6.6 million in 2019.

EMS

The lower profit from the EMS business (2019: RM4.1 million vs 2018: RM 5.3 million) was mainly due to the softened overall gross profit margin from 25% in 2018 to 24% in 2019; pulled down by the end-of-life of a high margin product, cost down exercise for a key consumer electronics customer and the lower margin from IoT gadget(s), despite product mix changes favouring the higher margin industrial products and medical/healthcare devices. Additionally, the weakening of the USD in the current year, continuous intense marketing exercises overseas, in particular the holding of exhibitions in US to generate sales leads which led to higher prototype investments to fulfil potential customer needs further dampened the profit.

Cloud

On the Cloud business, profit based on 60% equity interest contributed about RM2.5 million was encouraging which increased in tandem with significant sales growth in the current year.

Liquidity and Capital Resources

Cash and cash equivalents in the form of time deposits and short-term cash funds of the Group which stood at RM50.7 million as at end 2019 registered a decrease of 22% from RM64.6 million as of the previous year end. The decrease was mainly attributed to the payment of purchase consideration amounting to RM20.4 million related to the acquisition of 60% equity interest in GAP in March 2019. Notwithstanding, the Group was still holding a healthy cash position which would allow it to undertake organic growth besides looking into mergers and acquisitions.

Net cash generated from operating activities of RM6.6 million in 2019 was largely contributed by healthy gross profit margins registered in the year from both the EMS and the Cloud businesses, partially offset by inventory build-up (2019:RM20.3 million vs 2018:RM15.5 million) to support mass production for newly secured key EMS customers specialising in medical/healthcare devices. This mass production is anticipated to be ramped up in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

Cont'd

The Group has invested into Industry 4.0 initiatives and advance technologies costing RM1.2 million during the year to further enhance automation and data connectivity to develop intelligent integrated manufacturing and business systems. It has been transforming its manufacturing hub towards smart manufacturing as part of its Industry 4.0 attainment, so that it can maintain its competitiveness by automating processes to reduce costs and improve productivity.

Gearing

The Group does not have any borrowings as at end 2019.

Dividend

No dividend would be paid or declared for the year (2019) as the Group needed to preserve cash to fuel future growth.

3. OPERATIONAL AND FINANCIAL RISKS

Economic and Market Environment

The Group is operating in a fast, rapidly changing, unpredictable and volatile global business environment. Any slowdown or escalation in product demand due to shifting business regulations such as the US-China trade war and Covid-19 pandemic fears will have a negative or positive impact on the Group's business depending on the outcome of policy changes, such as economic stimulus and lockdown actions/ consequences. Direct and full mitigation of such macro risks is near impossible and beyond the Group's control.

However, the Group's EMS business has embarked on product diversification into "sunrise" markets in the likes of medical/healthcare devices, IoT gadgets and industrial products, which are gaining traction following the new customer(s) wins in 2019. It is envisaged that healthcare devices will constitute a substantial portion of the Group's EMS business in 2020. The signing of the US-China Phase 1 trade deal on 15 January 2020 has provided a bit of comfort to the global market, provided both parties honor the agreement moving forward. Nevertheless, the Group expects companies on both sides of the divide to take precautionary measures to diversify their risks by shifting a portion of their manufacturing bases to neutral countries, even after the conclusion of subsequent phases of trade deals by the two superpowers. Trade diversion could also be accelerated as a result of the Covid-19 virus outbreak in China. This is presenting further opportunities to the K-One Group as a beneficiary of manufacturing diversions enhanced by the said crisis. The Group has been relentlessly tapping on such opportunities by continuously marketing its capabilities and competencies directly in the US markets through organized exhibitions and targeted marketing blitz to potential companies based in US. The business leads secured are encouraging and are expected to be crystallized into sales in the medium term to add on to its bucket of new customers.

Besides, the Group's diversification into the Cloud business through the acquisition of GAP, which is complementary to its existing principal activities is providing another stream of income. The Cloud business has been increasingly promising due to the current digitalization trend which is entering the early mainstream phase of adoption and is widely accepted as a legitimate technology model to pursue by most organizations.

Technology Disruptions

The Group operates in a space which is subject to rapid technological changes. The Group acknowledges the significant impact of this risk to the wellbeing of its business. Therefore, the Group has focussed on diversification into other synergistic technology-based businesses under the Industry 4.0 ecosystem (e.g. the acquisition of 60% equity interest in GAP in March 2019), continuous manufacturing technology upgrade (currently working towards smart manufacturing as part of its Industry 4.0 attainment), stringent quality management and effective sales and marketing efforts in reaching out to potential customers in US which intend to divert their production from China to Malaysia to overcome the tariff hike imposed on goods made in China by US. The Group is confident that it is flexible enough to adapt to new technologies in view of its agile staff, industry knowledge and technical know-how, particularly in R&D capabilities and engineering excellence.

Human Capital

The Group recognises and believes that its future success depends to a large extent the talent, hard work and value created by its directors, key management and technical personnel. To reduce the risk of losing these key personnel, the Group has in place a people strategy, which includes competitive compensation packages, conducive working conditions and human resource training and development programmes for employees in all key functions of the Group's operation. It has also made continuous efforts to strategically develop a dynamic and strong management team and grooming potential personnel in assisting senior key staff to operate and manage their activities.

Foreign Currency Exchange Fluctuation

The Group is exposed to foreign currency exchange losses or gains arising from appreciation or depreciation of RM against USD as most of the Group's revenue is transacted in USD. In order to mitigate the risk of foreign currency exchange fluctuations, the Group actively carries out natural currency hedging, i.e. maximizing the payment of suppliers in USD, the same currency as inward remittances from customers.

4. BUSINESS & MARKET OUTLOOK

We envisage that global uncertainty and instability to continue in 2020, owing to the lingering global protectionism, Covid-19 pandemic, heightened geopolitical tensions and unfinished revised Brexit/EU trade agreements due for completion end 2020. Amidst a challenging global business landscape and looming recession in almost all corners of the world, the K-One Group is cautiously hopeful on its prospects, underpinned by a few key factors. Firstly, mass production for newly secured key EMS customers specialising in medical/healthcare devices is expected to ramp up in 2020. It is envisaged that healthcare devices will constitute a substantial portion of the Group's EMS business in 2020 on the belief that the medical/healthcare industry can hold up to the recessionary and/or Covid-19 pressures. Secondly, continuous diversification efforts and expansion into "sunrise" markets in the likes of medical/healthcare devices, IoT gadgets and industrial products is expected to continue to yield positive results, spurred in part by trade diversions out of China. Thirdly, the Cloud business through GAP is expected to generate meaningful business and financial results to the Group, sustained by the impending realization of sales from new customers which were partly triggered by the Covid-19 pandemic to adopt Cloud to cater to increased internet capacity requirements while their staff working from home turn to video conference for communication. Fourthly, the acquisition of the remaining 40% equity interest in GAP will further enhance the business and financial growth of the Group upon the completion of the said corporate exercise. Fifthly, the continuous transformation into an Industry 4.0 enabled corporation will enable the Group to stay relevant, competitive and sustainable for long term growth, especially during this period of rapid technological advancements and disruptions. Last but not least, the Group will continue to improve business efficiency by implementing Industry 4.0 elements in its organisation, besides inculcating a cost-conscious mindset across all business units to enhance sales and profit margin.

SUSTAINABILITY STATEMENT

INTRODUCTION

This Sustainability Statement is a document detailing the management of the Group's business impacts on Economic, Environmental and Social issues. Sustainability in today's context holds a much complex relevance. As the world moves towards rapid industrial development at an unprecedented scale, it is vital to look into practising sustainable business, so that the world's natural resources are not depleted but maintained in equilibrium.

Since 2012, the Group has been registered as a participant of the UN Global Compact which is a United Nations' initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. Through sustainability management, the Group believes it can create economic value, protect the environment and pursue social development.

The Group is committed to maintaining sound corporate governance, continuously practise good ethics in all facets of its business and complying with all laws and applicable regulations where it operates. The sustainability governance structure of the Group is led by the Board of Directors ("Board") which plays a critical role in approving sustainability and risk management framework.

STAKEHOLDERS ENGAGEMENT

The Group continuously reaches out to its stakeholders in order to appreciate their concerns in relation to the Group's operating environment. Such engagements also provide opportunities for potential future collaborations. The sustainability concerns of the stakeholders are summarised below:-

Stakeholder Group	Engagement Approach	Sustainability Concern
Shareholders	• Annual and extraordinary general meetings • Financial and corporate announcements	• Dividend • Return on investment • Financial performance • Share performance
Board	• Board meetings • Annual and extraordinary general meetings • Corporate organised events	• Corporate governance • Company strategy • Continuous business and operational improvements • Risk management and compliance with laws and regulations • Financial results • Interests of stakeholders and shareholders
Employees	• Quarterly forums • Employee performance appraisal • Group organised events	• Occupational health and safety • Fair remuneration • Fair employment practices • Career development opportunities
Customers	• Ad-hoc meetings	• Manufacturing quality • Manufacturing capacity • Research and development • Equitable business operations

Stakeholder Group	Engagement Approach	Sustainability Concern
Suppliers	• Supplier audits • Ad-hoc meetings	• Fair tender practices • Competitive prices • Business continuity
Government/ Regulatory Authorities	• Ongoing interaction • Formal and informal meetings • Participation in government programmes and initiatives	• Manufacturing issues and policies • Compliance with applicable laws • Economic, environmental and social impacts • Collaborative programmes related to national agenda
Non-Governmental Organisations	• Public events • Face-to-face interaction	• Working conditions • Labour rights

ECONOMIC, ENVIRONMENT AND SOCIAL SUSTAINABLE PRACTICES

A. Economic

Given that good governance and ethical conduct are critical for building and maintaining trust and confidence, the Group has implemented Code of Conduct & Ethics and Whistleblowing Policies. The Group is committed to maintaining the highest standards of integrity in all business interactions and adopts a zero-tolerance policy in prohibiting any forms of bribery, corruption, extortion and embezzlement (covering promising, offering, giving or accepting any bribes).

The Group is committed to ensure that sustainable supply chain management and procurement practices are practised and embedded into its culture. This would be achieved through the guidance of the principles and standards set out in the Group's Code of Conduct and Whistle Blowing Policies. These policies define how employees should conduct business with suppliers and how to deal with other stakeholders.

The Group supports responsible branding, marketing and promotion with customers and other stakeholders while maintaining an ethical professional relationship. The Group believes that this will create sustainable value.

Each employee of the Group is required to comply with local laws/regulations and maintain a high standard of personal conduct while dealing with various stakeholders. Proper channel is established to instil confidence in employees and third parties to raise concerns about any irregular behaviour or practice and to mitigate risks and losses through the early discovery of such activities.

B. Environment

The Group is committed to comply with legal and regulatory requirements of the relevant authorities, such as the Department of Environment to minimise the impact of human footprint on the environment and ensure that our business is operating in an environmentally responsible manner.

The Group has consistently strived to improve its waste management, energy conservation and water consumption through the practice of 3R's (Reduce, Reuse and Recycle) in all possible aspects of its business. Furthermore, the use of sustainable packaging materials is encouraged to minimise the impact on our environment and resources.

In its latest pursuit of Industry 4.0, the Group is attempting to manage its production in an eco-friendly manner. In this regard, it had developed a mobile application (codenamed K1 MA) to digitalize work processes, thereby eliminating the usage of papers to record daily production activities. The K1 MA operates as a digital platform to share information seamlessly within the organization which allows informed decision-making by the management, enables work processes to be monitored remotely and reduces the administration cost of filing voluminous information inefficiently. This initiative also signifies the Group's first step towards becoming a smart factory through the utilization of IoT concepts and integration of all systems into one centralized digital platform. The Group will continue to push forward into fully automated production processes backed by advanced cloud solutions in each assembly line. The final goal is to establish the Group as one of Industry 4.0's progressive innovators with a fully digitalized production shop-floor which is green, yet highly efficient with optimum workforce utilization and raw materials usage.

C. Social

The Group is always on the look out to support the local community where it operates with the aim of uplifting their well-being, promote goodwill in the neighbourhood and assist in charitable causes to benefit the public at large.

SUSTAINABILITY STATEMENT
Cont'd

Caring for our Community

MYJANJI PROGRAM

Help To Needy

Since the establishment of the MyJanji program in 2018 to help the needy, underprivileged and disadvantaged individuals and families, it has extended the sponsorship for another year to the existing beneficiaries and reached out to more deserving individuals during the course of the year.

As a recap, the MyJanji program provides financial assistance of RM300 per month over a one year period. It is managed by the MyJanji Committee which comprises of staff from various backgrounds who are responsible to assess suitable and deserving applicants based on a number of set requirements which includes financial capability, family support, health condition, age and dependents. Regular visits would be made throughout the duration of the program to foster a closer relationship with the beneficiaries and to ensure the sponsorship provided is able to alleviate the financial burden of the beneficiaries.

The MyJanji program has very quickly taken roots and it has become a meaningful program which the Group is proud to run for the benefit of a specific deserving community in the public.

Caring for our Staff

Taking care of the well-being and health of staff has always been a key priority of the Group as employees are its prized assets. The Group is committed to hosting a safe, healthy and conducive working environment at all times.

During the year, it has refurbished some of its working space to make it more in line with current office trends which are open concept in nature with minimum clutter. It has also installed water purifiers in its offices and factories. Although it may sound petty, but having clean drinking water for the staff is a good way to keep healthy as the body is made up of about 60% water. It is not surprising that employees appreciate the installation of such amenities – water purifiers.

On 9 December 2019, the Group organized a Health Awareness Program in collaboration with the Ministry of Health, Malaysia (MOHM). The objective of the program was to instil awareness on the importance of personal healthcare and to understand and take relevant measures to stay healthy. It was an honour to have staff from MOHM to conduct a talk about the importance of personal healthcare and at the same time provide healthcare checks to employees in the Ipoh plants. Besides the staff from MOHM, five K-One staff volunteered to be taught the procedures to conduct healthcare checks by the MOHM's trainers so that they could assume the role as K-One's in-house healthcare personnel to check the staff's basic health parameters regularly.

With the unfortunate outbreak of Covid-19 raging the world recently, the Group has taken the stand to postpone its Annual Dinner scheduled in February 2020 to a date to be determined later or perhaps cancelling it, depending on the situation moving forward. Under such trying circumstances, it is imperative that the Group takes precautions to minimize its employees' exposure to infection risks. As the saying goes, it is better to be safe than sorry.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the "Board") supports the objectives of the Malaysian Code on Corporate Governance ("MCCG") and also acknowledges its role in protecting and enhancing shareholders' value. The Directors believe that good corporate governance results in quantifiable long-term success and creation of long-term shareholders' value as well as benefits for all other stakeholders. Hence, the Board affirms its policy of adhering to the spirit of the MCCG.

Set out below is an overview of the corporate governance practices of the Group during the financial year ended 31 December 2019. This overview statement is prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market ('AMLR') and it is to be read together with the Corporate Governance Report 2019 of the Company ("CG Report") which is available on the Company's website: https://www.k-one.com/investor/corporate governance report/.

The CG Report provides the description of how the Group has applied each Practice as set out in the MCCG throughout the financial year ended 31 December 2019.

PRINCIPLES OF CORPORATE GOVERNANCE

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is actively overseeing the Group's conduct and provides direction to the Management on the business and affairs of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value and safeguarding the interests of stakeholders.

The Board sets corporate values and clear lines of responsibility and accountability, including governance systems and processes that are communicated throughout the Group. It works closely with the Senior Management to ensure that the operations of the Group are conducted prudently and within the framework of relevant laws and regulations.

The roles and responsibilities of the Executive Chairman and Chief Executive Officer are separated and clearly defined, with each position being held by two (2) different individuals. Although the Executive Chairman and the Chief Executive Officer are brothers, they are both professional engineers registered with the Institution of Engineering & Technology, UK who are expected to exercise a high degree of independence, integrity and professionalism in the conduct of their business. They both hold Masters' degrees in their respective fields from reputable universities overseas which further substantiate their independence of thoughts, objective judgement and maturity.

The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures and advocate adoption of corporate governance best practices. The Directors have access to the advice and services of the Company Secretary and other professionals so as to ensure that Board meeting procedures are followed and that applicable rules and regulations are complied with. The Company Secretary regularly updates the Board on new statutes and directives issued by the regulatory authorities and keep the Board informed of their responsibilities.

2. Board Composition

Size and Composition of the Board

Currently, there are seven (7) Board members comprising of four (4) Independent Non-Executive Directors ("INEDs"), one (1) Non-Independent Non-Executive Director and two (2) Executive Directors. The members of the Board possess a wealth of experience in the electronic manufacturing services (EMS) and other relevant industries. The profiles of the Directors are provided in pages 5 to 7 of the Annual Report. All these skills and experience enable the Board to effectively lead and control the Group.

Appointment of Directors and Board Diversity

The Nomination Committee ("NC") is guided by the "Terms of Reference of the Nomination Committee" in carrying out its responsibilities in respect of the nomination, selection and appointment process of Directors for the Group and its subsidiaries. In this respect, the Board would establish a pool of potential Directors for its reference when considering new appointments, in line with the sourcing process and criteria for potential candidates as set out in the Terms of Reference. The Board and the Nomination Committee ("NC") conscientiously take into account the current diversity in the skills, experience, age, ethnicity (cultural background) and nationality of the existing Board in seeking potential candidate(s). This is to ensure an appropriate balance between the experience of the existing Directors and new perspectives of the incoming Directors. The Board also acknowledges the importance of gender diversity as an important element of a well-functioning board. Currently, the Board has a female Director, contributing 14% representation of women on the Board. The Board will endeavour to achieve 30% women representation on the Board in the next few years.

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. Board Composition (Continued)

Tenure of Independent Directors

Considering the recommendation of the Code pertaining to the tenure of an Independent Director exceeding a cumulative term of nine (9) years, the Board holds the view that the ability of an Independent Director to exercise independent judgement is not affected by the length of service. The suitability of an Independent Director to carry out his responsibilities is very much a function of calibre, experience and personal qualities. In this respect, the Board is recommending and will be seeking shareholders' approval through a two-tier voting process in the coming 19th Annual General Meeting (AGM) to extend the tenureship of Independent Non-Executive Directors Goh Chong Chuang and Loi Kim Fah as they have served more than nine (9) years in their respective individual capacities based on the following justifications:-

(a) They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of AMLR and thus, they would be able to function as a check and balance, including bringing in an element of objectivity to the Board;

(b) They have vast experience in their respective fields. Goh Chong Chuang has been involved in the electronics industry for over forty (40) years and had held senior positions (Executive Director/Advisor) in a Japanese multinational prior to joining the Company's Board. Loi Kim Fah has been a practising professional accountant for more than twenty (20) years; engaged in auditing and advising a multitude of industries in various aspects of accounting, finance and business planning.

    As such, they can provide constructive opinions and exercise independent judgement which act in the best interest of the Group;

(c) They have and will continue to be able to devote sufficient time and attention to their professional obligations for informed and balanced decision making; and

(d) They have demonstrated integrity of independence and had not entered into any related party transaction with the Company or Group.

Review of Board Performance

The Nomination Committee annually performs an assessment of the effectiveness and performance of the Board, Board Committees and individual Directors in order to verify that the Board is functioning appropriately as a whole.

Each Director would complete detailed questionnaires, covering among other things; contribution to interaction, quality of input, understanding of role and personal developments with the aim of enhancing Board performance. An evaluation of each Board Committee would also be done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference.

Assessments and evaluations were conducted for 2019 and the Board was satisfied with the overall performance of its Directors and the respective Committees.

Re-election of Directors

The Articles of Association of the Company provides that at least one-third of the Directors are subject to retirement by rotation at every Annual General Meeting ("AGM") such that each Director shall retire from office once in every three (3) years and are eligible to offer themselves for re-election. The Articles of Association also provides that a Director who is appointed during the year shall be subject to re-election at the next AGM to be held following his/her appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. Remuneration

The Board has established a formal and transparent process for approving the remuneration of the Board and the Senior Management. The remuneration adjustments are reviewed by the Remuneration Committee ("RC") on an annual basis prior to making its recommendations to the Board for approval. In its review, the RC considers various factors which includes, amongst others, the Group's financial performance and the individual's achievements against the goals set. As for the Non-Executive Directors' ("NEDs"), they would be measured based on execution of fiduciary duties, time commitments expected of them and the Group's financial performance. The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors. The benefits payable to the said Directors shall from time to time be determined by an Ordinary Resolution of the Company in a general meeting in accordance with Section 230 of the Companies Act 2016.

The RC is also responsible to approve the annual salary increments and performance bonuses of the Senior Management in respect of each financial year.

The details of the Directors' remuneration for the financial year ended 31 December 2019 are as follows:

	Salaries and Other Emoluments* RM'000	Fees RM'000	Meeting Allowances RM'000	Benefits-In Kind RM'000	Total RM'000
Executive Directors					
Ir. Edwin Lim Beng Fook	940	-	-	-	940
Dato' Martin Lim Soon Seng	942	-	-	-	942
Non-Executive Directors					
Bjørn Bråten	-	-	-	-	-
Goh Chong Chuang	-	57	6	-	63
Loi Kim Fah	-	57	6	-	63
Anita Chew Cheng Im	-	57	6	-	63
Dato' Azlam Shah bin Alias	-	57	6	-	63
Total	**1,882**	**228**	**24**	**-**	**2,134**

Notes:
* *Salaries and other emoluments comprise basic salary and EPF.*

4. Board Committees

To assist the Board in discharging its duties, the Board has established a number of Board Committees whose compositions and Terms of Reference are in accordance with AMLR and consistent with the recommendations of the MCCG. These Board Committees are:-

a) Audit & Risk Management Committee ("ARMC");
b) Nomination Committee ("NC"); and
c) Remuneration Committee ("RC").

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

4. Board Committees (Continued)

The composition of the Board Committees and the attendance of members at Board Committees meeting held in 2019 are as follows:

Director	Board	ARMC	NC	RC
Ir. Edwin Lim Beng Fook (Executive Chairman)	4/4*			4/4
Dato' Martin Lim Soon Seng (Chief Executive Officer)	4/4			
Bjørn Bråten (Non-Independent Non-Executive Director)	4/4	4/4	4/4	
Goh Chong Chuang (Independent Non-Executive Director)	4/4	4/4	4/4*	4/4*
Loi Kim Fah (Independent Non-Executive Director)	4/4	4/4*	4/4	4/4
Anita Chew Cheng Im (Independent Non-Executive Director)	4/4	4/4		
Dato' Azlam Shah bin Alias (Independent Non-Executive Director)	4/4	4/4		

Note:
* *Chairman of the Board/Committee.*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit & Risk Management Committee

The ARMC comprises of four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. It is chaired by Loi Kim Fah, who is an Independent Non-Executive Director and not the Chairman of the Board.

The composition of the ARMC is reviewed annually to ensure that the Chairman and members are financially literate and are able to carry out their duties in accordance with the Terms of Reference of the ARMC. The ARMC members are expected to continuously update their knowledge and enhance their skills. Based on the performance evaluation of the ARMC for the financial year ended 31 December 2019, the Board is satisfied that the Chairman and members of the ARMC have discharged their responsibilities effectively.

Please refer to the Audit & Risk Management Committee Report on pages 25 to 27 for further information on our Audit & Risk Management Committee.

2. Risk Management and Internal Control Framework

The Group has established a Risk Management Committee ("RMC") since end 2012. The RMC oversees the risk management matters of the Group. It supports the ARMC and Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group.

With regards to the internal control framework, the Group's internal control is designed to manage the Group's risk within acceptable risk profile and provides reasonable assurance against material errors, misstatement or irregularities. In view of the limitations inherent in any system of internal control, such a system is designed to mitigate rather than eliminate risks of failure to achieve corporate objectives. Accordingly, the system provides reasonable and not absolute assurance against material error, misstatement or loss. The system of internal control covers, inter alia, risks management, financial, operational and compliance controls.

The Statement on Risk Management and Internal Control is set out on pages 28 and 29 of the Annual Report 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

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

1. Effective Communication with Shareholders and Investors

The Group is dedicated in maintaining good communications with shareholders and investors through communication channels such as the Annual Report, announcements through Bursa Malaysia and AGM/EGMs. The Group continues to fulfil its duty on the required disclosure obligation according to the guidelines and regulation of Bursa Malaysia's Corporate Governance Guidelines. All disclosures of material corporate information will be disseminated in an accurate, clear and timely manner via announcements on Bursa Malaysia.

The Group values dialogues with its shareholders, potential investors, institutional investors and analysts and is available as appropriate to explain or further clarify any information already disclosed in its Annual Report or announcements through Bursa Malaysia. The Board has designated Ir. Lim Beng Fook and Loi Kim Fah, as Board Chairman and Audit Committee Chairman respectively to answer any queries or clarify any matters concerning the Group. Both Directors can be reached by email at corp@k-one.com.

2. AGM

The AGM is another avenue for shareholders to interact with the Senior Management of the Group. Shareholders will be notified of the meeting date and time together with a copy of the Company's Annual Report at least 28 days before the meeting is held. At the 18th AGM of the Company held on 30 May 2018, all members of the Board were present to respond to questions raised by the shareholders or proxies. The voting at the 18th AGM was conducted through proper poll voting system and was scrutinised by an independent scrutineer. The Group is continuing to explore the leveraging of technology to enhance the quality of engagement with its shareholders to facilitate further participation by shareholders at AGMs of the Company.

3. Professional Development of Directors

During the year, the Directors were accorded with opportunities to continue to professionally develop and maintain their skills and knowledge. The Directors attended a range of training programmes to keep themselves abreast of legislative changes and industry practices. The Board was satisfied with the type of training programmes the Directors attended throughout the year.

The list of training programmes that were attended by the Board members are outlined below:

Date of Training	Programme	Organised by	Attended by
14-15.4.19	Audit Quality Enhancement Program For SMPs 2019	Malaysian Institute of Accountants	Loi Kim Fah
27.6.19	Cyber Security In The Boardroom	Bursa Malaysia	i. Ir. Edwin Lim Beng Fook ii. Dato' Martin Lim Soon Seng
5-6.8.19	National Tax Conference 2019	Inland Revenue Board	Loi Kim Fah
1.10.19	UM Academia- Community Engagement Conference	UM Cares	Dato' Azlam Shah bin Alias
15.10.19	Adoption Of ISO 20022 Standard – Changes To The Template For Corporate Announcements	Bursa Malaysia	i. Ir. Edwin Lim Beng Fook ii. Dato' Martin Lim Soon Seng
24.10.19	National Tax Seminar 2019	Inland Revenue Board	Loi Kim Fah
31.10.19	Corporate Governance & Anti-Corruption	Bursa Malaysia	Ir. Edwin Lim Beng Fook
21.11.19	Enterprise Risk Management and Corporate Liability Awareness	RSM Corporate Consulting Sdn Bhd	Dato' Azlam Shah bin Alias

This Corporate Governance Overview Statement was approved by the Board of Directors on 27 February 2020.

The Company established an Audit Committee on 3 February 2005 and it was re-structured as the Audit & Risk Management Committee in 2018. The Audit & Risk Management Committee comprises of five (5) members who are as follows:

Chairman	Loi Kim Fah	Independent Non-Executive Director
Members	Goh Chong Chuang Anita Chew Cheng Im Dato' Azlam Shah bin Alias Bjørn Bråten	Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Non-Independent Non-Executive Director

TERMS OF REFERENCE

The terms of reference which include Composition, Authority, Responsibilities, Meetings and Functions of the Audit & Risk Management Committee are disclosed and published on the Company's website. During the financial year, the Board had reviewed the performance and effectiveness of the Committee and its members in discharging their functions, duties and responsibilities under the aforesaid terms of reference.

MEETINGS

There were four (4) Audit & Risk Management Committee meetings held during the financial year ended 31 December 2019. The details of the attendance of each member of the Audit Committee are as follows:

		TOTAL MEETINGS ATTENDED BY COMMITTEE MEMBERS	PERCENTAGE OF ATTENDANCE
Loh Kim Fah	Chairman/ Independent Non-Executive Director	4/4	100%
Goh Chong Chuang	Member/ Independent Non-Executive Director	4/4	100%
Anita Chew Cheng Im	Member/ Independent Non-Executive Director	4/4	100%
Dato' Azlam Shah bin Alias	Member/ Independent Non-Executive Director	4/4	100%
Bjørn Bråten	Member/ Non-Independent Non-Executive Director	4/4	100%

SUMMARY OF WORK

During the financial year, the main activities undertaken by the Audit & Risk Management Committee include:

(a) Financial Reporting

- Reviewed with the appropriate Officers of the Group, the quarterly financial results and annual audited financial statements, including the announcements pertaining thereto, before recommending them for the Board's approval;

- Reviewed and ensured corporate disclosure policies and procedures of the Group pertaining to accounting, audit and financial matters complied with the disclosure requirements as set out in the AMLR;

- Reviewed the related/interested party transactions (if any) that may arise within the Company and the Group to ensure compliance with the Malaysian Accounting Standards Board, AMLR and other relevant authorities and to ensure that such transactions were (if any):

  - undertaken in the ordinary course of business;
  - carried out at arm's length and based on normal commercial terms consistent with the Group's usual business practices and policies;
  - on terms not more favourable to the related parties than those generally available to the public; and
  - not detrimental to the minority shareholders of the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
Cont'd

SUMMARY OF WORK (CONTINUED)

(b) External Audit

- Reviewed with the External Auditors their terms of engagement, proposed audit remuneration and the audit plan for the financial year to ensure that their scope of work adequately covers the activities of the Group;
- Reviewed the results and issues arising from the External Auditors' review of the financial statements and the resolution of issues highlighted in their report to the Committee;
- Reviewed the presentation of the financial statements of the Group with the External Auditors to ensure adequacy of disclosure of information essential to a fair and full presentation of the financial affairs of the Group for recommendation to the Board for approval;
- Reviewed the independence, suitability, objectivity and cost effectiveness of the External Auditors before recommending their re-appointment and remuneration to the Board; and
- Obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement.

(c) Internal Audit

- Reviewed with the internal auditors, their audit plan for the financial year, ensuring that principal risk areas and key processes were adequately identified and covered in the plan;
- Reviewed the Internal Audit Reports on findings and recommendations and Management's response thereto to ensure adequate remedial actions have been taken;
- Reviewed the results of ad-hoc investigations performed by the internal auditors and the actions taken relating to those investigations;
- Reviewed the adequacy of resources and the competencies of staff within the Internal Audit Department to execute the audit plan, as well as the audit programmes used in the execution of the internal auditors' work and the results of their work;
- Reviewed the results of the internal assessment performed on the Internal Audit function;
- Reviewed the performance of internal audit staff; and
- Reviewed the adequacy of the charter of the Internal Audit function.

(d) Others

- Reviewed the Executive Chairman's Statement, CEO's Operations Review, Sustainability Report, Management's Discussion and Analysis of Business Operations and Financial Performance, Audit & Risk Management Committee Report, Statement on Risk Management and Internal Controls and Corporate Governance Overview Statement prior to their inclusion in the Company's Annual Report 2019; and
- Reviewed the adequacy of the terms of reference of the Committee.

INTERNAL AUDIT FUNCTION

An Internal Audit Department under the Internal Audit Manager which stands independent of the activities or operations was set up on 3 January 2007 to support the Audit & Risk Management Committee in the discharge of its duties.

The Internal Audit function focuses mainly on the key risk areas based on the approved internal audit plan by the Audit & Risk Management Committee. The primary objectives of the Internal Audit function include reviewing the adequacy, integrity and effectiveness of the system of internal controls, compliance with the established policies and procedures, guidelines, laws and regulations and reliability and integrity of information.

INTERNAL AUDIT FUNCTION (CONTINUED)

The Internal Audit function adopts a risk-based approach in determining the audit areas and execution of its audits. In addition, special reviews may be made at the request of the Audit & Risk Management Committee and Senior Management on specific areas of concern, particularly, in relation to high-risk areas identified during the course of business. These reviews would provide additional assurance and comfort on the integrity and robustness of the internal control systems.

Areas for improvement and audit recommendations are forwarded to the Management for attention and further actions. The Management is responsible to ensure that corrective actions are implemented within the required time frame. The audit reports which provide the results of the audit conducted are submitted to the Audit & Risk Management Committee for review. Key control issues and recommendations are highlighted to enable the Committee to execute its oversight function.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance requires the Board of Directors to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board is pleased to include a statement on the state of the Group's risk management and internal controls.

BOARD RESPONSIBILITIES

The Board affirms its responsibility in maintaining the Group's system of internal controls and risk management and in seeking regular assurance on the adequacy and integrity of the internal controls and risk management systems and processes to safeguard shareholders' value and the Group's assets.

The identification, evaluation and management of significant risks faced by the Group is an on-going process during the financial year and up to the date of approval of this statement for inclusion in the Annual Report.

RISK MANAGEMENT

To further strengthen the risk management process, the Group has formed a Risk Management Committee since end 2012, comprising Heads of Divisions with the objective of reviewing, minimising or avoiding major risks. The Risk Management Committee is tasked with assessing risks arising from the external environment, internal operations and the financial aspects. During the year under review, the Risk Management Committee presented key business risks which included external, operational and financial risks to the Audit & Risk Management Committee and the Board.

The Group consciously covers and transfers certain risks by securing adequate insurance indemnity against product and public liabilities, goods in-transit damage/loss and fire mishap. As for risks which cannot be covered by insurance, the Group would find ways to mitigate them as much as possible.

The Board regards the risk management and internal controls system as an integral part of the overall management processes. The Audit & Risk Management Committee is supported by the Internal Audit Department which provides an independent assessment and evaluation of the effectiveness of the Group's risk management on a quarterly basis.

KEY ELEMENTS OF INTERNAL CONTROLS

Key elements of the Group's internal controls that have been in place include the following:

i. Formal Organisation Structure

The Group has in place a well-defined organisational structure with well-defined lines of reporting, responsibilities and level of authority to ensure quick response to changes in an ever changing and challenging business environment and to ensure effective supervision of day-to-day operations.

ii. Regular Performance Reporting

- Quarterly management reports are generated to facilitate the Board and the Senior Management in performing financial and operational reviews on the various operating units of the companies within the Group. The reports comprise comparison of results of current period with prior period and variances between budget and operating results.

- Monthly management meetings are chaired by the Chief Executive Officer to discuss the Group's operations and performance, including the tracking of sales opportunities. Other matters being discussed are collections, marketing strategy for new product launches, feedback on progress of product design and development, highlights on shortcomings or problems in conjunction with the proposed corrective actions and potential risks that may affect the achievements of the Group's business objectives together with the proposed mitigating plans.

iii. Documented Policies And Procedures

The Group has in place documented policies and procedures which form an integral part of the internal control system to safeguard shareholders' investment and the Group's assets against material losses.

KEY ELEMENTS OF INTERNAL CONTROLS (CONTINUED)

iv. Code of Business Conduct

The Group's formalised business ethics through a Code of Conduct & Ethics has been further strengthened in line with Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act which will be enforced with effect from 1 June 2020. Staff are briefed upon joining and subsequently reminded to adhere to the Code of Conduct & Ethics which is available on the Company's website. Actions have also been taken to cascade the implementation of the enhanced Code of Conduct & Ethics to third parties which includes suppliers and business partners.

v. Quality Control

The Group emphasises continuous scrutiny in maintaining the quality of products. Being ISO 9001, ISO13485, ISO14001, ISO/IATF 16949, OHSAS 18001, ATEX certified and FDA registered, it strictly complies with standard operating procedures in performing specific tasks to uphold the certifications and registration which are subject to annual review.

vi. Internal Audit

The Internal Audit Department that reports to the Audit & Risk Management Committee, conducts reviews on the adequacy and effectiveness of the internal control system of the Group. Where areas of improvement in the system are recommended, the Board reviews and considers the recommendation made by the Audit & Risk Management Committee and Senior Management.

vii. Audit & Risk Management Committee

The Audit & Risk Management Committee was set up with the view to assist and provide the Board with added focus in discharging its duties. For 2019, the Audit & Risk Management Committee met four (4) times to review the financial performance and operations relating to business performance, productivity, internal controls and risk management of the Group, following which had reported its deliberations and recommendations to the Board. Henceforth, the Audit & Risk Management Committee will continue to convene quarterly meetings to advise the Board on findings and in particular, improvements of the risk management and internal controls of the Group.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROLS

For the financial year under review, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal controls to safeguard shareholders' interest and the Group's assets. There have been no material control weaknesses or failures that would result in material misstatements, losses or fraud to the Group.

Towards this end, the Board has received assurance from the Chief Executive Officer and the Finance Director that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects based on the risk management and internal control systems of the Group.

The Board is of the view that the risk management and internal control systems in place for the year under review and up to the date of this report are sound and adequate to safeguard the shareholders' investment, the interests of various stakeholders, regulators and the employees at large.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed by conducting a limited assurance engagement on this Statement on Risk Management and Internal Controls in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), *Assurance Engagement Other Than Audits or Review of Historic Financial Information* and *AAPG 3, Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control Included in the Annual Report.* Based on the procedures performed, they reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Controls intended to be included in the Annual Report is not prepared, in all material respects, 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 to be set out nor is factually inaccurate.

The Statement on Risk Management and Internal Controls has been approved by the Board of K-One Technology Berhad on 27 February 2020.

ADDITIONAL COMPLIANCE INFORMATION

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 2016 ("Act") to invoke the Management to prepare the financial statements for each financial year in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs") to give a true and fair view of the financial position and cash flows of the Group and the Company for the financial year as per the requirements of the Act. Where there are new accounting standards or policies that become effective during the year, the impact of these new requirements will be stated in the notes to the financial statements accordingly.

In the preparation of the financial statements, the Board is satisfied that the Management has:

- adopted the appropriate accounting policies and applied them consistently;
- ensure compliance with MFRSs, IFRSs and the requirements of the Act;
- made estimates and judgements which are reasonable and prudent; and
- ensure the financial statements have been prepared on a going concern basis.

The Directors have undertaken the responsibility to ensure that the Group and the Company kept accounting records which disclosed with reasonable accuracy the financial position of the Group and the Company, to enable them to ensure that financial statements comply with the provisions of the Act. The Directors have also taken such steps as were reasonably available to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

MATERIAL CONTRACT INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving Directors and Major Shareholders' interest.

REVALUATION OF LANDED PROPERTIES

The Group did not revalue its landed properties during the financial year.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are in research, design and development of electronic end-products and sub-systems for the healthcare, medical, Internet of Things ("IoT"), automotive, industrial, communication, computer and consumer electronics industries. The principal activities of its subsidiaries are set out in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year other than the acquisition of G-AsiaPacific Sdn. Bhd. as disclosed in Note 9(a) to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	7,781,331	276,499
Attributable to:		
Owners of the Company	6,104,157	276,499
Non-controlling interests	1,677,174	-
	7,781,331	276,499

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2019.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year other than the issue of options pursuant to the Employee's Share Option Scheme ("ESOS") and warrants.

ESOS

At an Extraordinary General Meeting held on 20 January 2017, the Company's shareholders approved the establishment of an ESOS for directors and employees who meet the criteria of eligibility for participation. The ESOS was implemented on 7 March 2017 and shall be in force for a period of 5 years which will expire on 7 March 2022.

The salient features and other details of the ESOS are disclosed in Note 19 to the financial statements.

DIRECTORS' REPORT
Cont'd

ESOS (CONTINUED)

The options offered for the subscription of unissued ordinary shares and the respective exercise prices are as follows:

		Number of option over ordinary shares				
Grant date	**Exercise price**	**At 1.1.2019**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2019**
13.3.2017	RM0.14	47,310,000	-	-	(510,000)	46,800,000
25.7.2018	RM0.17	600,000	-	-	-	600,000
10.7.2018	RM0.16	2,184,000	-	-	(420,000)	1,764,000

WARRANTS

On 8 January 2019, a total of 182,234,783 free warrants were allotted and listed on the Ace Market of Bursa Securities under a deed poll dated 11 December 2018.

The salient terms of Warrants are disclosed in Note 18(b) to the financial statements.

The movement in the Company's warrants during the financial year is as follows:

	Number of Warrants				
	At 1.1.2019	**Allotment**	**Exercised**	**Lapsed**	**At 31.12.2019**
Warrants	-	182,234,783	-	-	182,234,783

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ir. Lim Beng Fook *
Dato' Lim Soon Seng *
Bjørn Bråten
Goh Chong Chuang
Loi Kim Fah
Anita Chew Cheng Im
Dato' Azlam Shah bin Alias

* Directors of the Company and certain subsidiaries

Other than stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Goh Kiang Kiat
Goh Kiang Kian
Chen Kak Toong
Lim Han Joo, Andrew
Choi Keng Mun

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

Interests in the Company

	Number of Ordinary Shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
Direct interest				
Ir. Lim Beng Fook	119,522,973	-	-	119,522,973
Dato' Lim Soon Seng	101,418,078	-	-	101,418,078
Bjørn Bråten	31,492,432	-	-	31,492,432
Goh Chong Chuang	1,689,864	-	-	1,689,864
Loi Kim Fah	1,333,560	-	-	1,333,560
Anita Chew Cheng Im	600,000	-	-	600,000

	Number of ESOS			
Name	Balance as at 1.1.2019	Granted	Exercised	Balance as at 31.12.2019
Ir. Lim Beng Fook	6,600,000	-	-	6,600,000
Dato' Lim Soon Seng	7,200,000	-	-	7,200,000
Dato' Azlam Shah bin Alias	600,000	-	-	600,000

	Number of Warrants Issued Pursuant To the Deed Poll dated 11 December 2018 exercisable at any time from 31.12.2018 to 30.12.2021			
Name	Balance as at 1.1.2019	Alloted	Exercised	Balance as at 31.12.2019
Ir. Lim Beng Fook	-	29,880,743	-	29,880,743
Dato' Lim Soon Seng	-	25,354,519	-	25,354,519
Bjørn Bråten	-	7,873,108	-	7,873,108
Goh Chong Chuang	-	422,466	-	422,466
Loi Kim Fah	-	333,390	-	333,390
Anita Chew Cheng Im	-	150,000	-	150,000

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' REPORT
Cont'd

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any deemed benefits which may arise from transactions entered into in the ordinary course of business as disclosed in Note 29 to the financial statements.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the share options granted under the said ESOS.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors of the Company and subsidiaries were RM5,000,000 and RM8,490 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 9 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 34 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
IR. LIM BENG FOOK
Director

....
DATO' LIM SOON SENG
Director

Date: 12 May 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	**16,181,019**	10,174,297	**3,789,176**	3,844,578
Prepaid land lease	6	**-**	938,911	**-**	-
Goodwill on business combination	7	**18,561,563**	-	**-**	-
Other intangible assets	8	**26,327**	81,899	**22,572**	70,351
Investment in subsidiaries	9	**-**	-	**65,527,528**	41,164,336
Investment in an associate	10	**-**	9,201,014	**-**	8,700,000
Deferred tax assets	11	**1,400,591**	1,035,700	**288,000**	-
Other investment	12	**115,171**	-	**-**	-
Total non-current assets		**36,284,671**	21,431,821	**69,627,276**	53,779,265
Current assets					
Inventories	13	**20,310,226**	15,486,841	**-**	-
Receivables, deposits and prepayments	14	**30,908,613**	20,353,680	**9,130,777**	2,723,637
Contract assets	15	**682,317**	-	**-**	-
Current tax assets		**2,014,398**	716,478	**72,000**	-
Short term cash investment	16	**8,066,719**	28,242,823	**8,066,719**	28,242,823
Cash and bank balances	17	**42,616,779**	36,355,614	**19,371,088**	30,171,260
Total current assets		**104,599,052**	101,155,436	**36,640,584**	61,137,720
TOTAL ASSETS		**140,883,723**	122,587,257	**106,267,860**	114,916,985
EQUITY AND LIABILITIES					
Share capital	18	**94,678,721**	94,678,721	**94,678,721**	94,678,721
Reserves	19	**19,490,060**	12,710,263	**8,551,788**	7,532,736
Put option over shares held by non-controlling interest	19	**(16,212,478)**	-	**-**	-
		97,956,303	107,388,984	**103,230,509**	102,211,457
Non-controlling interests		**2,902,798**	-	**-**	-
Total equity		**100,859,101**	107,388,984	**103,230,509**	102,211,457
LIABILITIES					
Non-current liability					
Deferred tax liabilities	11	**240,528**	231,252	**-**	-
Total non-current liability		**240,528**	231,252	**-**	-
Current liabilities					
Payables and accruals	20	**17,495,080**	14,901,006	**3,037,351**	12,660,956
Contract liabilities	15	**5,215,482**	-	**-**	-
Gross obligation under put option	9	**16,332,672**	-	**-**	-
Current tax liabilities		**740,860**	66,015	**-**	44,572
Total current liabilities		**39,784,094**	14,967,021	**3,037,351**	12,705,528
Total liabilities		**40,024,622**	15,198,273	**3,037,351**	12,705,528
TOTAL EQUITY AND LIABILITIES		**140,883,723**	122,587,257	**106,267,860**	114,916,985

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	21	**97,048,925**	73,782,086	**548,995**	1,780,456
Cost of sales	22	**(73,286,684)**	(55,353,054)	**(620,223)**	(653,479)
Gross profit		**23,762,241**	18,429,032	**(71,228)**	1,126,977
Other income		**2,296,023**	1,963,935	**1,727,508**	3,486,800
Administrative expenses		**(15,907,336)**	(12,170,715)	**(1,519,916)**	(1,409,722)
Sales and distribution costs		**(875,351)**	(756,504)	**(115,888)**	(85,127)
Other operating expenses		**(1,027,583)**	(1,448,994)	**-**	(182,621)
		(17,810,270)	(14,376,213)	**(1,635,804)**	(1,677,470)
Operating profit		**8,247,994**	6,016,754	**20,476**	2,936,307
Finance costs		**(14,099)**	-	**-**	-
Share of results of an associate, net of tax		**22,843**	501,014	**-**	-
Profit before tax	23	**8,256,738**	6,517,768	**20,476**	2,936,307
Income tax (expense)/credit	26	**(475,407)**	(858,975)	**256,023**	19,738
Profit for the financial year		**7,781,331**	5,658,793	**276,499**	2,956,045
Other comprehensive (loss)/income, net of tax income, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation		**(66,913)**	2,818	**-**	-
Total comprehensive income for the financial year		**7,714,418**	5,661,611	**276,499**	2,956,045
Profit attributable to:					
Owners of the Company		**6,104,157**	5,658,793	**276,499**	2,956,045
Non-controlling interest		**1,677,174**	-	**-**	-
		7,781,331	5,658,793	**276,499**	2,956,045
Total comprehensive income attributable to:					
Owners of the Company		**6,037,244**	5,661,611	**276,499**	2,956,045
Non-controlling interest		**1,677,174**	-	**-**	-
		7,714,418	5,661,611	**276,499**	2,956,045
Earnings per ordinary share attributable to owners of the Company					
Basic (sen)	27	**0.84**	0.90		
Diluted (sen)	27	**0.82**	0.89		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	← Attributable to Owners of the Company					→		
Group	**Share capital RM**	**Share option reserve RM**	**Foreign exchange reserve RM**	**Other reserve RM**	**Retained earnings RM**	**Sub-total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2018	69,659,347	12,840,338	(15,441)	-	3,208,927	85,693,171	-	85,693,171
Total comprehensive income for the financial year								
Profit for the financial year	-	-	-	-	5,658,793	5,658,793	-	5,658,793
Other comprehensive income								
Foreign currency translation difference	-	-	2,818	-	-	2,818	-	2,818
Total comprehensive income	-	-	2,818	-	5,658,793	5,661,611	-	5,661,611
Transactions with owners								
Issuance of ordinary shares	25,019,374	(10,429,550)	-	-	-	14,589,824	-	14,589,824
ESOS granted	-	1,444,378	-	-	-	1,444,378	-	1,444,378
ESOS forfeited	-	(174,195)	-	-	174,195	-	-	-
Total transactions with owners	25,019,374	(9,159,367)	-	-	174,195	16,034,202	-	16,034,202
At 31 December 2018	94,678,721	3,680,971	(12,623)	-	9,041,915	107,388,984	-	107,388,984
Total comprehensive income for the financial year								
Profit for the financial year	-	-	-	-	6,104,157	6,104,157	1,677,174	7,781,331
Other comprehensive loss								
Foreign currency translation difference	-	-	(66,913)	-	-	(66,913)	-	(66,913)
Total comprehensive income	-	-	(66,913)	-	6,104,157	6,037,244	1,677,174	7,714,418
Transactions with owners								
ESOS granted	-	742,553	-	-	-	742,553	-	742,553
Put option over shares held by non-controlling interest	-	-	-	(16,212,478)	-	(16,212,478)	-	(16,212,478)
Acquisition of subsidiary	-	-	-	-	-	-	1,225,624	1,225,624
Total transactions with owners	-	742,553	-	(16,212,478)	-	(15,469,925)	1,225,624	(14,244,301)
At 31 December 2019	94,678,721	4,423,524	(79,536)	(16,212,478)	15,146,072	97,956,303	2,902,798	100,859,101

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
Cont'd

Company	Share capital RM	Share option reserve RM	Retained earnings RM	Total equity RM
	Attributable to Owners of the Company			
At 1 January 2018	69,659,347	12,840,338	721,525	83,221,210
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year	-	-	2,956,045	2,956,045
Transactions with owners				
Issuance of ordinary shares	25,019,374	(10,429,550)	-	14,589,824
ESOS granted	-	1,444,378	-	1,444,378
ESOS forfeited	-	(174,195)	174,195	-
Total transactions with owners	25,019,374	(9,159,367)	174,195	16,034,202
At 31 December 2018	94,678,721	3,680,971	3,851,765	102,211,457
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year	-	-	276,499	276,499
Transactions with owners				
ESOS granted	-	742,553	-	742,553
Total transactions with owners	-	742,553	-	742,553
At 31 December 2019	94,678,721	4,423,524	4,128,264	103,230,509

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	**8,256,738**	6,517,768	**20,476**	2,936,307
Adjustments for:				
Reversal of impairment on investment in subsidiaries	**-**	-	**(53,314)**	(1,903,066)
Impairment on amount due from subsidiaries	**-**	-	**-**	182,621
Reversal of impairment on amount due from subsidiaries	**-**	-	**(64,642)**	-
Amortisation of computer software	**56,785**	94,272	**47,761**	70,096
Depreciation of property, plant and equipment	**1,434,169**	800,602	**58,441**	58,444
Amortisation of prepaid land lease	**-**	26,015	**-**	-
Other intangible assets written off	**29**	-	**18**	-
Property, plant and equipment written off	**30,580**	-	**301**	-
Interest income	**(1,182,132)**	(674,206)	**(1,113,678)**	(586,992)
Income from short term cash investment	**(385,002)**	(584,432)	**(227,606)**	(584,432)
Fair value gain on short term cash investment	**(181,841)**	(372,499)	**(181,841)**	(372,499)
Finance cost	**14,099**	-	**-**	-
Fair value movement of put option liability over shares of a subsidiary	**120,194**	-	**-**	-
Share options granted under ESOS	**742,553**	1,444,378	**-**	-
Net unrealised loss/(gain) on foreign exchange	**91,017**	(163,757)	**3**	(9,985)
Loss on disposal of an associate	**523,857**	-	**-**	-
Share of results of an associate, net of tax	**(22,843)**	(501,014)	**-**	-
Operating profit/(loss) before changes in working capital	**9,498,203**	6,587,127	**(1,514,081)**	(209,506)
Changes in working capital:				
Inventories	**(4,823,385)**	188,099	**-**	-
Receivables	**717,714**	(3,179,073)	**2,284,367**	(1,657,682)
Payables	**1,471,812**	(3,225,188)	**(47,921)**	(50,278)
Net cash generated from/(used in) operations	**6,864,344**	370,965	**722,365**	(1,917,466)
Interest received	**1,182,132**	674,206	**1,113,678**	586,992
Interest paid	**(14,099)**	-	**-**	-
Tax paid	**(1,464,198)**	(885,845)	**(148,550)**	(110,502)
Tax refunded	**-**	110,381	**-**	94,008
Net cash from/(used in) operating activities	**6,568,179**	269,707	**1,687,493**	(1,346,968)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
Cont'd

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Cash flows from investing activities					
Purchase of property, plant and equipment		**(5,299,753)**	(2,244,342)	**(3,340)**	-
Purchase of intangible assets		**(1,242)**	(5,000)	**-**	-
Acquisition of subsidiary, net of cash acquired		**(14,700,826)**	-	**(20,400,000)**	-
Purchase of other investments		**(115,171)**	-	**-**	-
Income from short term cash investment		**385,002**	584,432	**227,606**	584,432
Advances to subsidiaries		**-**	-	**(3,167,325)**	(2,327,461)
(Placement)/Uplift of deposits with licensed banks		**(4,000,000)**	(10,500,000)	**5,500,000**	(10,500,000)
Redemption of short term cash investment		**20,357,945**	4,504,096	**20,357,945**	4,504,096
Net cash (used in)/from investing activities		**(3,374,045)**	(7,660,814)	**2,514,886**	(7,738,933)
Cash flows from financing activities					
Proceeds from issuance of shares		**-**	14,589,824	**-**	14,589,824
Repayments of term loans		**(792,949)**	-	**-**	-
(Repayment)/Advances from subsidiaries		**-**	-	**(9,501,165)**	155,338
Net cash (used in)/from financing activities		**(792,949)**	14,589,824	**(9,501,165)**	14,745,162
Net increase/(decrease) in cash and cash equivalents		**2,401,185**	7,198,717	**(5,298,786)**	5,659,261
Cash and cash equivalents at the beginning of financial year		**12,355,614**	5,115,056	**6,171,260**	507,062
Effect of exchange rate fluctuations on cash and cash equivalents		**(140,020)**	41,841	**(1,386)**	4,937
Cash and cash equivalents at the end of financial year	17	**14,616,779**	12,355,614	**871,088**	6,171,260

(a) Reconciliation of liabilities arising from financing activities

Changes in liabilities arising from financing activities are changes resulting from cash flows.

(b) During the financial year, the total cash outflow for leases amounted to RM206,330.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

K-One Technology Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at 66 & 68, Jalan SS 22/21, Damansara Jaya, 47400 Petaling Jaya, Selangor.

The Company is principally engaged in research, design and development of electronic end-products and sub-systems for the healthcare, medical, Internet of Things ("IoT"), automotive, industrial, communication, computer and consumer electronics industries. The principal activities of the subsidiaries are set out in Note 9.

There have been no significant changes in the nature of these activities during the financial year other than the acquisition of G-AsiaPacific Sdn. Bhd. as disclosed in Note 9(a) to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 May 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRSs</u>

MFRS 16	Leases

<u>Amendments/Improvements to MFRSs</u>

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investment in Associates and Joint Venture

<u>New IC Int</u>

IC Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the user's benefit.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

***MFRS 16 Leases* (Continued)**

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases will be brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified restrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer as both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any material financial impact on the Group and the Company, except for those as discussed below.

(i) Classification and measurement

The Group recognised the carrying amount of the leasehold land under MFRS 116 Property, Plant and Equipment and prepaid land lease under MFRS 138 Intangible Assets immediately before transition as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

Impact of the adoption of MFRS 16 (Continued)

The effects of adoption of MFRS 16 as at 1 January 2019 (increase/(decrease)) are as follows:

	Group Increase/ (Decrease) RM
Assets	
Non-current assets	
Prepaid land lease	(938,911)
Property, plant and equipment	
- Rights-of-use assets	2,234,911
- Leasehold land	(1,296,000)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 17	Insurance Contracts	1 January 2023#
Amendments/Improvements to MFRSs		
MFRS 1	First time adoption of Malaysian Financial Reporting Standards	1 January 2023
MFRS 3	Business Combinations	1 January 2020/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2022/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective: (Continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (Continued)		
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs and amendments/improvements to MFRSs are summarised below.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

The initial application of the applicable amendments/improvements to MFRSs is not expected to have material financial impact to the current period and prior period financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting 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 the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. 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 elements of controls as mentioned above.

When the Group has less than 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:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other holders;
- Potential voting rights, if such rights are substantive, held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- The nature of the Group's relationship with other parties and whether those other parties are acting on its behalf (i.e. they are 'de facto agents'); and
- Any additional facts and circumstances that indicate 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The transaction costs of the investments shall be recognised as expense in the profit or loss in the period in which the costs are incurred.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Accounting for business combinations

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date in which control is transferred to the Group and continue to consolidate until the date that such control ceases.

If the initial accounting for a business combination is incomplete by end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Acquisition on or after 1 January 2012

For acquisition on or after 1 January 2012, the Group measures goodwill at the acquisition date as:

(i) The fair value of the consideration transferred; plus
(ii) The recognised amount of any non-controlling interests in the acquiree; plus
(iii) If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
(iv) The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a gain on bargain purchase is recognised immediately in profit or loss.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisition between 1 January 2007 and 31 December 2011

For acquisition between 1 January 2007 and 31 December 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. Any excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired over the cost of acquisition is recognised immediately in the profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Accounting for business combinations (Continued)

Acquisition prior to 1 January 2007

For acquisition prior to 1 January 2007, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(c) Non-controlling interests

Non-controlling interests are the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly through subsidiaries, and are presented in the consolidated statement of financial position and consolidated statement of changes in equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the financial year between non-controlling interests and the equity shareholders of the Company.

The interests of non-controlling shareholders may be initially measured either at fair value at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All losses attributable to the non-controlling interests are allocated to the minority shareholders even if the losses exceed the non-controlling interests in the subsidiary's equity.

(d) Changes in group composition

The Group treats changes in the group composition that do not result in a loss of control as equity transaction between the Group and the minority shareholders. Any difference between the Group's shares of net assets before and after the change, and any consideration received or paid, is recognised directly in equity and attributed to owners of the Company.

Upon the loss of control of subsidiaries, the Group derecognised the assets and liabilities of the subsidiaries, any non-controlling interests and the other components of equity related to the subsidiaries. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiaries, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(e) Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in full. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent the Group has interests. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3.2 Property, plant and equipment

(a) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost less impairment loss, if any.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (Continued)

(a) Recognition and measurement (Continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment in-progress are not depreciated until these assets are ready for their intended use.

The principal annual rates for the current and comparative financial years are as follows:

Leasehold land	Over 38 years
Buildings	2%
Furniture and fittings, office equipment and renovation	15% to 40%
Motor vehicles	20%
Plant and machinery and testing equipment	20%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

3.3 Other intangible assets

Other intangible assets of the Group and the Company consist of computer software. These intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Computer software with finite lives are amortised on a straight-line basis over the estimated economic useful lives of 5 years and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

The Group and the Company reclassify financial assets when and only when its business model for managing those assets changes.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group and the Company classifies their debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

- **Fair value through other comprehensive income (FVOCI)**
Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss (FVPL)**
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

(ii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) Put option over shares held by non-controlling Interest

A contract that contains an obligation for the Group to deliver cash or other financial asset in exchange for its own (or its subsidiary's) equity shares is a financial liability. This liability is recorded irrespective of whether the contract meets the definition of an equity instrument. The financial liability is recognised at the present value of the settlement amount of the option when it is exercised.

The initial settlement liability is recognised in equity as a reduction of the Group's equity if the risk and rewards of ownership remain with the non-controlling interest or a reduction of non-controlling interest's equity if the risks and rewards of ownership transfer to the Group. Subsequently, the put option is remeasured at fair value as a result of changes in the expected liability with any resulting gain or loss recognised in profit or loss. In the event that the option expires unexercised, the gross obligation put option is de-recognised with a corresponding adjustment to equity.

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(d) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(d) Regular way purchase or sale of financial assets (Continued)

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(e) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the counterparty is unable to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group and the Company consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets (Continued)

(a) Impairment of financial assets and contract assets (Continued)

At each reporting date, the Group assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default of past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets, deferred tax assets, assets arising from employee benefits, investment properties measured at fair value, biological assets and non-current assets or disposal groups classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets (Continued)

(b) Impairment of non-financial assets (Continued)

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.6 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on first-in first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, costs include raw materials, direct labour and an appropriate production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.7 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits with a maturity of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.8 Share capital and share issuance expenses

Ordinary shares are equity instruments classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Transaction costs that are directly attributable to the issuance of ordinary shares are deducted against equity.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.9 Leases

(a) Definition of lease

Accounting policies applied from 1 January 2019

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(b) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in Note 5.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.5(b).

Lease liability

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 and the Company use their incremental borrowing rate.

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;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is 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).
- 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.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(b) Lessee accounting (Continued)

Accounting policies applied from 1 January 2019 (Continued)

Lease liability (Continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise 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 asset are consumed.

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as prepaid land lease.

(c) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(c) Lessor accounting (Continued)

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

3.10 Foreign currency

(a) Foreign currency transactions

Transactions in currencies other than the Group entities' functional currency (foreign currencies) are translated into the Group entities' functional currency at the rates of exchange ruling at the time of the transaction dates. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation of monetary items are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operations, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(b) Operations denominated in functional currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiaries is taken up in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Goodwill on business combination

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.5(b).

In respect of equity-accounted associates and joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

3.12 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.5(a).

Contract liability is the obligation to transfer goods or services to customers for which the Group and the Company have received the consideration or have billed the customers.

3.13 Revenue recognition

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue recognition (Continued)

Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(i) Sale of goods

The Group manufactures and sells a range of products to local and overseas customers. Revenue from sale of manufactured goods are recognised at a point in time when control of the products has been transferred, being when the goods are delivered to the customer's premises (local sales) or on board the vessel (export sales).

Sales are made with a credit term of 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

A right to recover goods from customer on settling the refund liability is recognised as an asset and included as part of inventories for the goods expected to be returned.

Where consideration is collected from customer in advance for sale of goods, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of goods to the customer.

(ii) Rendering of services

Revenue from rendering of services includes cloud computing, support services, application of domain name, training and software development.

Revenue from provision of cloud computing and support services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method).

Revenue from provision of application of domain name and training services are recognised upon completion of performance of service agreed upon with customer.

Revenue from software development is recognised overtime based on work performed by reference to the milestones indicated in the contract.

(iii) Membership fee

Membership fee is recognised on a straight-line basis over the term of the subscription period.

(iv) Interest income

Interest income is recognised on effective interest method.

(v) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(vi) Income from short term cash investment

Income from short term cash investment is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

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

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.16 Share-based payments

(a) Equity-settled share-based payment

The cost of equity-settled share-based payment is determined by the fair value at the date when the grant is made using an appropriate valuation model. Details regarding the determination of the fair value of equity-settled share-based payments are set out in Note 19.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

Equity-settled share-based payments with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted at the date the Group obtains the goods or the counterparty renders the service.

3.17 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief operation decision maker of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.18 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Fair value measurement

Fair value of an asset or liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market which must be accessible to the Group.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in the highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on input used in the valuation technique as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2 : Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 : Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

4.1 Business combination

The Company determines the accounting treatment for acquisition of subsidiary in accordance to MFRS 3 Business Combinations. In accounting for the acquisition of the subsidiary under MFRS 3, the directors have applied judgement on the accounting treatment and the purchase price allocation in relation to the valuation of the assets acquired and liabilities assumed and the purchase consideration as well as options granted.

The information about the purchase price allocation and options granted are disclosed in Note 9(a).

4.2 Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rate to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, operating expenses and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 7.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Motor Vehicles RM	Furniture and fittings, office equipment and renovation RM	Plant and machinery and testing equipment RM	Right-of-use assets RM	Total RM
Cost								
At 1 January 2019								
- As previously reported	1,433,333	1,680,000	5,090,881	-	9,010,747	5,239,443	-	22,454,404
- Effect of adoption of MFRS 16	-	(1,680,000)	-	-	-	-	2,644,926	964,926
Adjusted balance at 1 January 2019	1,433,333	-	5,090,881	-	9,010,747	5,239,443	2,644,926	23,419,330
Acquisition of subsidiary	-	-	1,109,745	1	123,061	-	-	1,232,807
Additions	-	-	-	918,479	2,097,641	2,283,633	-	5,299,753
Written off	-	-	-	-	(6,589,183)	(3,606,981)	-	(10,196,164)
Effect of movement in exchange rates	-	-	-	-	455	-	-	455
At 31 December 2019	1,433,333	-	6,200,626	918,480	4,642,721	3,916,095	2,644,926	19,756,181
Accumulated depreciation								
At 1 January 2019								
- As previously reported	-	384,000	874,689	-	7,275,818	3,745,600	-	12,280,107
- Effect of adoption of MFRS 16	-	(384,000)	-	-	-	-	410,015	26,015
Adjusted balance at 1 January 2019	-	-	874,689	-	7,275,818	3,745,600	410,015	12,306,122
Charge for financial year	-	-	133,144	152,413	676,395	395,837	76,380	1,434,169
Written off	-	-	-	-	(6,588,048)	(3,577,536)	-	(10,165,584)
Effect of movement in exchange rates	-	-	-	-	455	-	-	455
At 31 December 2019	-	-	1,007,833	152,413	1,364,620	563,901	486,395	3,575,162
Net carrying amount								
At 31 December 2019	1,433,333	-	5,192,793	766,067	3,278,101	3,352,194	2,158,531	16,181,019

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Furniture and fittings, office equipment and renovation RM	Plant and machinery and testing equipment RM	Total RM
Cost						
At 1 January 2018	1,433,333	1,680,000	5,090,881	8,427,549	3,577,693	20,209,456
Additions	-	-	-	582,592	1,661,750	2,244,342
Effect of movement in exchange rates	-	-	-	606	-	606
At 31 December 2018	1,433,333	1,680,000	5,090,881	9,010,747	5,239,443	22,454,404
Accumulated depreciation						
At 1 January 2018	-	336,000	762,020	6,820,584	3,560,295	11,478,899
Charge for financial year	-	48,000	112,669	454,628	185,305	800,602
Effect of movement in exchange rates	-	-	-	606	-	606
At 31 December 2018	-	384,000	874,689	7,275,818	3,745,600	12,280,107
Net carrying amount						
At 31 December 2018	1,433,333	1,296,000	4,216,192	1,734,929	1,493,843	10,174,297

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM	Buildings RM	Furniture and fittings, office equipment and renovation RM	Plant and machinery and testing equipment RM	Total RM
2019					
Cost					
At 1 January	1,433,333	2,866,667	2,131,859	601,092	7,032,951
Addition	-	-	3,340	-	3,340
Written off	-	-	(2,126,979)	(601,092)	(2,728,071)
At 31 December	1,433,333	2,866,667	8,220	-	4,308,220
Accumulated depreciation					
At 1 January	-	458,667	2,128,693	601,013	3,188,373
Charge for the financial year	-	57,333	1,108	-	58,441
Written off	-	-	(2,126,757)	(601,013)	(2,727,770)
At 31 December	-	516,000	3,044	-	519,044
Net carrying amount					
At 31 December	1,433,333	2,350,667	5,176	-	3,789,176
2018					
Cost					
At 1 January/31 December	1,433,333	2,866,667	2,131,859	601,092	7,032,951
Accumulated depreciation					
At 1 January	-	401,331	2,127,585	601,013	3,129,929
Charge for the financial year	-	57,336	1,108	-	58,444
At 31 December	-	458,667	2,128,693	601,013	3,188,373
Net carrying amount					
At 31 December	1,433,333	2,408,000	3,166	79	3,844,578

Included in the above property, plant and equipment are:

(a) Freehold land and buildings of the Group and the Company charged to a financial institution for credit facilities granted to the Group. The net carrying amount of assets pledged for bank facilities are as follows:

	Group/Company 2019 RM	Group/Company 2018 RM
Freehold land	**1,433,333**	1,433,333
Office buildings	**2,350,667**	2,408,000
	3,784,000	3,841,333

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

The Group leases leasehold land to erect its factories for operational use.

Information about leases for which the Group is a lessee is presented below:

	Group Leasehold land RM
Carrying amount	
At 1 January 2019	2,234,911
Depreciation	76,380
At 31 December 2019	2,158,531

The leases have a remaining lease term of 26 to 32 years.

6. PREPAID LAND LEASE

	Group 2019 RM	2018 RM
Cost		
At 1 January	**964,926**	1,020,407
- Effect of adoption of MFRS 16	**(964,926)**	-
Adjusted balance at 1 January	-	1,020,407
Reversal	-	(55,481)
At 31 December	-	964,926
Accumulated amortisation		
At 1 January	**26,015**	-
- Effect of adoption of MFRS 16	**(26,015)**	-
Adjusted balance at 1 January	-	-
Charge for the financial year	-	26,015
At 31 December	-	26,015
Net carrying amount		
At 31 December	-	938,911

In the previous year, the prepaid land lease has remaining unexpired lease period of 33 years.

7. GOODWILL ON BUSINESS COMBINATION

	Group	
	2019	2018
	RM	RM
Goodwill on business combination	**18,561,563**	-

The carrying amount of goodwill allocated to the Group's cash generating unit ("CGU") is based on the CGU's excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets and liabilities. The goodwill was allocated to the Group's cloud computing segment.

The recoverable amount of a Cash Generating Unit ("CGU") is determined based on value-in-use calculation using pre-tax cash flow projections based on financial budgets and projections approved by management covering a 4-year period. Cash flows beyond the 4-year period are extrapolated.

The following describes the key assumptions for which management has based its cash flows projections to undertake the impairment testing of goodwill:

2019

Average gross margin	:	27%
Average annual sales growth	:	22%
Discount rate	:	15%

(i) Average gross margin – based on historical achieved margins and assumes no significant changes in cost structure or input prices.
(ii) Average annual sales growth – based on management's estimation and industry growth rates.
(iii) Discount rate – based on the industry weighted average cost of capital of the CGU. The discount rate applied to the cash flow projections is pre-tax and reflects estimate of the risk specific to the CGU at the date of assessment.

Based on the sensitivity analysis performed, the directors believe that there is no reasonably possible change in key assumptions that would cause the carrying amount of the CGU to exceed its recoverable amount.

8. OTHER INTANGIBLE ASSETS

	Group		Company	
	2019	2018	2019	2018
Computer software	RM	RM	RM	RM
Cost				
At 1 January	**1,178,831**	1,173,831	**865,795**	865,795
Additions	**1,242**	5,000	**-**	-
Written off	**(922,351)**	-	**(635,315)**	-
At 31 December	**257,722**	1,178,831	**230,480**	865,795
Accumulated amortisation				
At 1 January	**1,096,932**	1,002,660	**795,444**	725,348
Charge for financial year	**56,785**	94,272	**47,761**	70,096
Written off	**(922,322)**	-	**(635,297)**	-
At 31 December	**231,395**	1,096,932	**207,908**	795,444
Net carrying amount	**26,327**	81,899	**22,572**	70,351

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

9. INVESTMENT IN SUBSIDIARIES

		Company	
		2019	**2018**
	Note	**RM**	**RM**
Unquoted shares, at cost			
In Malaysia			
At 1 January		**9,454,844**	9,554,844
Addition		**20,400,000**	-
Disposal		**-**	(100,000)
At 31 December		**29,854,844**	9,454,844
Outside Malaysia		**1**	1
		29,854,845	9,454,845
ESOS granted to employees of subsidiaries		**14,550,419**	13,807,866
		44,405,264	23,262,711
Less: Accumulated impairment			
At 1 January		**(4,386,946)**	(4,683,912)
Disposal		**-**	100,000
Reversal of impairment loss	(a)	**53,314**	196,966
At 31 December		**(4,333,632)**	(4,386,946)
		40,071,632	18,875,765
Quasi loans	(b)	**25,455,896**	22,288,571
Less: Accumulated impairment			
At 1 January		**-**	(1,706,100)
Reversal of impairment loss		**-**	1,706,100
At 31 December		**-**	-
		25,455,896	22,288,571
		65,527,528	41,164,336

(a) The reversal of impairment loss on investment in subsidiaries amounting to RM53,314 (2018: RM196,966) has been recognised during the financial year based on recoverable amount.

(b) Quasi loans represent advances and payments made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. These amounts are, in substance, a part of the Company's net investment in the subsidiaries. The quasi loans are stated at cost less accumulated impairment losses, if any. The reversal of impairment loss on quasi loans amounting to RM1,706,100 had been recognised in the prior financial year based on recoverable amount as the subsidiary has scaled up its operations and is profitable.

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of Company	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest/voting right 2019	Effective ownership interest/voting right 2018
EMB Technology Sdn. Bhd.	Malaysia	Investment holding	**100%**	100%
Big' Ant (M) Sdn. Bhd.	Malaysia	Provision of consultancy, system integration, installation, manufacturing, supply and distribution of electronic security and smart surveillance solutions	**100%**	100%
K-One Electronics Sdn. Bhd.	Malaysia	Development, manufacturing, supply and trading of consumer electronic products, healthcare equipment, digital devices and associated accessories via distribution network and/or online platforms and design, development and manufacturing of production tools	**100%**	100%
K-One Venture Sdn. Bhd.	Malaysia	Provision of co-working space, investment in business by capital funding and business advisory services	**100%**	100%
K-One International Limited *	Hong Kong	Dormant	**100%**	100%
G-AsiaPacific Sdn. Bhd.	Malaysia	Provision of cloud computing and its related services	**60%**	-
Subsidiary of EMB Technology Sdn. Bhd.				
K-One Industry Sdn. Bhd.	Malaysia	Design and development of manufacturing process/tools and manufacturing of electronics end-products and sub-systems	**100%**	100%
Subsidiary of K-One Industry Sdn. Bhd.				
K-One Manufacturing Sdn. Bhd.	Malaysia	Design and development of manufacturing process/tools and manufacturing of electronics end-products and sub-systems	**100%**	100%
K-One Resources Sdn. Bhd.	Malaysia	Development and manufacturing of electronic end-products and sub-systems	**100%**	100%

* Audited by auditors other than Baker Tilly Monteiro Heng PLT.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of G-AsiaPacific Sdn. Bhd.

On 7 March 2019, the Company acquired a 60% equity interest in the shares of G-AsiaPacific Sdn. Bhd. for 600,000 ordinary shares at a purchase consideration of RM20,400,000.

(i) Fair value of consideration transferred

The fair value of consideration, satisfied in cash, amounted to RM20,400,000.

(ii) Fair value of the identifiable assets acquired and liabilities assumed

	RM
Assets	
Plant and equipment	**1,232,807**
Trade and other receivables	**2,600,589**
Contract assets	**685,448**
Cash and cash equivalents	**5,699,174**
Total assets	**10,218,018**
Liabilities	
Term loans	**792,949**
Deferred tax liabilities	**9,276**
Trade and other payables	**2,328,169**
Contract liabilities	**4,022,738**
Tax liabilities	**825**
Total liabilities	**7,153,957**
Total identifiable net assets acquired	**3,064,061**
Goodwill arising on acquisition (Note 7)	**18,561,563**
Non-controlling interest at fair value	**(1,225,624)**
Fair value of consideration transferred	**20,400,000**

(iii) Effect of acquisition on cash flows:

	RM
Fair value of consideration transferred, paid in cash	**20,400,000**
Less: Cash and cash equivalents of subsidiary acquired	**(5,699,174)**
Net cash outflow on acquisition	**14,700,826**

(iv) Effects of acquisition in statements of comprehensive income

From the date of acquisition, the subsidiary's contributed revenue and profit net of tax are as follows:

	RM
Revenue	**23,859,481**
Profit for the financial period	**4,192,934**

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of G-AsiaPacific Sdn. Bhd. (Continued)

(iv) Effects of acquisition in statements of comprehensive income (Continued)

If the acquisition had occurred on 1 January 2019, the consolidated results for the financial year ended 31 December 2019 would have been as follows:

	RM
Revenue	28,183,193
Profit for the financial year	5,393,692

(v) Call and put options

Pursuant to the Call/Put Options Agreements, the vendors who sold 60% equity interest in G-AsiaPacific Sdn. Bhd. ("GAP") to the Company have granted a Call Option for the Company to acquire all the remaining equity interest in GAP exercisable for a period of 3 months from the filing of the audited financial statements of GAP for the adjusted financial year ending 31 December 2019 (Jan - Dec '19) with the Companies Commission of Malaysia ("the Call Option Period") and the Company has also granted a Put Option for the vendors to sell the remaining equity interest in GAP which is exercisable for a period of 3 months after the expiry of the Call Option Period.

The Call Option has no significant fair value as the Option price is assessed to be approximately the fair value of the underlying shares or at a surrogate for such a value.

The fair value of the estimated settlement amount of the Put Option granted to non-controlling interest when it is exercised is recognised as gross obligation under put option liability. This liability is subsequently remeasured at fair value with changes recognised in profit or loss.

(b) Non-controlling interests in subsidiaries

The financial information of the Group's and the Company's subsidiaries that have material non-controlling interests are as follows:

Equity interest held by non-controlling interests:

		Voting right	
Name of company	Principal place of business/ country of incorporation	2019 %	2018 %
G-AsiaPacific Sdn. Bhd.	Malaysia	40	-

Carrying amount of material non-controlling interest:

Name of company	2019 RM	2018 RM
G-AsiaPacific Sdn. Bhd.	2,902,798	-

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Non-controlling interests in subsidiaries (Continued)

Profit or loss allocated to material non-controlling interest:

Name of company	2019 RM	2018 RM
G-AsiaPacific Sdn. Bhd.	1,677,174	-

(c) Summarised financial information of material non-controlling interests

The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiaries that have material non-controlling interests are as follows:

	G-AsiaPacific Sdn. Bhd. RM
Summarised statement of financial position	
As at 31 December 2019	
Current assets	15,604,584
Non-current assets	1,293,446
Current liabilities	(9,631,759)
Non-current liability	(9,276)
Net assets	7,256,995
Summarised statement of comprehensive income	
Financial period ended 31 December 2019	
Revenue	23,859,481
Profit for the financial period	4,192,934
Total comprehensive income	4,192,934
Summarised cash flow information	
Financial period ended 31 December 2019	
Cash flows from operating activities	2,515,305
Cash flows from investing activities	(51,920)
Cash flows from financing activities	(792,949)
Net increase in cash and cash equivalents	1,670,436
Dividends paid to non-controlling interest	-

10. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Share at cost	-	8,700,000	**8,700,000**	8,700,000
Share of post-acquisition reserves	-	501,014	-	-
Disposal of an associate	-	-	**(8,700,000)**	-
	-	9,201,014	-	8,700,000

Details of the associate is as follows:

Name of Company	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest/voting right 2019	Effective ownership interest/voting right 2018
AHM Consultancy & Security Services Sdn. Bhd.	Malaysia	Provision of security consultancy and services	-	30%

(a) Disposal of AHM Consultancy & Security Services Sdn. Bhd.

On 29 October 2019, the Company entered into a share buy back agreement with the former vendors to dispose its 30% equity investment in AHM Consultancy & Security Services Sdn Bhd. to the former vendors for a total consideration of RM8,700,000.

On 10 December 2019, the Company had completed the said disposal.

The following table illustrates the summarised financial information of the associate and reconciles the information to the carrying amount of the Group's interest in the associates.

	Group
	2018
	RM
Assets and liabilities	
Non-current assets	7,377,639
Current assets	33,399,149
Non-current liabilities	(7,205,965)
Current liabilities	(18,567,997)
Net assets	15,002,826
Results	
Profit for the financial year	1,670,047
Other comprehensive income	-
	1,670,047
Included in the total comprehensive income is:	
Revenue	37,131,382

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

10. INVESTMENT IN AN ASSOCIATE (CONTINUED)

(a) Disposal of AHM Consultancy & Security Services Sdn. Bhd. (Continued)

The following table illustrates the summarised financial information of the associate and reconciles the information to the carrying amount of the Group's interest in the associates. (Continued)

	Group 2018 RM
Reconciliation of net assets to carrying amount:	
Share of the net assets at the acquisition date	3,976,391
Fair value adjustments	289,560
Share of net assets at fair value	4,265,951
Goodwill on acquisition	4,434,049
Cost of investment	8,700,000
Share of post-acquisition profit	501,014
Carrying amount in the statements of financial position	9,201,014
Group's share of results	
Group's share of profit	501,014
Group's share of other comprehensive income	-
Group's share of total comprehensive income	501,014

11. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	As at 1 January 2019 RM	Recognised in profit or loss RM	Acquisition of subsidiary RM	As at 31 December 2019 RM
Group				
Deferred tax assets				
Property, plant and equipment	(23,000)	(143,431)	-	(166,431)
Deductible temporary differences in respect of expenses	14,400	(14,400)	-	-
Taxable temporary differences in respect of income	-	(6,000)	-	(6,000)
Unutilised capital allowance	312,000	(80,557)		231,443
Unabsorbed tax losses	732,300	609,279	-	1,341,579
	1,035,700	364,891	-	1,400,591
Deferred tax liabilities				
Property, plant and equipment	(162,252)	-	(9,276)	(171,528)
Taxable temporary differences in respect of income	(69,000)	-	-	(69,000)
	(231,252)	-	(9,276)	(240,528)
	804,448	364,891	(9,276)	1,160,063

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax relates to the following: (Continued)

	As at 1 January 2018 RM	Recognised in profit or loss RM	As at 31 December 2018 RM
Group			
Deferred tax assets			
Property, plant and equipment	(88,000)	65,000	(23,000)
Deductible temporary differences in respect of expense	170,000	(155,600)	14,400
Taxable temporary differences in respect of income	(6,400)	6,400	-
Unutilised capital allowance	-	312,000	312,000
Unabsorbed tax losses	201,000	531,300	732,300
	276,600	759,100	1,035,700
Group			
Deferred tax liabilities			
Property, plant and equipment	(1,000)	(161,252)	(162,252)
Taxable temporary diffefrences in respect of income	-	(69,000)	(69,000)
	(1,000)	(230,252)	(231,252)
	275,600	528,848	804,448

	As at 1 January 2019 RM	Recognised in profit or loss RM	As at 31 December 2019 RM
Company			
Deferred tax assets			
Deductible temporary differences in respect of expense	-	(6,000)	(6,000)
Unabsorbed tax losses	-	294,000	294,000
	-	288,000	288,000

Presented after appropriate offsetting as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets	**1,400,591**	1,035,700	**288,000**	-
Deferred tax liabilities	**(240,528)**	(231,252)	**-**	-
	1,160,063	804,448	**288,000**	-

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Other deductible temporary differences	-	(24,082)	-	(48,186)
Unutilised capital allowance	-	2,238	-	-
Unabsorbed tax losses	-	2,371,841	-	1,248,185
	-	2,349,997	-	1,199,999

12. OTHER INVESTMENT

	Group	
	2019	**2018**
	RM	**RM**
Financial assets designated at fair value through other comprehensive income ("DFVOCI")		
- Unquoted equity securities P.T. GAsia Pasific Indo	**115,171**	-

13. INVENTORIES

	Group	
	2019	**2018**
	RM	**RM**
At cost		
Raw materials	**19,063,837**	13,765,723
Finished goods	**1,246,389**	1,721,118
	20,310,226	15,486,841

During the financial year, inventories of the Group recognised as cost of goods sold amounted to RM55,119,714 (2018: RM54,353,054).

14. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Current Non-trade					
Trade					
Trade receivables	(a)	**18,254,174**	16,554,520	**-**	345,696
Non-trade					
Other receivables	(b)	**8,981,230**	199,122	**8,783,122**	67,751
Advances to suppliers		**2,501,433**	707,652	**-**	-
GST refundable		**342,983**	578,387	**10,408**	10,408
		11,825,646	1,485,161	**8,793,530**	78,159
Amounts due from subsidiaries	(c)	**-**	-	**1,800,263**	1,875,461
Less: Allowance for impairment		**-**	-	**(1,583,180)**	(1,647,822)
		-	-	**217,083**	227,639
Deposits	(d)	**184,402**	2,147,518	**18,270**	2,060,531
Prepayments		**644,391**	166,481	**101,894**	11,612
		30,908,613	20,353,680	**9,130,777**	2,723,637

(a) The normal credit terms extended to customers range from 30 to 90 days (2018: 30 to 90 days).

(b) Included in other receivables of the Group and of the Company is an amount of RM8,700,000 relating to cash consideration receivable pursuant to the disposal of an associate, AHM Consultancy Services Sdn. Bhd. to the former vendors. The consideration will be settled through the sale of properties owned by the former vendors. The former vendors have unconditionally and irrevocably granted the Company the option to sell the properties for or on behalf of them until sufficient properties have been sold to fulfil the consideration.

(c) The amounts due from subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

(d) Included in deposits of the Group and of the Company is an amount of RM Nil (2018: RM2,040,000) placed with a stakeholder pursuant to the purchase of shares in G-AsiaPacific Sdn. Bhd. as mentioned in Note 33.

15. CONTRACT ASSETS/(LIABILITIES)

	Group
	2019
	RM
Contract assets	**682,317**
Contract liabilties	**(5,215,482)**
	(4,533,165)

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

15. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

	Group
	2019
	RM
At 1 January 2019	-
Acquisition of subsidiary	(3,337,290)
Revenue recognised during the year	23,410,648
Invoices during the year	(24,606,523)
At 31 December 2019	(4,533,165)

The contract assets relate to the Group's right to consideration for services rendered but not yet billed as at the reporting date.

The contract liabilities relate to advance considerations received from customers for services of which the revenue will be recognised over the remaining contract of the specific contract it relates to, ranging from 1 to 24 months.

16. SHORT TERM CASH INVESTMENT

	Group/Company	
	2019	2018
	RM	RM
Cash management fund with investment management companies	8,066,719	28,242,823

The investment is redeemable upon 1 to 10 days in notice.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash and bank balances	12,508,219	7,855,614	871,088	1,671,260
Deposits placed with licensed banks	30,108,560	28,500,000	18,500,000	28,500,000
	42,616,779	36,355,614	19,371,088	30,171,260
Less: Non-short term fixed deposits	(28,000,000)	(24,000,000)	(18,500,000)	(24,000,000)
	14,616,779	12,355,614	871,088	6,171,260

The fixed deposits of the Group and the Company bear effective interest at rates ranging from 3.35% to 4.45% (2018: 3.40% to 4.45%) per annum and with maturity periods of 1 to 12 months (2018: 1 to 12 months).

18. SHARE CAPITAL

	Group/Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
Ordinary shares				
At 1 January	**728,939,181**	**94,678,721**	519,144,322	69,659,347
Issuance of ordinary shares pursuant to:				
- exercise of options	**-**	**-**	88,305,000	25,019,374
- bonus issue	**-**	**-**	121,489,859	-
At 31 December	**728,939,181**	**94,678,721**	728,939,181	94,678,721

(a) Share capital

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) Warrants

The Company allotted and issued 182,234,783 free warrants in connection with the Bonus Issue of free warrants constituted under the deed poll dated 11 December 2018.

The salient features of the warrants are as follows:

(i) entitles its registered holders to subscribe for one (1) new ordinary share at the exercise price during the exercise period;
(ii) the exercise price is RM0.30 per share subject to adjustments in accordance with the provisions of the deed poll executed; and
(iii) the warrants may be exercised at any time for a period of 3 years commencing on and including 31 December 2018 ("exercise period"). Warrants that are not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

The movement of the warrants during the financial year is as follows:

	Number of Warrants				
	At 1.1.2019	Allotment	Exercised	Lapsed	At 31.12.2019
Warrants	-	182,234,783	-	-	182,234,783

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

19. RESERVES/PUT OPTION OVER SHARES HELD BY NON-CONTROLLING INTEREST

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Foreign exchange reserve	**(79,536)**	(12,623)	**-**	-
Share option reserve	**4,423,524**	3,680,971	**4,423,524**	3,680,971
Retained earnings	**15,146,072**	9,041,915	**4,128,264**	3,851,765
	19,490,060	12,710,263	**8,551,788**	7,532,736

Foreign exchange reserve

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of the entities within the Group with functional currencies other than RM.

Share option reserve

The share option reserve comprises the cumulative value of services received for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry, forfeiture or exercise of the share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options are forfeited, the amount from the share option reserve is transferred to retained earnings.

The salient features of the ESOS are as follows:

(a) The eligibility for participation in the ESOS is at the discretion of the ESOS Committee. It is open to any eligible directors of the Group (including non-executive directors) or employees of the Group. The criteria are set out as below:

(i) the director:

- has attained the age of eighteen (18) years and is not an undischarged bankrupt or subject to any bankruptcy proceedings;
- has been appointed as a director of a company within the Group (excluding dormant subsidiaries); and
- fulfils any criteria as may be determined by the ESOS Committee from time to time.

(ii) the employee:

- has attained the age of eighteen (18) years and is not an undischarged bankrupt or subject to any bankruptcy proceedings;
- is a Malaysian citizen;
- has been confirmed in service and is in permanent employment of a company within the Group (excluding dormant subsidiaries); and
- fulfils any criteria as may be determined by the ESOS Committee from time to time.

(b) The total number of shares to be offered under the ESOS and in respect of which options may be granted shall not exceed 30% of the total issued and paid-up capital of the Company at any point in time during the duration of the ESOS;

(c) The number of shares that may be offered and allotted to eligible directors and senior management under the ESOS is determined at the discretion of the ESOS Committee subject to a maximum allocation of 70% of the total number of ESOS options available;

(d) The number of shares that may be offered and allotted to eligible employee who holds 20% or more of the issued and paid capital of the Company, either singly or collectively through persons connected with him/her, shall not exceed 10% of the total number of ESOS options available;

19. RESERVES/PUT OPTION OVER SHARES HELD BY NON-CONTROLLING INTEREST (CONTINUED)

Share option reserve (Continued)

(e) The option exercise price for each ordinary share shall be the higher of the volume weighted average market price of the Company's ordinary shares for the five (5) market days immediately preceding the date of offer, subject to a discount of not more than ten per cent (10%) which the Company may at its discretion decide to give, or the prevailing par value of the Company's ordinary shares at the material time;

(f) The options granted may be exercised in the following manner:

(i) For options below 3,000,000, the employees are entitled to exercise 30% of the total options in 2017; 20% of the total options in 2018; 20% of the total options in 2019 and 30% of the total options in 2020;

(ii) For options of 3,000,000 and above and options granted to directors, the directors or employees are entitled to exercise all the options immediately; and

(g) The new shares to be allotted and issued upon the exercise of options will, upon issue and allotment, rank pari passu in all respects with the existing issued and paid-up shares of the Company, except that the new shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the said shares.

Movement of share options during the financial year

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2019		2018	
	No.	**WAEP (RM)**	**No.**	**WAEP (RM)**
Outstanding at 1 January	**50,094,000**	**0.139**	129,300,000	0.165
- Granted	-	-	3,000,000	0.190
- Bonus issue	-	-	8,349,000	-
- Exercised	-	-	(88,305,000)	0.165
- Forfeited	**(930,000)**	-	(2,250,000)	-
Outstanding at 31 December	**49,164,000**	**0.139**	50,094,000	0.139
Execisable at 31 December	**28,320,000**	**0.139**	14,760,000	0.139

The options outstanding as at 31 December 2019 have exercise prices range from RM0.138 to RM0.167 (2018: from RM0.138 to RM0.167) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was approximately 2 years (2018: 3 years).

The weighted average share price at the date of the options being exercised in the previous financial year was RM0.305. No options were exercised during the financial year.

The fair values of the share options granted were determined using a binomial option pricing model and the inputs were:

	2018	**2017**
Weighted average fair value of share option at grant date (RM)	0.0895	0.1182
Share price on grant date (RM)	0.185	0.19
Option life (years)	4	5
Risk-free rate (%)	3.63	3.88
Expected dividend (%)	Nil	Nil
Expected volatility (%)	60.59	64.93

The expected volatility was based on the historical share price volatility over the last 5 years.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

19. RESERVES/PUT OPTION OVER SHARES HELD BY NON-CONTROLLING INTEREST (CONTINUED)

Put option over shares held by non-controlling interest

Put option over shares held by non-controlling interest relates to obligation arising from the put option granted to non-controlling interest ("NCI") of a subsidiary, GAP, to sell the shares held by NCI to the Group.

20. PAYABLES AND ACCRUALS

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Trade					
Trade payables	(a)	**15,130,966**	13,707,769	**87,491**	99,604
Non-trade					
Other payables		**967,684**	407,733	**21,164**	47,791
SST payable		**315,596**	-	**-**	-
Amount due to a director	(b)	**2,354**	2,354	**2,351**	2,351
Amount due to subsidiaries	(c)	**-**	-	**2,867,694**	12,444,058
Accruals		**871,384**	774,290	**51,210**	58,292
Deposit received		**207,096**	8,860	**7,441**	8,860
		2,364,114	1,193,237	**2,949,860**	12,561,352
		17,495,080	14,901,006	**3,037,351**	12,660,956

(a) The normal trade credit terms granted to the Group range from 30 to 90 days (2018: 30 to 90 days).

(b) The amount due to a director is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

(c) The amount due to subsidiaries is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

21. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Research, design and development of electronic end-products and sub-systems	**1,144,651**	1,780,456	**548,995**	1,780,456
Manufacturing of electronic end-products and sub-systems	**71,996,200**	71,991,430	**-**	-
Membership fee	**48,593**	10,200	**-**	-
Cloud computing services	**23,859,481**	-	**-**	-
	97,048,925	73,782,086	**548,995**	1,780,456

21. REVENUE (CONTINUED)

(a) Disaggregation of revenue

The Group reports the following major segments: research, design, development and sales, manufacturing and investment holding in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for the disaggregation of revenue, it disaggregates revenue into primary geographical markets, major goods or services, timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

	Research, design, development and sales RM	Manufacturing RM	Cloud computing RM	Investment holding RM	Total RM
Group - 2019					
Primary geographical markets:					
Malaysia	178,746	2,826,987	23,348,664	48,593	26,402,990
Asia (excluding Malaysia)	227,211	13,510,900	509,648	-	14,247,759
Europe	599,771	49,550,735	145	-	50,150,651
Oceania	37,292	23,266	1,024	-	61,582
United States of America	101,631	6,084,312	-	-	6,185,943
	1,144,651	71,996,200	23,859,481	48,593	97,048,925
Major goods or services:					
Electronic products	-	71,996,200	-	-	71,996,200
Research, design and development	1,144,651	-	-	-	1,144,651
Membership fee	-	-	-	48,593	48,593
Cloud computing	-	-	23,859,481	-	23,859,481
	1,144,651	71,996,200	23,859,481	48,593	97,048,925
Timing of revenue recognition:					
At a point in time	1,144,651	71,996,200	448,833	-	73,589,684
Over time	-	-	23,410,648	48,593	23,459,241
	1,144,651	71,996,200	23,859,481	48,593	97,048,925

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

21. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Research, design, development and sales RM	Manufacturing RM	Investment holding RM	Total RM
Group - 2018				
Primary geographical markets:				
Malaysia	346,059	1,924,971	10,200	2,281,230
Asia (excluding Malaysia)	4,972	12,830,189	-	12,835,161
Europe	905,592	49,588,144	-	50,493,736
Oceania	-	4,647	-	4,647
Middle East	-	21,922	-	21,922
United States of America	523,833	7,621,557	-	8,145,390
	1,780,456	71,991,430	10,200	73,782,086
Major goods or services:				
Electronic products	-	71,991,430	-	71,991,430
Research, design and development	1,780,456	-	-	1,780,456
Membership fee	-	-	10,200	10,200
	1,780,456	71,991,430	10,200	73,782,086
Timing of revenue recognition:				
At a point in time	1,780,456	71,991,430	-	73,771,886
Over time	-	-	10,200	10,200
	1,780,456	71,991,430	10,200	73,782,086

	Research, design, development and sales RM	Total RM
Company - 2019		
Primary geographical markets:		
Asia (excluding Malaysia)	**7,452**	**7,452**
Europe	**458,749**	**458,749**
United States of America	**82,794**	**82,794**
	548,995	**548,995**
Major goods or services:		
Research, design and development	**548,995**	**548,995**
	548,995	**548,995**
Timing of revenue recognition:		
At a point in time	**548,995**	**548,995**
	548,995	**548,995**

21. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Research, design, development and sales RM	Total RM
Company - 2018		
Primary geographical markets:		
Malaysia	346,059	346,059
Asia (excluding Malaysia)	4,972	4,972
Europe	905,592	905,592
United States of America	523,833	523,833
	1,780,456	1,780,456
Major goods or services:		
Research, design and development	1,780,456	1,780,456
	1,780,456	1,780,456
Timing of revenue recognition:		
At a point in time	1,780,456	1,780,456
	1,780,456	1,780,456

Transaction price allocated to the remaining performance obligations

	Within 1 year RM	Between 1 to 3 years RM	Total RM
Group			
As at 31 December 2019			
Revenue expected to be recognised on:			
- Cloud computing	5,152,047	63,435	5,215,482

22. COST OF SALES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Research, design and development of electronic end-products and sub-systems	**877,403**	653,479	**620,223**	653,479
Cost of manufacturing of electronic end-products and sub-systems	**55,107,989**	54,699,575	**-**	-
Cloud computing services	**17,301,292**	-	**-**	-
	73,286,684	55,353,054	**620,223**	653,479

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

23. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
After charging:				
Auditors' remuneration				
- current year	**165,150**	138,822	**46,000**	56,000
- prior year	**29,600**	-	**9,000**	-
- other services	**6,000**	6,000	**6,000**	6,000
Impairment on amount due from subsidiaries	**-**	-	**-**	182,621
Amortisation of computer software	**56,785**	94,272	**47,761**	70,096
Depreciation of property, plant and equipment	**1,434,169**	800,602	**58,441**	58,444
Amortisation of prepaid land lease	**-**	26,015	**-**	-
Directors' fees	**228,000**	214,000	**228,000**	214,000
Directors' other emoluments	**1,905,600**	1,763,480	**24,000**	23,000
Foreign currency exchange loss/(gain)				
- realised	**98,370**	78,462	**7,573**	10,121
- unrealised	**91,017**	(163,757)	**3**	(9,985)
Fair value movement of put option liability over shares of a subsidiary	**120,194**	-	**-**	-
Loss on disposal of an associate	**523,857**	-	**-**	-
Other intangible assets written off	**29**	-	**18**	-
Property, plant and equipment written off	**30,580**	-	**301**	-
Rental of equipment	**-**	6,139	**-**	6,139
Staff premises rental	**-**	60,000	**-**	-
Factory rental	**-**	123,250	**-**	-
Expenses relating to short-term lease	**206,330**	-	**4,718**	-
Term loan interest	**14,099**	-	**-**	-
And crediting:				
Reversal of impairment on investment in subsidiaries	**-**	-	**(53,314)**	(1,903,066)
Reversal of impairment on amount due from subsidiary	**-**	-	**(64,642)**	-
Income from short term cash investment	**(385,002)**	(584,432)	**(227,606)**	(584,432)
Interest income	**(1,182,132)**	(674,206)	**(1,113,678)**	(586,992)
Fair value gain on short term cash investment	**(181,841)**	(372,499)	**(181,841)**	(372,499)
Rental income of premises	**(110,416)**	(65,826)	**(29,766)**	(29,826)

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive directors' salary and other emoluments	**2,511,959**	1,740,480	**-**	-
EPF	**1,083,045**	914,106	**43,080**	36,623
Salaries and bonus	**9,174,290**	7,710,980	**347,748**	294,393
SOCSO	**111,205**	91,601	**4,617**	4,113
Share option granted under ESOS	**742,553**	1,444,378	**-**	-
Other personnel costs	**228,327**	16,597	**-**	-
	13,851,379	11,918,142	**395,445**	335,129

25. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive:				
Salary and other emoluments	**1,881,600**	1,740,480	**-**	-
	1,881,600	1,740,480	**-**	-
Non-executive:				
Fees	**228,000**	214,000	**228,000**	214,000
Allowances	**24,000**	23,000	**24,000**	23,000
Total directors' remuneration	**2,133,600**	1,977,480	**252,000**	237,000

26. INCOME TAX EXPENSE/(CREDIT)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax:				
Malaysian income tax:				
Current financial year	**783,683**	1,511,301	**32,000**	140,900
Under/(Over) provision in prior financial years	**56,615**	(123,478)	**(23)**	(160,638)
	840,298	1,387,823	**31,977**	(19,738)
Deferred tax (Note 11):				
Origination and reversal of temporary differences	**199,109**	465,489	**-**	-
Recognition of deferred tax assets previously not recognised	**(564,000)**	(980,000)	**(288,000)**	-
Over provision in prior financial years	**-**	(14,337)	**-**	-
	(364,891)	(528,848)	**(288,000)**	-
Tax expense/(credit)	**475,407**	858,975	**(256,023)**	(19,738)

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

26. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

The reconciliations of the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Profit before tax	**8,256,738**	6,517,768	**20,476**	2,936,307
Tax at the Malaysian statutory income tax rate of 24% (2018: 24%)	**1,981,600**	1,564,300	**4,900**	704,700
Tax effect on non-deductible expenses	**724,071**	666,998	**129,852**	175,900
Tax effect on non-taxable income	**(322,170)**	(232,300)	**(102,752)**	(688,800)
Recognition of deferred tax assets previously not recognised	**(564,000)**	(980,000)	**(288,000)**	-
Utilisation of deferred tax assets previously not recognised	**-**	(50,900)	**-**	(50,900)
Deferred tax assets not recognised	**-**	28,692	**-**	-
Tax exemption on pioneer status	**(1,400,709)**	-	**-**	-
Over provision in prior years				
- current tax	**56,615**	(123,478)	**(23)**	(160,638)
- deferred tax	**-**	(14,337)	**-**	-
	475,407	858,975	**(256,023)**	(19,738)

Income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

27. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share is based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2019	**2018**
	RM	**RM**
Profit for the financial year attributable to owners of the Company	**6,104,157**	5,658,793
Weighted average number of ordinary shares outstanding during the financial year	**728,939,181**	629,744,963
Basic earnings per ordinary share (sen)	**0.84**	0.90

27. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	Group	
	2019	**2018**
	RM	**RM**
Profit attributable to owners of the parent	**6,104,157**	5,658,793
Weighted average number of ordinary share in issue	**728,939,181**	629,744,963
Effect of dilution from:		
- Share options	**18,491,946**	4,437,499
- Warrants *	**-**	-
Adjusted weighted average number of ordinary shares	**747,431,127**	634,182,462
Diluted earnings per ordinary share (sen)	**0.82**	0.89

** Anti-dilutive*

28. CORPORATE GUARANTEE

	Company	
	2019	**2018**
	RM	**RM**
Corporate guarantees for credit facilities granted to subsidiaries:		
- K-One Industry Sdn. Bhd.	**22,576,000**	22,576,000

29. RELATED PARTY DISCLOSURES

(a) Identification of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationship with its subsidiaries and key management personnel.

(b) Related party transactions

	Group	
	2019	**2018**
	RM	**RM**
Paid or payable to certain directors of the Company		
Rental of factory	**90,000**	82,500

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

29. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances

Information on the outstanding balances with related parties at the end of the reporting period are disclosed in Notes 14 and 20 to the financial statements.

(d) Compensation of key management personnel

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Directors of the Company and subsidiaries				
Fees	**228,000**	214,000	**228,000**	214,000
Salaries and other emoluments	**2,463,809**	1,577,000	**24,000**	23,000
Post-employment benefits	**72,150**	186,480	**-**	-
	2,763,959	1,977,480	**252,000**	237,000

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Fair value through profit or loss ("FVPL")
(ii) Amortised cost

	FVPL	AC	Total
	RM	**RM**	**RM**
2019			
Group			
Financial assets			
Receivables and deposits *	**-**	**27,419,806**	**27,419,806**
Short term cash investments	**8,066,719**	**-**	**8,066,719**
Cash and bank balances	**-**	**42,616,779**	**42,616,779**
	8,066,719	**70,036,585**	**78,103,304**

	FVPL	AC	Total
	RM	**RM**	**RM**
Financial liabilities			
Payables and accruals #	**-**	**17,179,484**	**17,179,484**
Gross obligation under put option	**16,332,672**	**-**	**16,332,672**
	16,332,672	**17,179,484**	**33,512,156**

30. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	FVPL RM	AC RM	Total RM
2018			
Group			
Financial assets			
Receivables and deposits *	-	16,861,160	16,861,160
Short term cash investments	28,242,823	-	28,242,823
Cash and bank balances	-	36,355,614	36,355,614
	28,242,823	53,216,774	81,459,597

	AC RM	Total RM
Financial liabilities		
Payables and accruals #	14,901,006	14,901,006

* *Exclude GST refundable, advances to suppliers, prepayments and stakeholder sum pursuant to acquisition of shares.*
\# *Exclude SST payable.*

	FVPL RM	AC RM	Total RM
2019			
Company			
Financial assets			
Receivables and deposits *	**-**	**9,018,475**	**9,018,475**
Short term cash investments	**8,066,719**	**-**	**8,066,719**
Cash and bank balances	**-**	**19,371,088**	**19,371,088**
	8,066,719	**28,389,563**	**36,456,282**

	AC RM	Total RM
Financial liabilities		
Payables and accruals	**3,037,351**	**3,037,351**

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

30. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	FVPL RM	AC RM	Total RM
2018			
Company			
Financial assets			
Receivables and deposits *	-	661,617	661,617
Short term cash investments	28,242,823	-	28,242,823
Cash and bank balances	-	30,171,260	30,171,260
	28,242,823	30,832,877	59,075,700

	AC RM	Total RM
Financial liabilities		
Payables and accruals	12,660,956	12,660,956

* *Exclude GST refundable, advances to suppliers, prepayments and stakeholder sum pursuant to acquisition of shares.*

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Executive Director and Head of Finance. The Audit and Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including cash investments and cash and bank balances. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements, in determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Credit risk concentration profile

The exposure of credit risk for trade receivables as at the end of the financial year by geographic region are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Malaysia	**5,791,899**	343,538	**-**	-
Asia (excluding Malaysia)	**2,911,966**	2,363,796	**-**	-
Oceania	**2,561**	-	**-**	-
Europe	**9,244,408**	10,453,182	**-**	254,335
United States of America	**303,340**	3,394,004	**-**	91,361
	18,254,174	16,554,520	**-**	345,696

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss ("ECL") allowance for all trade receivables. The Group assessed the ECL of each customer individually based on their financial capability, past trend of payments and other external information relating to the customers that are publicly available. The ECL also incorporates economic conditions during the period of the historical data, current conditions and forward looking information of economic conditions over the expected recovery period of the receivables. The Group is of the view that the changes in economic conditions over these periods would not materially affect the ECL for the year.

The information about the credit risk exposure on the Group's and the Company's trade receivables as at 31 December 2019 are as follows:

	Gross carrying amount	Expected credit loss allowance	Net balance
	RM	**RM**	**RM**
Group			
At 31 December 2019			
Current (not past due)	**14,043,345**	**-**	**14,043,345**
1 to 30 days past due	**3,412,610**	**-**	**3,412,610**
31 to 60 days past due	**470,239**	**-**	**470,239**
61 to 90 days past due	**102,730**	**-**	**102,730**
91 to 120 days past due	**19,486**	**-**	**19,486**
More than 121 days past due	**205,764**	**-**	**205,764**
	4,210,829	**-**	**4,210,829**
	18,254,174	**-**	**18,254,174**

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Credit risk concentration profile (Continued)

	Gross carrying amount RM	Expected credit loss allowance RM	Net balance RM
At 31 December 2018			
Current (not past due)	13,471,314	-	13,471,314
1 to 30 days past due	2,767,416	-	2,767,416
31 to 60 days past due	254,581	-	254,581
61 to 90 days past due	54,966	-	54,966
91 to 120 days past due	5,999	-	5,999
More than 121 days past due	244	-	244
	3,083,206	-	3,083,206
	16,554,520	-	16,554,520
Company			
At 31 December 2019			
Current (not past due)	-	-	-
1 to 30 days past due	-	-	-
	-	-	-
At 31 December 2018			
Current (not past due)	336,028	-	336,028
1 to 30 days past due	9,668	-	9,668
	345,696	-	345,696

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets are represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Other receivables and other financial assets (Continued)

Included in other receivables is an amount of RM8,700,000 relating to cash consideration receivable pursuant to the disposal of an associate. The credit risk associated with the receivables is mitigated through an option granted by the former vendors to sell the properties for or on behalf of the debtors until sufficient properties have been sold to fulfil the consideration.

These other receivables and other financial assets of the Group and of the Company as at 31 December 2019 are considered to have low credit risk and the Group and the Company regard any loss allowance of these financial assets as not material.

Refer to Note 3.5 (a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Amounts due from subsidiaries

Advances to subsidiaries are repayable on demand. For these advances, the expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loan is demanded, the Company will consider the expected manner of recovery and recovery period of the intercompany balance.

The following table provides information about the exposure to credit risk and ECLs for amount due from subsidiaries as at financial year end:

	Gross carrying amount RM	Expected credit loss allowance RM	Net balance RM
Company			
2019			
Credit impaired			
- individually assessed	**1,800,263**	**(1,583,180)**	**217,083**
	1,800,263	**(1,583,180)**	**217,083**
2018			
Credit impaired			
- individually assessed	1,875,461	(1,647,822)	227,639
	1,875,461	(1,647,822)	227,639

The movements in the allowance for impairment losses of amounts due from subsidiaries were:

	Company 2019 RM	Company 2018 RM
At 1 January	**1,647,822**	1,465,201
Additions - individually assessed	**-**	182,621
Reversal of impairment loss	**(64,642)**	-
At 31 December	**1,583,180**	1,647,822

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables.

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 at the reporting date either mature within one year or are repayable on demand.

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising on sales and purchases that are denominated in currencies other than the functional currency of the Group's entities, primarily RM. The foreign currencies in which these transactions are denominated mainly include United States Dollar ("USD"), Euro Dollar ("Euro") and Sterling Pound ("GBP").

The Group's and the Company's exposure to foreign currency risk based on the carrying amounts as at the end of the financial year is as follows:

	Trade and other receivables	Cash and bank balances	Trade and other payables	Total
	RM	RM	RM	RM
Group				
2019				
USD	**12,033,334**	**4,624,576**	**(7,835,899)**	**8,822,011**
Euro	**961,305**	**466,468**	**(2,187,452)**	**(759,679)**
GBP	**-**	**4,966**	**-**	**4,966**
	12,994,639	**5,096,010**	**(10,023,351)**	**8,067,298**
2018				
USD	14,924,138	2,387,840	(4,254,405)	13,057,573
Euro	2,090,150	412,901	(1,939,734)	563,317
GBP	13,346	131,076	(127,153)	17,269
	17,027,634	2,931,817	(6,321,292)	13,638,159

	Trade and other receivables	Cash and bank balances	Trade and other payables	Total
	RM	RM	RM	RM
Company				
2019				
USD	**-**	**56,365**	**-**	**56,365**
2018				
USD	345,696	513,326	(2,598)	856,424

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonably possible change in the major currencies; United States Dollar ("USD"), Euro Dollar ("Euro") and Sterling Pound ("GBP") exchange rates against the functional currency of the Group's entities, RM, with all other variables held constant.

		Group		Company	
		Profit/(Loss) for the financial year Increase/(Decrease)			
		2019	2018	2019	2018
		RM	RM	RM	RM
USD/RM	- Strengthen by 5% (2018: 5%)	**305,900**	496,200	**2,100**	32,500
	- Weaken by 5% (2018: 5%)	**(305,900)**	(496,200)	**(2,100)**	(32,500)
EURO/RM	- Strengthen by 1% (2018: 1%)	**(5,800)**	4,300	**-**	-
	- Weaken by 1% (2018: 1%)	**5,800**	(4,300)	**-**	-
GBP/RM	- Strengthen by 1% (2018: 1%)	**-**	100	**-**	-
	- Weaken by 1% (2018: 1%)	**-**	(100)	**-**	-

(c) Fair value measurement

The methods and assumptions used to determine the fair value of the following classes of financial assets and liabilities are as follows:

(i) Deposits, cash and bank balances, trade and other receivables and payables

The carrying amounts of deposits, cash and bank balances, trade and other receivables and payables are reasonable approximation of fair values due to the short term nature of these financial instruments.

(ii) Short term cash investment

The fair value of these financial assets is determined by reference to the redemption price at the reporting date.

(iii) Gross obligation under put option

The fair value of the liability is determined based on the estimated settlement amount discounted using discount rate for similar instrument.

The carrying amounts of financial assets and liabilities recognised in the financial statements are reasonable approximation of their fair values.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

30. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (Continued)

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, the lowest level input that is significant to the fair value measurement as whole:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are 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

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's assets:

	Fair Value Measurement			
	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
Group				
Financial assets/(liabilities) at fair value through profit or loss				
2019				
- Short term cash investment	8,066,719	-	-	8,066,719
- Gross obligation under put option	-	-	(16,332,672)	(16,332,672)
2018				
- Short term cash investment	28,242,823	-	-	28,242,823

31. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their products and services. The Group's chief operation decision maker reviews the information of each business segment on a monthly basis for the purposes of resource allocation and assessment of segment performance. Therefore, the Group's reportable segments under MFRS 8 are as follows:

Research, design, development and sales	Research, design and development of electronic end products and sub-systems for the healthcare, medical, Internet of Things ("IoT") , automotive, industrial, communication, computer and consumer electronics industries and service sales.
Manufacturing	Manufacturing of electronic end products, sub-systems, wire-harness and electronic related accessories.
Cloud computing	Provision of advanced cloud technology comprising of infrastructure as a service (IAAS), platform as a service (PAAS), cloud design, consultancy and management services and mobile application and development.
Investment holding	Investment holding and dormant companies.

31. SEGMENT INFORMATION (CONTINUED)

Performance is measured based on segment profit/(loss) before tax and interest, as included in the internal management reports that are reviewed by the Company's chief operation decision maker. Segment profit is used to measure performance as the 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 revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent profit or loss before interest and tax of the segment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment excluding tax assets, as included in the internal management reports that are reviewed by the Company's executive directors. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

The total of segment liability is measured based on all liabilities of a segment excluding deferred tax liabilities, borrowings, current tax liabilities and amount due to director, as included in the internal management reports that are reviewed by the Company's executive directors.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

	Research, design and development and sales RM	Manufacturing RM	Cloud Computing RM	Investment holding RM	Consolidated RM
2019					
Total external revenue	1,144,651	71,996,200	23,859,481	48,593	97,048,925
Inter-segment revenue	-	-	-	-	-
Total segment revenue	1,144,651	71,996,200	23,859,481	48,593	97,048,925
Segment profit/(loss)	329,572	4,346,193	4,210,924	(652,794)	8,233,895
Share of results of an associate, net of tax	-	-	-	22,843	22,843
Tax credit/(expense)	179,451	(635,739)	(17,990)	(1,129)	(475,407)
Profit for the financial year					7,781,331
Other information					
Segment assets	45,955,933	55,890,172	35,459,594	163,035	137,468,734
Unallocated corporate assets					3,414,989
Consolidated total assets					140,883,723

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

31. SEGMENT INFORMATION (CONTINUED)

	Research, design and development and sales RM	Manufacturing RM	Cloud Computing RM	Investment holding RM	Consolidated RM
Other information (Continued)					
Segment liabilities	283,445	12,778,100	9,630,935	16,348,400	39,040,880
Unallocated corporate liabilities					983,742
Consolidated total liabilities					40,024,622
Capital expenditure	3,340	5,289,006	8,649	-	5,300,995
Amortisation of computer software	47,761	3,889	-	5,135	56,785
Depreciation of property, plant and equipment	58,441	1,289,000	63,180	23,548	1,434,169
Share options granted under ESOS	-	742,553	-	-	742,553

	Research, design and development and sales RM	Manufacturing RM	Investment holding RM	Consolidated RM
2018				
Total external revenue	1,780,456	71,991,430	10,200	73,782,086
Segment profit/(loss)	1,215,863	4,859,823	(58,932)	6,016,754
Share of resutls of an associate, net of tax	-	-	501,014	501,014
Tax credit/(expense)	19,738	(875,761)	(2,952)	(858,975)
Profit for the financial year				5,658,793
Other information				
Segment assets	73,525,010	46,505,703	804,366	120,835,079
Unallocated corporate assets				1,752,178
Consolidated total assets				122,587,257
Segment liabilities	214,547	14,659,170	24,935	14,898,652
Unallocated corporate liabilities				299,621
Consolidated total liabilities				15,198,273
Capital expenditure	-	2,244,342	5,000	2,249,342
Amortisation of computer software	70,096	17,110	7,066	94,272
Depreciation of property, plant and equipment	58,444	718,929	23,229	800,602
Amortisation of prepaid land lease	-	26,015	-	26,015
Share options granted under ESOS	-	1,444,378	-	1,444,378

31. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's Electronic Manufacturing Service ("EMS") business is derived mainly from three geographical areas. About 96% (2018: 97%) of the business activities are derived from outside Malaysia. The Group primarily exports design and development services and finished goods of electronic end-products and sub-systems to Europe, United States of America and Asia (excluding Malaysia). The manufacturing activities are mainly conducted in Malaysia.

The operating activities of cloud computing segment is conducted in Malaysia.

Revenue and non-current assets (excluding deferred tax assets and financial instruments) and information is presented based on the segment's country of domicile. Non-current assets do not include financial instruments and deferred tax assets.

	Revenue		Non-Current Assets	
	2019	2018	2019	2018
	RM	RM	RM	RM
Malaysia	****26,402,990**	2,281,230	**34,768,909**	20,396,121
Asia (excluding Malaysia)	**14,247,759**	12,835,161	**-**	-
Europe	**50,150,651**	50,493,736	**-**	-
Oceania	**61,582**	4,647	**-**	-
Middle East	**-**	21,922	**-**	-
United States of America	**6,185,943**	8,145,390	**-**	-
	97,048,925	73,782,086	**34,768,909**	20,396,121

** Includes RM23,859,481 from the Cloud business.

Information about major customers in EMS business

The Group has 2 (2018: 3) major international customers (each with revenue equal or more than 10% of the Group revenue) from the manufacturing segment (EMS) contributing total revenue of approximately RM49,467,666 (2018: RM56,360,973).

32. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximise shareholder value.

The Group and the Company manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 2018.

The Group and the Company do not have any borrowings as at the financial years ended 31 December 2019 and 2018. As such, no disclosure of the gearing ratio is shown as it is not meaningful.

The Group is not subject to any externally imposed capital requirements.

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 7 March 2019, the Company acquired a 60% equity interest in the shares of G-AsiaPacific Sdn. Bhd. for a total purchase consideration of RM20,400,000. Further details are disclosed in Note 9(a).

(b) On 10 December 2019, the Company disposed of its 30% equity investment in AHM Consultancy & Security Services Sdn. Bhd. to the former vendors for a consideration of RM8,700,000.

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Covid-19 Pandemic

On 11 March 2020, the World Health Organisation declared the Coronavirus disease ("Covid-19") outbreak as a pandemic as it has rapidly and widely spread across the globe. The Covid-19 pandemic and the associated lockdowns imposed in many countries have brought significant economic uncertainties in Malaysia and markets in which the Group operates.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 pandemic and the related impacts are considered non-adjusting events in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, there is no impact consideration on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving. The Group will continuously monitor the impact of Covid-19 on its operations and financial performance and is cautiously hopeful.

STATEMENT BY DIRECTORS

(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **IR. LIM BENG FOOK** and **DATO' LIM SOON SENG**, being two of the directors of K-ONE TECHNOLOGY BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 38 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

. . . .

IR. LIM BENG FOOK
Director

. . . .

DATO' LIM SOON SENG
Director

Date: 12 May 2020

STATUTORY DECLARATION

(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

I, **CHOI KENG MUN**, being the person primarily responsible for the financial management of K-ONE TECHNOLOGY BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 38 to 106 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

. . . .

CHOI KENG MUN
(MIA Membership No.: 11309)

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan on 12 May 2020.

Before me,

. . . .

WONG CHOY YIN (B508)
Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K-One Technology Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 106.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA 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 Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters below to be the key audit matters to be communicated in our report.

Group

Business combination (Note 9 to the financial statements)

During the financial year ended 31 December 2019, the Group acquired 60% equity interests in G-AsiaPacific Sdn. Bhd. ("GAP"). We focused on this area due to the following factors:

- judgement is involved in determining the accounting treatment of the acquisition in accordance to MFRS 3 *Business Combinations*; and
- in accounting for the acquisition of GAP under MFRS 3, the directors have to apply judgement on purchase price allocation in relation to the valuation of the assets acquired, liabilities assumed, the purchase consideration and options granted.

Our response:

Our audit procedures included, among others,

- reading the share sale agreement and evaluating the assessment performed by the Company in accounting for the acquisition of GAP in accordance of MFRS 3;
- assessing the appropriateness of the fair value of purchase consideration, identifiable assets acquired and the liabilities assumed as well as options granted at the acquisition date as performed by the Company;
- testing the mathematical computation in the allocation of the purchase consideration to the different assets and liabilities as well as options granted; and
- assessing the appropriateness of the related disclosures.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K-ONE TECHNOLOGY BERHAD (INCORPORATED IN MALAYSIA)
Cont'd

Key Audit Matters (Continued)

Group (Continued)

Goodwill on business combination (Note 7 to the financial statements)

The Group has significant goodwill on business combination which amounted to RM18,561,563 arising from the acquisition of GAP. The goodwill is tested for impairment annually. In performing the impairment assessment, the Group has identified GAP as the cash generating unit to which the goodwill is allocated.

We focused on this area because the impairment assessment requires significant judgements by the directors on the discount rate applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, operating expenses and gross profit margin.

Our response:

Our audit procedures included, among others:

- assessing the appropriateness of the valuation methodology adopted by the Group in accordance to the requirements of MFRS 136 *Impairment of Assets*;
- comparing the Group's assumptions to our assessments obtained during our audit in relation to key assumptions to assess their reasonableness of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company 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 of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company 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 the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Directors for the Financial Statements (Continued)

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company'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 the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing 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 approved standards on auditing in Malaysia and International Standards on Auditing, 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 of the Group and of the Company, 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 control.
- 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 and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' 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 or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company 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 financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K-ONE TECHNOLOGY BERHAD (INCORPORATED IN MALAYSIA)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Lee Kong Weng
No. 02967/07/2021 J
Chartered Accountant

Kuala Lumpur

Date: 12 May 2020

LIST OF PROPERTIES

AS AT 31 DECEMBER 2019

LOCATION	DESCRIPTION	TENURE/ DATE OF EXPIRY	APPROXIMATE AGE OF BUILDINGS (YEARS)	APPROXIMATE BUILT-UP AREA (SQ. FEET)	DATE OF ACQUISITION	NET CARRYING AMOUNT AS AT 31/12/2019 (RM '000)
66, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	30	6,000	4.7.2006	1,892
68, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	30	6,000	4.7.2006	1,892
5, 7, 9, 11, 15 & 17 Persiaran Rishah 7 Kawasan Perindustrian Silibin 30100 Ipoh Perak	6 units of factory building cum office	Leasehold – 60 years expiring in 2045	30	45,000	9.8.2007	2,730
Plot 24, Jalan Industri 3, Zon Perdagangan Bebas Jelapang 2 30020 Ipoh Perak	Industrial land measuring in area of approximately 7,693 square meters (approximately 2 acres)	Leasehold – 60 years expiring in 2051	Not applicable	Not applicable	18.12.2017	918
Block I-7-5 Setiawalk Persiaran Wawasan Pusat Bandar Puchong 47160 Puchong Selangor	Multi-storey Retail-Office Lot	Freehold	9	2,457	9.5.2014	1,089

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2020

Issued and Fully Paid-Up Share Capital	:	RM94,678,721
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per share on a poll

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 30 APRIL 2020

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	127	2.60	5,439	0.00
100 to 1,000	246	5.03	115,433	0.02
1,001 to 10,000	1,386	28.35	8,681,704	1.19
10,001 to 100,000	2,522	51.59	90,363,485	12.40
100,001 to less than 5% of issued shares	606	12.40	408,182,769	55.99
5% and above of issued shares	2	0.04	221,590,351	30.40
Total	**4,889**	**100.00**	**728,939,181**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2020

	DIRECT		INDIRECT	
Name	No. of Shares	%	No. of Shares	%
Lim Beng Fook	120,172,273	16.49	-	-
Lim Soon Seng	101,418,078	13.91	-	-
Bjørn Bråten	31,492,432	4.32	-	-
Goh Chong Chuang	1,689,864	0.23	-	-
Loi Kim Fah	1,333,560	0.18	-	-
Anita Chew Cheng Im	600,000	0.08	-	-
Azlam Shah bin Alias	-	-	-	-

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 30 APRIL 2020

	DIRECT		INDIRECT	
Name	No. of Shares	%	No. of Shares	%
Lim Beng Fook	120,172,273	16.49	-	-
Lim Soon Seng	101,418,078	13.91	-	-

LIST OF THIRTHY (30) LARGEST SHAREHOLDERS AS AT 30 APRIL 2020

No.	Names	No. of Shares	% of Issued Capital
1.	Lim Beng Fook	94,648,885	12.98
2.	Lim Soon Seng	88,006,878	12.07
3.	Bjørn Bråten	31,492,432	4.32
4.	Lim Beng Fook	25,523,388	3.50
5.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An For Citibank New York (Norges Bank 14)*	20,020,000	2.75
6.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Chai Beng (CEB)*	18,144,300	2.49
7.	Lee Quee Siong	15,363,620	2.11
8.	Lim Soon Seng	13,411,200	1.84
9.	Goo Kok Khian	10,800,000	1.48
10.	CIMB Group Nominees (Asing) Sdn Bhd *Exempt an for DBS Bank Ltd (SFS)*	9.426,000	1.29
11.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (PHEIM)*	8,999,500	1.23
12.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Chai Beng (7001398)*	8,499,500	1.17
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teh Siok Keng (7006155)*	7,796,800	1.07
14.	Lim Moi Moi	7,605,600	1.04
15.	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad for Maybank Malaysia Smallcap Fund*	4,850,800	0.67
16.	Law Chin Chiang	4,567,400	0.63
17.	Lam Khuan Ying	4,309,000	0.59
18.	Kuak Juan Chee	4,000,000	0.55
19.	CGS-CIMB Group Nominees (Asing) Sdn Bhd *Exempt an for CGS-CIMB Securities (Singapore) Pte Ltd (retail clients)*	3,101,520	0.43
20.	Goo Kok Khian	3,055,825	0.42
21.	Lars Peter Vennstrom	3,000,000	0.41
22.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Anitha binti Mohamed Haniffa*	3,000,000	0.41
23.	Tey Kim Lay	2,884,700	0.40
24.	Ooi Leh Hong	2,805,320	0.38
25.	Wong Ah Yong	2,800,000	0.38
26.	Goo Khoon Eng	2,798,720	0.38
27.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ling Yoke Tek (10MG00001)*	2,768,500	0.38
28.	TASEC Nominees (Tempatan) Sdn Bhd *TA Capital sdn Bhd for Ong Ai Leng*	2,700,000	0.37
29.	Lim Weng Hoov	2,600,000	0.36
30.	Chen Fook Wah	2,580,000	0.35

ANALYSIS OF WARRANTHOLDINGS

AS AT 30 APRIL 2020

ANALYSIS BY SIZE OF WARRANTHOLDINGS AS AT 30 APRIL 2020

Size of Shareholdings	No. of Warrantholders	%	No. of Warrants Held	%
Less than 100	260	8.84	11,486	0.01
100 to 1,000	290	9.86	159,947	0.09
1,001 to 10,000	1,180	40.11	5,874,575	3.22
10,001 to 100,000	1,007	34.23	34,936,911	19.17
100,001 to less than 5% of issued shares	203	6.90	86,016,602	47.20
5% and above of issued shares	2	0.07	55,235,262	30.31
Total	**2,942**	**100.00**	**182,234,783**	**100.00**

DIRECTORS' WARRANTHOLDINGS AS AT 30 APRIL 2020

	DIRECT		INDIRECT	
Name	No. of Warrants	%	No. of Warrants	%
Lim Beng Fook	29,880,743	16.40	-	-
Lim Soon Seng	25,354,519	13.91	-	-
Bjørn Bråten	7,873,108	4.32	-	-
Goh Chong Chuang	422,466	0.23	-	-
Loi Kim Fah	333,390	0.18	-	-
Anita Chew Cheng Im	150,000	0.08	-	-
Azlam Shah bin Alias	-	-	-	-

SUBSTANTIAL WARRANTHOLDERS' SHAREHOLDINGS AS AT 30 APRIL 2020

	DIRECT		INDIRECT	
Name	No. of Warrants	%	No. of Warrants	%
Lim Beng Fook	29,880,743	16.40	-	-
Lim Soon Seng	25,354,519	13.91	-	-

LIST OF THIRTHY (30) LARGEST WARRANTHOLDERS AS AT 30 APRIL 2020

No.	Names	No. of Warrants	% of Issued Capital
1.	Lim Beng Fook	23,499,896	12.90
2.	Lim Soon Seng	22,001,719	12.07
3.	Bjørn Bråten	7,873,108	4.32
4.	Lim Beng Fook	6,380,847	3.50
5.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Anitha binti Mohamed Haniffa*	5,000,000	2.74
6.	Num Siew Yoke	3,985,200	2.19
7.	Lim Soon Seng	3,352,800	1.84
8.	Goo Kok Khian	2,700,000	1.48
9.	Chin Loy Shin	2,500,000	1.37
10.	New Jen Kok @ Nio Jen Kok	2,006,800	1.10
11.	Lim Moi Moi	1,901,400	1.04
12.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Khoon Beng (E-KLG)*	1,453,900	0.80
13.	Lars Peter Vennstrom	1,287,500	0.71
14.	Ahmad Tariq bin Abdul Mutalib	1,250,000	0.69
15.	Maybank Nominees (Tempatan) Sdn Bhd *Cheng Chee Wai*	1,175,600	0.65
16.	Chow Chan Foon	1,137,600	0.62
17.	Lim Eng Eng	1,125,000	0.62
18.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Leong Siak Wing*	1,052,900	0.58
19.	Fang Yeong Cheun	1,000,000	0.55
20.	Lim Weng Hoov	1,000,000	0.55
21.	RHB Nominees (Tempatan) Sdn Bhd *RHB Trustees Berhad for Travers Trust*	1,000,000	0.55
22.	Wong Ah Yong	1,000,000	0.55
23.	Chan King Boon	900,000	0.49
24.	Lim Mau Wah	842,000	0.46
25.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Loh Kok Hoong*	814,880	0.45
26.	Ooi Leh Hong	770,080	0.42
27.	Goo Kok Khian	763,956	0.42
28.	CGS-CIMB Nominees (Asing) Sdn Bhd *Exempt an for CGS-CIMB Securities (Singapore) Pte Ltd (retail clients)*	750,000	0.41
29.	Lee Joo Heng	650,000	0.36
30.	Norhisam bin Abd Hamid	650,000	0.36

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Company will be held at Greens II, Level 1, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor on Monday, 29 June 2020 at 9.00 a.m., for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Directors' and Audit Reports thereon. **Please refer to Explanatory Note 1**

2. To approve the payments of aggregate Directors' fees and allowances to the Non-Executive Directors of up to RM280,000 from 30 June 2020 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service. **Ordinary Resolution 1**

3. To re-elect the following Directors who are retiring in accordance with Clause 106 of the Company's Constitution:-

   (a) Ir Lim Beng Fook **Ordinary Resolution 2**
   (b) Dato' Azlam Shah Bin Alias **Ordinary Resolution 3**

4. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

5. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 5**

   "**THAT** subject always to the Companies Act 2016 ("Act"), Constitution of the Company, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Securities **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6. **Authority for Mr Goh Chong Chuang to Continue in Office as Independent Non-Executive Director** **Ordinary Resolution 6**

   "**THAT** pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for Mr Goh Chong Chuang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.

7. **Authority for Mr Loi Kim Fah to Continue in Office as Independent Non-Executive Director** **Ordinary Resolution 7**

"**THAT** pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for Mr Loi Kim Fah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.

8. **Proposed Renewal of Shareholders' Mandate for Share Buy-Back** **Ordinary Resolution 8**

"**THAT** subject to the Companies Act 2016 ("Act"), Constitution of the Company, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to purchase and/or hold up to ten percent (10%) of the total number of issued shares of the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the best interest of the Company and an amount not exceeding the retained profits of the Company, be allocated by the Company for the Proposed Share Buy-Back.

AND THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to cancel such shares or retain such shares as Treasury Shares or a combination of both. The Directors of the Company are further authorised to resell the Treasury Shares on Bursa Securities or distribute the Treasury Shares as dividends to the shareholders of the Company or subsequently cancel the Treasury Shares or any combination of the three.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:-

(a) the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to the conditions; or
(b) the expiration of the period within which the next Annual General Meeting is required by law to be held; or
(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting

whichever occur first but not so as to prejudice to the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

9. To transact any other business of the Company of which due notice shall be given in accordance with the Company's Constitution and the Companies Act 2016.

NOTICE OF ANNUAL GENERAL MEETING
Cont'd

By Order of the Board
K-ONE TECHNOLOGY BERHAD

WONG YOUN KIM
(MAICSA 7018778) / SSM PC No. 201908000410
Company Secretary

Kuala Lumpur

29 May 2020

NOTES:

1. A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company.

2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.

3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney and supported by a notarially certified copy of that power or authority.

5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.

7. The duly completed Form of Proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

8. Only members whose names appear on the Record of Depositors as at 22 June 2020 ("General Meeting Record of Depositors") shall be entitled to attend, speak or vote at this meeting or appoint proxy/proxies to attend and/or vote in his/her behalf.

9. All the Ordinary Resolutions set out in this Notice will be put to vote by poll.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purpose"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) for the Purpose, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a results of the member's breach of warranty.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Item 1 of the Agenda**

   The Audited Financial Statements are for discussion only as the approval of the shareholders is not required pursuant to the provisions of Section 340(1)(a) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

2. **Ordinary Resolution 5 - Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

   The proposed Ordinary Resolution 5 under item 5 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

   This general mandate is a renewal of the mandate that was approved by the Shareholders at the Eighteenth Annual General Meeting held on 30 May 2019. The renewal of this general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

   As at the date of this notice of meeting, no shares have been issued pursuant to the general mandate granted at the Eighteenth AGM of the Company.

3. **Ordinary Resolutions 6 and 7 - Authority to Continue in Office as Independent Non-Executive Directors of the Company Pursuant to the Malaysian Code On Corporate Governance ("MCCG")**

   (a) **Mr Goh Chong Chuang**

   Mr Goh Chong Chuang was appointed as an Independent Non-Executive Director of the Company on 3 February 2005 and has therefore served for more than twelve (12) years. However, he has met the independence criteria as set out in Chapter 1 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("AMLR"). The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the MCCG, the Board will seek the approval of the shareholders through a two-tier voting process at the Nineteenth Annual General Meeting of the Company. Further rationale for his retention as Independent Non-Executive Director can be found on Page 21 of this Annual Report.

   (b) **Mr Loi Kim Fah**

   Mr Loi Kim Fah was appointed as an Independent Non-Executive Director of the Company on 3 February 2005 and has therefore served for more than twelve (12) years. However, he has met the independence criteria as set out in Chapter 1 of the AMLR. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the MCCG, the Board will seek the approval of the shareholders through a two-tier voting process at the Nineteenth Annual General Meeting of the Company. Further rationale for his retention as Independent Non-Executive Director can be found on Page 21 of this Annual Report.

4. **Ordinary Resolution 8 - Proposed Renewal of Shareholders' Mandate for Share Buy-Back**

   The proposed Ordinary Resolution 8 under item 8 above is to seek the authority for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company on Bursa Securities. For further information on the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, please refer to the Statement to Shareholders which is included in the Company's Annual Report 2019.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL REPORT

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The profiles of the Directors who are seeking re-election and/or continuing in office as Independent Non-Executive Directors are set out in the Profile of Directors as disclosed on pages 5 to 7 of this Annual Report.

The details of the above Directors' interest in the securities of the Company are stated on page 35 of the Annual Report.

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY ("PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK")

Definitions

Act	:	The Companies Act, 2016
AGM	:	Annual General Meeting
Board	:	The Board of Directors of K-One Technology Berhad
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Chief Executive Officer	:	The principal executive officer of the corporation for the time being, by whatever name called, and whether or not he is a director
Code	:	Malaysian Code on Take-Overs and Mergers, 2010
Director	:	Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Director of K-One Tech, its subsidiary or holding company or a Chief Executive Officer of K-One Tech, its subsidiary or holding company.
EPS	:	Earnings Per Share
"K-One Tech" or "the Company"	:	K-One Technology Berhad (539757-K)
"K-One Group" or "the Group"	:	K-One Tech and its subsidiaries
"K-One Shares" or the "Shares"	:	Ordinary Shares in K-One Tech
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
Major Shareholder	:	A person who has an interest or interests in one (1) or more voting shares in the company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is:- (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the company; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company. For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 of the Act. A Major Shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company or any other corporation which is its subsidiary or holding company.
NA	:	Net Assets

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY ("PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK")
Cont'd

Person Connected	:	In relation to a Director or a Major Shareholder, means such person who falls under any one of the following categories: • a member of the Director's or Major Shareholder's family; • a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, Major Shareholder or a member of the Director's or Major Shareholder's family is the sole beneficiary; • a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder; • a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder; • a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act; • a body corporate or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder; • a body corporate or its Directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act; • a body corporate in which the Director, Major Shareholder and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or • a body corporate which is a related corporation.
"Proposed Renewal of Authority for Share Buy-Back"	:	Proposal of the Company to grant its Directors a general mandate to exercise the authority to carry out a share buy-back of its own shares up to a maximum of 10% of its Issued and Paid-up Share Capital (excluding treasury shares)
Purchased Shares	:	Shares purchased pursuant to the Proposed Share Buy-Back
RM or Sen	:	Ringgit Malaysia and sen respectively
Treasury Shares	:	The K-One Shares purchased by the Company that can be retained, distributed as dividend or resold and/or subsequently cancelled

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporation, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Statement shall be a reference to Malaysian time, unless otherwise stated.

1. Introduction

K-One Tech had on 8 April 2020 announced its intention to seek shareholders' approval of the "Proposed Renewal of Authority for Share Buy-Back" at the forthcoming Nineteenth Annual General Meeting ("19th AGM") of the Company.

The purpose of this Statement is to provide you with the relevant information on the "Proposed Renewal of Authority for Share Buy-Back" and to seek your approval of the ordinary resolution to be tabled at the forthcoming 19th AGM of the Company.

The authority from the shareholders for the proposed purchase would be effective immediately upon the passing of the ordinary resolution for the "Proposed Renewal of Authority for Share Buy-Back" until the conclusion of the next AGM of K-One Tech unless earlier revoked or varied by ordinary resolution of shareholders of K-One Tech at a general meeting.

2. Rationale for renewal of authority from the shareholders of the Company to enable the Company to purchase and/or hold up to ten percent (10%) of its issued and paid-up share capital pursuant to Section 127 of the Act ("Proposed Renewal of Authority for Share Buy-Back")

The "Proposed Renewal of Authority for Share Buy-Back", if exercised, is expected to potentially benefit the Company and its shareholders in the following manners:-

(a) The earnings per share of the Group may be enhanced (in the case where the shares so purchased are cancelled) and thereby long term investors are expected to enjoy a corresponding increase in the value of their investments in the Company;

(b) If the purchased shares are kept as treasury shares, the treasury shares may be realised with potential gain without affecting the total issued and paid-up share capital of the Company. Alternatively, the purchased shares can be distributed as share dividends to reward the shareholders of the Company; and

(c) The Company may be able to stabilize the supply and demand of its shares in the open market, thereby supporting its fundamental value.

3. Retained Profits

Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2019, the retained profits of the Company and the Group stood at RM4,128,264 and RM15,146,072 respectively.

4. Funding

The maximum amount of funds to be allocated for the "Proposed Renewal of Authority for Share Buy-Back" will be limited to the amount of retained profits of the Company. The amount allocated for the share buy-back, if implemented, will be financed by internally generated funds.

5. Direct and Indirect Interests of the Directors and Substantial Shareholders in the Proposed Renewal of Authority for Share Buy-Back

Save for the inadvertent proportionate increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a consequence of the share buy-back, none of the Directors and/or substantial shareholders nor persons connected with the Directors and/or substantial shareholders of the Company have any interest, direct or indirect, in the "Proposed Renewal of Authority for Share Buy-Back" and the proposed resale of treasury shares, if any.

As such, none of the Directors and/or substantial shareholders nor persons connected with them need to abstain from voting in respect of their direct and indirect shareholdings on the ordinary resolution approving the "Proposed Renewal of Authority for Share Buy-Back".

The effects of the proposed share buy-back on the shareholdings of the Directors and substantial shareholders based on the Record of Depositors of the Company as at 30 April 2020 are set out below based on the following assumptions:-

(a) The proposed share buy-back is implemented in full, i.e. up to 10% of the enlarged issued and paid-up share capital of 72,893,918 of the Company's shares are purchased; and

(b) The shares so purchased are from shareholders other than the substantial shareholders and Directors of the Company.

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY ("PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK")
Cont'd

5. Direct and Indirect Interests of the Directors and Substantial Shareholders in the Proposed Renewal of Authority for Share Buy-Back (Continued)

	As At 30 April 2020 (I)				After the Proposed Share Buy-Back (II)				After (II) and assuming all Warrants C and outstanding ESOS Options are exercised			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Beng Fook	120,172,273	16.49	-	-	120,172,273	18.32	-	-	156,653,016	17.49	-	-
Lim Soon Seng	101,418,078	13.91	-	-	101,418,078	15.46	-	-	133,972,597	14.96	-	-
Bjørn Bråten	31,492,432	4.32	-	-	31,492,432	4.80	-	-	39,365,540	4.40	-	-
Goh Chong Chuang	1,689,864	0.23	-	-	1,689,864	0.26	-	-	2,112,330	0.24	-	-
Loi Kim Fah	1,333,560	0.18	-	-	1,333,560	0.20	-	-	1,666,950	0.19	-	-
Anita Chew Cheng Im	600,000	0.08	-	-	600,000	0.09	-	-	750,000	0.08	-	-
Azlam Shah bin Alias	-	-	-	-	-	-	-	-	600,000	0.07	-	-
Substantial Shareholders												
Lim Beng Fook	120,172,273	16.49	-	-	120,172,273	18.32	-	-	156,653,016	17.49	-	-
Lim Soon Seng	101,418,078	13.91	-	-	101,418,078	15.46	-	-	133,972,597	14.96	-	-

6. Potential Advantages and Disadvantages of the "Proposed Renewal of Authority for Share Buy-Back"

The potential advantages of the "Proposed Renewal of Authority for Share Buy-Back" to the Company and its shareholders are stated in Item 2 above.

The potential disadvantages of the "Proposed Renewal of Authority for Share Buy-Back" to the Company and its shareholders are as follows:-

(a) As the "Proposed Renewal of Authority for Share Buy-Back" can only be made out of the retained profits of the Company, it may result in the reduction of financial resources available for distribution to the shareholders in the immediate future; and

(b) The amount of financial resources of the Company will decline upon exercising the share buy-back which may result in the Group having to forego feasible investment opportunities that may emerge in the future.

In any event, the Directors will be mindful of the interests of the Company and its shareholders in implementing the share buy-back.

7. Financial Effects of the "Proposed Renewal of Authority for Share Buy-Back"

On the assumption that the share buy-back is carried out in full, the effects of the "Proposed Renewal of Authority for Share Buy-Back" on the share capital, NA per share, working capital and EPS of the Company are set out below:-

(a) Share Capital

The effect of the share buy-back on the share capital of the Company will depend on the intention of the Board with regard to the purchased shares. As at 31 December 2019, the issued and paid-up share capital of the Company is RM94,678,721 comprising 728,939,181 shares.

However, the "Proposed Renewal of Authority for Share Buy-Back" will have no effect on the issued and paid-up share capital if all Purchased Shares are to be retained as treasury shares but the rights attached to the treasury shares in relation to voting, dividends and participation in any other distributions or otherwise are suspended. While these shares remain as treasury shares, the Act prohibits the taking into account of such shares in calculating the number of percentage of shares in the Company for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

7. Financial Effects of the "Proposed Renewal of Authority for Share Buy-Back" (Continued)

(b) NA

The effect of the "Proposed Renewal of Authority for Share Buy-Back" on the NA per share of the Company is dependent on the number of shares purchased, purchase price of the shares, the funding cost, if any, and the subsequent treatment of the shares so purchased.

If all the shares purchased are cancelled, the proposed share buy-back is likely to reduce the NA per share of the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase and conversely, will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

For shares so purchased, which are kept as treasury shares, upon its resale, the NA of the Group may be affected depending on the actual selling price of the treasury shares and the actual number of treasury shares resold.

(c) Working Capital

The "Proposed Renewal of Authority for Share Buy-Back" will reduce the working capital of the Group, the quantum of which depends on, amongst others, the number of shares eventually purchased and the purchase price of the shares.

(d) EPS

Depending on the number of shares purchased, purchase price of shares and the effective cost as well as the opportunity cost of funding the shares, the proposed share buy-back may increase the EPS of the Group.

Any cancellation of shares so purchased is expected to give rise to increased EPS to the Company and the Group due to the reduced number of shares in issue.

(e) Dividends

Assuming the "Proposed Renewal of Authority for Share Buy-Back" is implemented in full, it will have the effect of increasing the dividend rate of the Company as a result of the reduction in the issued and paid-up share capital of the Company.

(f) Shareholdings

The effect of the "Proposed Renewal of Authority for Share Buy-Back" on the percentage of shareholdings of the Directors and substantial shareholders of the Company would depend on the timing of the purchase, the number of shares purchased and their actual shareholdings at the time of such purchase.

Please refer to Item 5 above for further details on the shareholding structure of the Directors and substantial shareholders of the Company.

8. Implication Under the Code

Under the Code, a director and any person acting in concert with him or a relevant shareholder will be required to make a mandatory general offer for the remaining ordinary shares of the Company not already owned by him/them if his/their stake in the Company is increased beyond thirty-three percent (33%) or if his/their existing shareholding is between thirty-three percent (33%) and fifty percent (50%) and exceeds by another two percent (2%) in any six (6) months period.

Assuming that the "Proposed Renewal of Authority for Share Buy-Back" is carried out in full and the shareholdings of the directors and parties acting in concert will be increased beyond thirty-three percent (33%) as a result of the share buy-back and pursuant to the Code, the directors and parties acting in concert are required to make a mandatory general offer.

Should such circumstances arise and if required, the directors and parties acting in concert are expected to submit an application to the Securities Commission for a waiver from implementing a mandatory general offer under the Code.

The Company takes cognizance of the Code and intends to implement the share buy-back in a manner that it will not result any of the shareholders having to undertake a mandatory offer pursuant to the Code.

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY ("PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK")
Cont'd

9. Purchase, Resale and Cancellation of shares made in the previous twelve (12) months

In the previous twelve (12) months, the Company has not made any purchase of ordinary shares in the Company.

10. Public Shareholding Spread

Based on the Record of Depositors of the Company as at 30 April 2020, the public shareholding spread of the Company was 64.8%.

11. Directors' Statement

This Statement has been seen and approved by the Board on 4 May 2020 and they individually and collectively accept full responsibility for the accuracy of the information given in this Statement and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts or omission of which would make any statement herein misleading.

Having considered all aspects of the "Proposed Renewal of Authority for Share Buy-Back", the Board is of the opinion that the preceding is fair, reasonable and in the best interest of the Company.

12. Directors' Recommendation

The Board recommends that you vote in favour of the ordinary resolution for the "Proposed Renewal of Authority for Share Buy-Back" to be tabled at the Nineteenth Annual General Meeting.

PROXY FORM

K-ONE TECHNOLOGY BERHAD

[Registration No. 200101004001 (539757-K)]
(Incorporated in Malaysia)

I/We ____(NRIC No./Company No.)______________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

____

being a member/members of **K-ONE TECHNOLOGY BERHAD**, hereby appoint the following person(s) or failing whom, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Nineteenth Annual General Meeting of the Company to be held at Greens II, Level 1, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor on Monday, 29 June 2020 at 9.00 a.m. and any adjournment thereof:-

Name of Proxy, NRIC No. & Address	**No. of Shares to be represented by Proxy**
1. Name: NRIC No.: Mobile No.: email: Address:	______________
2. Name: NRIC No.: Mobile No.: email: Address:	______________

NO.	RESOLUTIONS		FOR	AGAINST
1.	Approval of payments of aggregate Directors' fees and allowances to the Non-Executive Directors of up to RM280,000 from 30 June 2020 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service.	**Ordinary Resolution 1**		
2.	Re-election of Ir Lim Beng Fook	**Ordinary Resolution 2**		
3.	Re-election of Dato' Azlam Shah Bin Alias	**Ordinary Resolution 3**		
4.	Re-appointment of Messrs Baker Tilly Monteiro Heng PLT as Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 4**		
5.	Approval for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016	**Ordinary Resolution 5**		
6.	Authority for Mr Goh Chong Chuang to Continue in Office as Independent Non-Executive Director	**Ordinary Resolution 6**		
7.	Authority for Mr Loi Kim Fah to Continue in Office as Independent Non-Executive Director	**Ordinary Resolution 7**		
8.	Proposed Renewal of Shareholders' Mandate for Share Buy-Back	**Ordinary Resolution 8**		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be casted on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

Number of shares	

CDS A/C No. **Mobile No.** **email**	

______________________ Date

______________________ Signature of Shareholder

Fold this flap for sealing

NOTES:

1. A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney and supported by a notarially certified copy of that power or authority.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.
7. The duly completed Form of Proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
8. Only members whose names appear on the Record of Depositors as at 22 June 2020 ("General Meeting Record of Depositors") shall be entitled to attend, speak or vote at this meeting or appoint proxy/proxies to attend and/or vote in his/her behalf.
9. All the Ordinary Resolutions set out in this Notice will be put to vote by poll.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purpose"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) for the Purpose, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a results of the member's breach of warranty.

Then fold here

Affix
stamp
HERE

K-ONE TECHNOLOGY BERHAD
[Registration No. 200101004001(539757-K)]
66 & 68 Jalan SS 22/21
Damansara Jaya
547400 Pataling Jaya
Selangor, Malaysia

1st fold here

www.k-one.com

K-One Technology Berhad [Registration No. 200101004001 (539757-K)]
66 & 68 Jalan SS 22/21
Damansara Jaya
47400 Petaling Jaya
Selangor, Malaysia
Tel : +603 7728 1111
Fax : +603 7728 6212