K-One
innovate

REINVENTED TO SUCCEED

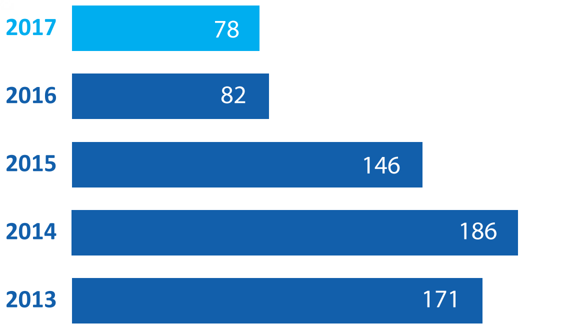
IN TECHNOLOGY DISRUPTION

ANNUAL REPORT
2017

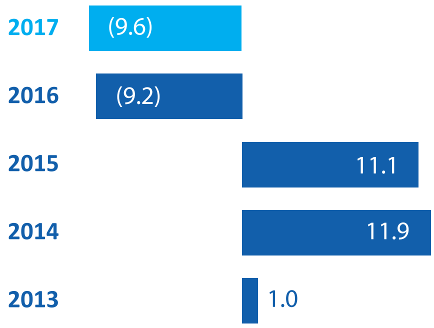
Contents

Past Financial Information Summary

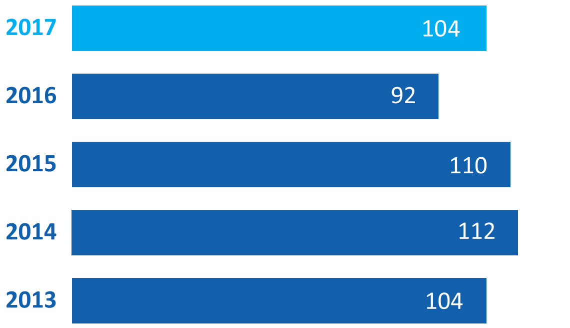
SALES (RM Million)



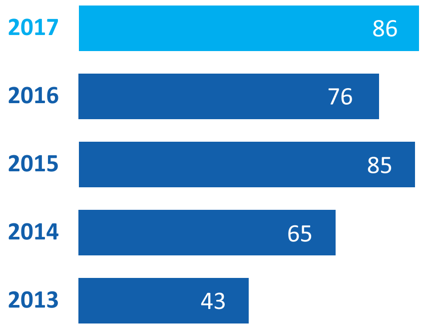
PROFIT (RM Million)



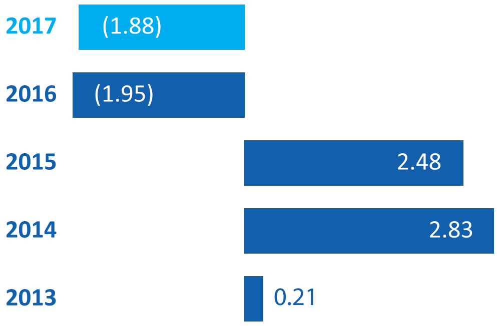
TOTAL ASSETS (RM Million)



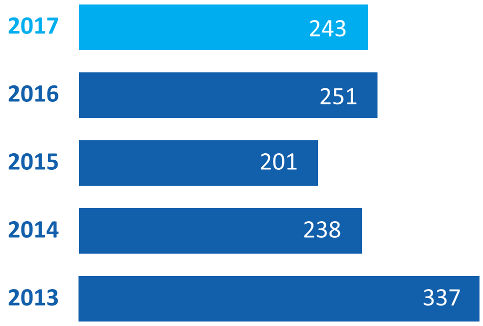
SHAREHOLDER EQUITY (RM Million)



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
Chartered Accountants

SOLICITORS

Messrs Azman Davidson & Co
Advocates & Solicitors

SHARE REGISTRAR

Symphony Share Registrars
Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7849 0777
Fax : +603 7841 8151

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 Darul Ehsan
Tel : +603 7728 1111
Fax : +603 7728 6212

GROUP PRINCIPAL BANKERS

United Overseas Bank
(Malaysia) Berhad

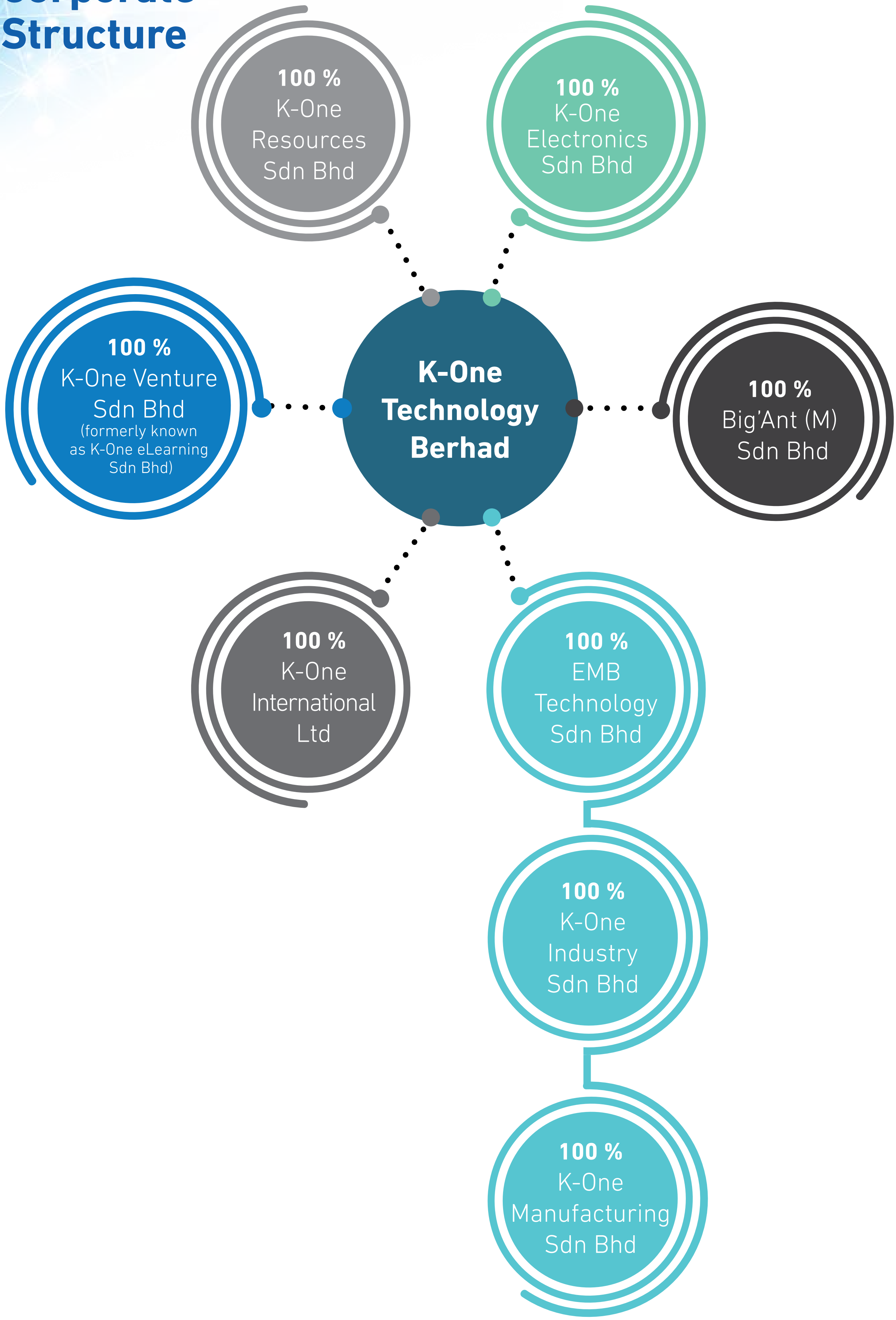
Standard Chartered Bank
Malaysia Berhad

CIMB Bank Berhad

WEBSITE

www.k-one.com

Corporate Structure



Directors' Profile

IR. EDWIN LIM BENG FOOK
Executive Chairman • Malaysian, Age 60

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 and K-One Venture Sdn Bhd.

DATO' MARTIN LIM SOON SENG
Chief Executive Officer • Malaysian, Age 55

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, K-One Resources Sdn Bhd, K-One Manufacturing Sdn Bhd, K-One Venture Sdn Bhd, K-One Electronics Sdn Bhd and K-One International Ltd.

Directors' Proflle (continued)

BJØRN BRÅTEN

Non-Independent Non-Executive Director • Norwegian, Age 60

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 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.

GOH CHONG CHUANG

Independent Non-Executive Director • Malaysian, Age 65

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 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 51

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 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.

Directors' Profile (continued)

ANITA CHEW CHENG IM

Independent Non-Executive Director • Malaysian, Age 51

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 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 57

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 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.

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

"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 2017

BUSINESS PERFORMANCE FOR 2017

The Group's sales decreased to RM78.3 million from RM81.9 million in the previous year, representing a decline of 4%. The sales drop was mainly attributed to the dwindling sales of electronic security/surveillance peripherals in view of the phasing out of specific models. Furthermore, the complete exit from the mobile phone accessories (ODM/OEM) business in the second half of 2016 inadvertently meant there was no sales contribution from this business segment which compounded the sales decline in 2017. To some extent, the unexpected acquisition of one of our new medical/healthcare customers by a third party put the brakes on the streaming of certain healthcare devices, thus, pulling back sales growth, which otherwise would have helped to alleviate the sales decline.

However, on a more positive note, electronic headlamps, floor-care products, industrial products and medical/healthcare devices (except the above mentioned new customer) witnessed improved sales performance. Although industrial products registered positive sales growth, it was curtailed by the prolonged qualification process of new models and eleventh-hour engineering change requests which impeded deliveries at end 2017.

The Group recorded loss attributable to equity holders of the parent company of RM9.6 million for 2017 as compared to a loss of RM9.2 million in 2016. Discounting the ESOS provision of RM12.8 million, the Group made an operating profit of RM3.2 million which was spurred by improved margins derived from a re-balanced product portfolio weighted by industrial products and healthcare devices with higher margins and gains from materials cost reduction measures.

PROSPECTIVE BUSINESS OUTLOOK

In my opinion, the Ringgit Malaysia is expected to continue strengthening in 2018 from its present level which is hovering around RM3.90 to USD1.00. Therefore, this will adversely affect profitability and competitiveness for the Group as more than 90% of our almost 100% export sales are denominated in USD.

The global economy is envisaged to persist with volatility and uncertainty in 2018. Nevertheless, the US economy is anticipated to be buoyant as Trump's corporate tax cuts and America's first policies take traction. In this respect, a stronger US economy augurs well for the K-One Group as we step up our business penetration in US. In conjunction with this, the Group will continue to do its best to focus on "sunrise" industries which includes IoT (Internet of Things) devices, medical/healthcare products, electronic security/surveillance solutions, electronic wearables and automotive aggregates as they yield higher margins and have longer product life cycles. Even though the US economy is expected to maintain its growth momentum in 2018, I caution that it would be challenging to clinch

Executive Chairman's Statement (continued)

business in US as our competitiveness may be dented by the further strengthening of the Ringgit Malaysia. However, we will endeavor to differentiate ourselves in other ways such as innovation to secure new business.

Overall, I foresee that we will face stronger headwinds in 2018 as we have to deal with an additional factor - stronger Ringgit Malaysia which works to our disadvantage as an exporter.

The Group would not pay any dividend for 2017 as it prefers to conserve its cash to take on additional synergistic M&A candidates as we move forward in 2018.

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 2017.

Ir. Edwin Lim Beng Fook
Executive Chairman

CEO's Operations Review

I would like to take this opportunity to report key aspects and performance of our operations for the financial year ended 31 December 2017.

SALES & FINANCIALS

The Group registered sales of RM78.3 million in 2017 as compared to RM81.9 million in the previous year, representing a decline of 4%. This was mainly due to the decline in sales of electronic security/surveillance peripherals. Besides, there was no sales contribution from the mobile phone accessories (ODM/OEM) business in 2017 as compared to the previous year when it was being phased out in the second half of 2016. Unforeseen holding back in the development and production of certain healthcare devices due to the organizational realignment of one of our new medical/healthcare customers which was acquired by a third party also played a part in relegating sales growth, which otherwise would have cushioned the sales decline.

In contrast, electronic headlamps, floor-care products, industrial products and medical/healthcare devices (apart from the above indicated new customer) continued to contribute positive sales. However, the preceding sales gain was insufficient to off-set the sales decline of security/surveillance peripherals and the void created by the phasing out of supply of mobile phone accessories (ODM/OEM).

The Group recorded loss attributable to equity holders of the parent company of RM9.6 million for 2017 as compared to a loss of RM9.2 million in 2016, largely due to the ESOS provision of RM12.8 million. Excluding the provision, the Group made an operating profit of RM3.2 million attributable to the increased weightage of industrial products and medical/healthcare devices in the Group's product portfolio as well as effective materials cost reduction measures.

DESIGN AND DEVELOPMENT

The R&D engineers continued to intensify efforts in designing and developing IoT products, medical/healthcare devices, automotive aggregates and specialized industrial products for the ODM/OEM markets as part of the Group's diversification roadmap.

Besides that, the Group is gradually finding its feet in the OBM (Own Brand Manufacturing) market. The R&D engineers spent time exploring the conceptualization and development of consumer electronic lifestyle products and mobile phone accessories to be marketed under its own brand name. These OBM products are intended to be marketed both locally and overseas through online channels such as Amazon, Lazada, 11street, etc.

MANUFACTURING

In the manufacturing front, the Group was audited for ATEX certification end of 2017 and was successfully certified in January 2018. As a result, its plants are effectively certified to produce products suitable for use in an explosive atmosphere environment such as in the mining, petrochemical and paint industries, opening doors for the Group's potential diversification into those areas.

The Group continues to stay updated with the latest technology in manufacturing by initiating activities to work towards Industry 4.0. It has started reviewing processes which can be automated and begun assessing the potential

CEO's Operations Review (continued)

of installing automatic guided vehicles (AGVs) which allow efficient materials movement on the shop floor to kick start its transformation.

HUMAN RESOURCE

Apart from customers, employees are our most prized asset. During the course of the year, the Group made special efforts to review the organization and took steps to address the shortfall in talents in specific areas, which are primarily technical and business or rather sales in nature. It managed to hire certain key positions but it is still seeking out to get the right talents to fill various technical and sales positions which are still available. It is a challenge to find people with the right attitude and skill sets but the Group is adamant in getting this hiring right.

CORPORATE DEVELOPMENT

The Group undertook the following Corporate Development initiatives announced on 22 November 2016 with details as follows:

a) Following Bursa's approval, the shareholders of K-One Technology Berhad had also approved the Proposed Private Placement and the Proposed ESOS respectively at the Extraordinary General Meeting convened on 20 January 2017:

   (i) The Proposed Private Placement to the Executive Chairman - Lim Beng Fook and the CEO - Lim Soon Seng were each fully subscribed while 3,950,000 new ordinary shares were placed to third party investors. In total, 46,488,980 Placement Shares were taken up, representing 98.4% of the total Proposed Private Placement of 47,265,534 new ordinary shares. The Proposed Private Placement exercise was completed on 15 March 2017.

   (ii) Establishment of an ESOS scheme for eligible employees and Directors of the Group. The maximum number of new Shares which may be issued and allotted pursuant to the exercise of the Options under the ESOS scheme shall not exceed thirty percent (30%) of the issued and paid-up share capital of K-One Technology Berhad (excluding treasury shares) at any point of time throughout the duration of the ESOS scheme of up to ten (10) years. A combined total of 130,500,000 Options were offered to employees and Directors in 2017.

b) On 17 March 2017, the Group announced the acquisition of a 30% stake in AHM Consultancy & Security Services Sdn Bhd ("AHM") for a cash consideration of RM 8.7 million. AHM is principally involved in the provision of armed and unarmed guarding, cash-in-transit services, security escorting, private investigation, body guarding and supply of security surveillance systems. The acquisition was completed on 15 January 2018.

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 2017 which was extremely challenging.

Dato' Martin Lim Soon Seng
CEO

Management's Discussion and Analysis of Business Operations and Financial Performance

GENERAL DESCRIPTION OF THE GROUP'S BUSINESS

The Group is principally engaged in the research, design, development and manufacture of IoT gadgets, healthcare/medical devices, automotive aggregates, electronic security/surveillance devices, computer peripherals, electronic headlamps, consumer electronic lifestyle gadgets, floor-care and industrial products. The Group's 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 Group, 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.

Financial Performance for Financial Year Ended 31 December 2017 ("2017") compared with Financial Year Ended 31 December 2016 ("2016")

Sales

Sales revenue for 2017 weakened to RM78.3 million as compared to the preceding year's sales of RM81.9 million. The decline of 4% was mainly attributed to the weaker sales performance of electronic security/surveillance devices in view of the phasing out of specific models and the adverse effect of no contribution from the mobile phone accessories (ODM/OEM) business following the complete exit from this segment in the second half of 2016. Unexpectedly, the acquisition of one of the healthcare/medical customers by a third party hampered sales growth as the acquirer put on hold the launch of certain projects to enable them to consolidate their business.

On a positive note, improving performance was witnessed in the business segments of electronic headlamps, floor-care products, industrial products and healthcare/medical devices. Sales of industrial products were promising and could have been better if not for the prolonged qualification process of new models and eleventh-hour engineering change requests which dampened deliveries in 2017.

Earnings

The Group recorded loss attributable to equity holders of RM9.6 million for 2017 as compared to a loss of RM9.2 million in 2016. Discounting the ESOS provision of RM12.8 million, the Group registered an operating profit of RM3.2 million which was spurred by improved profit margin

(2017:20%; 2016:12%) following the deepening push into higher margin businesses, concerted efforts on supply chain materials cost down and LEAN manufacturing/management. Nonetheless, the earnings recovery was curtailed by the strengthening Ringgit Malaysia against the USD, especially towards year end 2017, considering that it is export oriented and most sales are denominated in the USD.

Fixed Assets

As at 31 December 2017, the Group's fixed assets of RM 8.7 million was the same as the previous year. The high fixed asset turnover ratio of 9.0 times reflected the Group's asset-light business model which it has adopted since its inception in 2001. The unique business model enhances the Group's flexibility and scalability to undertake new opportunities during this disruptive era while allowing it to better withstand adversity in the event of an economic downturn.

The prepaid land lease of RM1.0 million (2016: RM Nil) was in respect of the Group's acquisition of an approximately 2 acres piece of industrial land located at the Jelapang Free Trade Zone in Ipoh towards the end of 2017 to cater for expansion of its manufacturing capacity in the near future.

Inventories

Inventories for the current year which amounted to RM15.7 million was approximately RM6.2 million higher than the previous year was running contrary to reduced sales over the present financial year. Thus, inventory holding period increased from 47 days to 73 days. This situation was attributed to 2 major factors. The first was the intentional build up of additional inventory to mitigate the global material shortages of electronic components experienced in the second half of 2017. The second was the unforeseen prolonged qualification process and last minute engineering changes experienced in the roll-out of new models of industrial products which unfortunately dampened deliveries, hence, causing a temporary escalation in inventories. With the qualification issues ironed out towards year end 2017, the expected ramp up of industrial products in 2018 would normalize the inventory level.

Management's Discussion and Analysis of Business Operations and Financial Performance (continued)

Receivables and Payables

Trade receivables were reduced from RM18.7 million in 2016 to RM15.5 million in 2017, representing an improved account receivables turnover period from 101 days to 79 days. Trade payables marginally increased from RM15.8 million to RM15.9 million for the same comparative years. Nevertheless, trade payables turnover period was reduced from 97 days to 92 days. It is the Group's risk management policy to ensure that both the receivables and payments are made within the credit terms extended and given respectively.

The increase of deposit by RM8.7 million to RM8.8 million was mainly due to the deposit held in trust to facilitate share transfer in respect of the acquisition of a 30% stake in AHM Consultancy and Security Services Sdn Bhd (AHM). Similarly, the increase in other payables and accruals by RM1.0 million to RM1.5 million was mainly pertaining to the amount payable and held in trust on the acquisition of industrial land and to a small extent other IT related purchases.

Cash, Bank Balances and Short-term Cash Investments

Cash, bank balances and short-term cash investments in the form of time deposits and short-term cash funds of the Group which stood at RM51.0 million as at end 2017 registered a decrease of 3% from RM52.7 million as of the previous year end. The decrease was mainly due to cash outflow to pay for the said acquisition of a 30% stake in AHM and inventory build-up, after off-setting cash generated from operating activities as well as proceeds from the private placement of shares which was completed on 15 March 2017.

Dividend

No dividend would be paid or declared for the year (2017) as the Group needed to preserve cash to fuel future growth.

BUSINESS & MARKET OUTLOOK

The Group has reinvented itself to succeed in this disruptive era. It's strategic roadmap to diversify into "sunrise" markets in the likes of IoT gadgets, healthcare/medical devices, electronic wearables, electronic security/surveillance solutions and automotive aggregates is beginning to take shape. It has laid out action plans and strategies to penetrate the IoT market in collaboration with selected prominent business partner(s). In line with the business transformation and growth strategies, the Group had acquired a piece of industrial land to accommodate its future operational and manufacturing expansions.

On the ODM/OEM business, the Group will train its sights to focus on the US markets to defray its business concentration in Europe. Although the global economy is expected to remain volatile and uncertain in 2018, we foresee the US market presenting pockets of opportunities for growth which may be more realistic than the rest of the world. However, we still caution headwinds in penetrating the US market due to intense competition.

On another front, the Group had completed the acquisition of a 30% stake in AHM as announced on 15 January 2018. This formally paves the way for the electronic security/surveillance peripherals business segment to work in synergy with AHM for new business opportunities. The Group is continuously seeking out growth opportunities through M&A as it has the financial flexibility to undertake additional synergistic M&As as an expansion strategy to further enhance its long-term sustainability.

On finance and economics, we are concerned with the weakening of the USD against all major currencies and in particular, the Ringgit Malaysia which gained significantly towards the end of 2017 and in early 2018. The weak USD is seen as a dampener to the Group's competitiveness and profitability. In fact, it is starting to exert pressure on the bottom line of the Group as the bulk of our remittances are denominated in USD which is attributed to our export-centric business. We take cognisance of the rising Ringgit Malaysia against the USD and towards this end, the Group will continue to improve business efficiency by inculcating a cost-conscious mindset across all business units to preserve/improve profit margin. Nonetheless, on the overall, we are again looking at a challenging year ahead in 2018, in spite of the Group having made progress in its transformation and diversification processes.

Corporate Social Responsibility (CSR)

Staying committed in our CSR initiatives has been K-One's priority since inception. We strongly believe that CSR is a duty that every corporate body should perform to give back to society at large. Most investors, customers and the general public today agree that while achieving business targets are crucial, at the same time, they encourage and look up to companies which engage in serious CSR efforts. We are glad to be able to carry out our CSR programs despite facing a very challenging year in 2017.

CARING FOR OUR STAFF

Managing risks is one of the most important aspects of running a business in order to optimize results. Risk management's key objective is to assure risks and uncertainties do not deflect the endeavour to achieve the desired business goals. Risks affecting organizations may lead to positive or negative consequences on financial performance, professional reputation, environmental effect and safety outcome. Therefore, managing risks effectively helps organizations to mitigate them in an environment full of uncertainties.

Our K-One Group has in place its own specific internal controls and processes to address risks of various forms and intensities. In order to further strengthen our internal procedures and practices applied to mitigate risks, we have taken the initiative to understand and embrace ISO 31000; an internationally recognized risk management standard adopted by more than 40 countries. ISO 31000 on risk management is intended for people who create and protect value in an organization by managing risks, making decisions, setting and achieving objectives and improving performance.

On 22 May 2017, thirty K-One staff congregated at the Conference Room in its Ipoh plant to undergo this compliance training to understand the vocabulary, principles, guidelines, framework and risk management process in accordance with ISO 31000. The training, facilitated by an external consultant took the staff for a full session pertaining to its principles, guidelines, implementation, vocabulary and assessment techniques. The Group was able to compare its internal risk management practices with an internationally recognized benchmark. More importantly, we took the opportunity to bridge the gap between the two for better corporate governance and effective management.

On another note, we see a rising trend of fire mishaps and accidents being frequently reported in the news nowadays. The Fire and Rescue Department Malaysia (Bomba) reported that as of September 2017, fire incidents in the country had caused an estimated loss in value of RM3.7 billion which surpassed the full year loss of 2016 by 54.1%. Therefore, we should be fully aware that fire safety and prevention must not be taken lightly.

On 22 June 2017, the K-One Group invited the Fire Prevention Centre Malaysia to its Head Office located in Petaling Jaya to give a talk on "Fire Safety & Emergency - What Should You Know?". The objective of this talk was to instil awareness on fire hazards and fire safety practices. It was a very informative talk where the staff were educated on three major topics:

a) fire-fighting equipment - awareness of surrounding fire-fighting tools/equipment and access to the helpline;
b) fire awareness - fire cases, cost of fire, danger of flame and smoke; and
c) fire prevention knowledge - characteristics and components of fire (understanding how combustion occurs), immediate steps of overcoming fire, fire escape and survival (as in how to escape successfully when trapped in a dark, flaming room).

Following the talk, on 20 July 2017, the K-One Group conducted a fire drill emergency evacuation exercise at our Ipoh manufacturing hub involving all staff. The main objective of this exercise was:

a) to create staff awareness, alertness and readiness to act during emergency;
b) to provide essential knowledge and training for staff to stay composed and knowing what to do in the event of a fire; and
c) to test the adequacy of alarm system and PA announcement in all areas.

Our Emergency Response Team was quick to spring into action, checking all areas to evacuate all staff out of the

Corporate Social Responsibility (CSR) (continued)

plants and towards the designated assembly points. The exercise was successfully conducted with full co-operation from all staff.

In appreciation of our staff contributions and their hard work put in throughout 2017, the K-One Group held its Annual Dinner on 12 January 2018 in Ipoh to mark the occasion. The combined office and production staff of the K-One Group came together in full strength to celebrate the achievements of the past year (2017) as well as re-energize to face the challenges for the months ahead in 2018. More than 300 staff and invited guests were present at the Annual Dinner. The event began with opening remarks from the respective K-One's co-founders; Dato' Martin Lim, CEO and Ir. Edwin Lim, Chairman. In their speeches, the CEO and Chairman of the Group summarized the ups and downs of the past year and urged all staff to be prepared, as always, to face an expected, even more challenging year ahead. They expressed their utmost gratitude towards the staffs' efforts for working alongside the Management to achieve its goals throughout the year.

It was absolutely joyful to see all staff enjoying themselves and sharing some quality time away from their desks. It was heartening to find out that K-One is certainly not lacking in the talent department - from Bollywood dancing, piano playing and to the voices of angels. The staffs' participation in various events such as the singing and dancing competitions certainly were the most enjoyable and memorable part of the evening. It was also an occasion where the staff took the opportunity to showcase their flare for fashion and everyone dressed in their best. The highlight of the evening was the Awards Ceremony presentation for the Best Dressed - Male and Female, Production Staff - Best Attendance, Productivity and Attitude, Best Dance Group and Best Singer.

The entire evening was interspersed with lucky draws which at times held the crowd in suspense, in particular the top 3 prizes. Besides the goodies and delicious food, the live band provided the continuous flow of music and songs.

CARING FOR OUR COMMUNITY

On 16 December 2017, K-One joined hands with the Department of Orang Asli, Malaysian First Aid Society (MyFAST) and the Malaysian Youth Volunteering Programme (MyCorps) to undertake some meaningful CSR programs at the Orang Asli Village at Ulu Batu, Selangor. The villagers made up of 30 families are mainly from the Temuan tribe consisting of around 150 members, out of which, about 50 are children. The key objectives of the programs are to provide social services to the villagers and to prepare the children for the back to school session. It was also intended to give our staff a glimpse of how indigenous communities live.

In the course of the programs, our staff helped to clean up the village neighbourhood and painted the community hall for the villagers. The MyFAST team provided basic health screening to the adult villagers which included blood pressure and glucose level tests and Body Mass Index assessment. As for the children, they were entertained and put to compete in a colouring contest. As a finale, the

Corporate Social Responsibility (CSR) (continued)

children were given new school bags to begin their new school year.

Upon completion of the CSR programs, our staff took the opportunity for a little retreat to track into the forest guided by an Orang Asli. It was definitely a rare experience enjoyed by the staff besides feeling proud that we were able to do our part to serve the community.

In 2017, the K-One Group felt honoured to be able to contribute some consumer electronic lifestyle products in conjunction with the 30th Anniversary celebration of the Department of Primary Care Medicine, a department under the University of Malaya Medical Centre. It was our way to show appreciation to the untiring efforts and sacrifice of such dedicated staff in the medical/healthcare profession. We applaud a job well done to them.

Corporate Governance Overview Statement

K-One Technology Berhad was listed on the ACE Market of Bursa Malaysia Securities Berhad on 5 January 2006. Being a listed company, the Board of Directors ('the Board') acknowledges the importance of adopting high standards of corporate governance within the Group as set out in the Malaysian Code on Corporate Governance 2017 ("the Code") and strives to maintain the management of the Group with integrity, transparency and accountability. The Board emphasizes sound internal control and prudent management to safeguard and enhance shareholders' investment and value as well as to protect the interest of minority shareholders.

Details of the Group's application of the relevant practices set out in the Code are disclosed on the Group's website at www.k-one.com.

PRINCIPLE STATEMENT

The following statements set out the approach of the Company in adopting the principle of self-regulation, which adheres closely to the Code.

A. BOARD OF DIRECTORS

i. Board and Board Charter

The Company is led by an experienced Board with high personal integrity, wide mix of knowledge, business acumen, management skills and industry expertise from various backgrounds, which is an invaluable asset for the stewardship of the Company's direction and operations.

The Board has adopted a Board Charter which serves as a source of reference in providing insight to prospective Board members. The core areas of the Board Charter include the following:

- Board membership, which includes composition, appointment and re-election, independence of Independent Director and the requirement of Board members to notify the Chairman of the Board before accepting new directorship and to indicate the time expected to be spent on the new appointment;
- Board role and responsibilities, which include duties and responsibilities of the Board, roles of the Executive Chairman, Chief Executive Officer, Executive Director and Non-Executive Director respectively;
- Board meetings;
- Board committees; and
- Access to information.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Group and any new regulations that may have an impact on the discharge of the Board's responsibilities. The current Board Charter was reviewed and updated in February 2018.

Board Responsibilities

The Board has adopted the following responsibilities to facilitate the Board in discharging its fiduciary duties in respect of the Group:

- Reviewing and adopting strategic plans and goals for the Group;
- Evaluating the performance and conduct of the Group's business;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Establishing a succession plan for Senior Management;
- Reviewing the adequacy and integrity of management information and internal control system;
- Assessing and implementing a shareholder communication policy; and
- Approving key matters such as financial results as well as major investments and divestments, major acquisitions and disposals and major capital expenditure in accordance with the limits of authority.

Corporate Governance Overview Statement (continued)

A. BOARD OF DIRECTORS (CONTINUED)

i. Board and Board Charter (Continued)

Board Responsibilities (Continued)

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.

Board Reserved Matters

The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The role of Management, on the other hand, is to run the business operations and administration of financial matters of the Group in accordance with established delegated authority from the Board.

The Board delegates the day-to-day management of the Group's business to the Senior Management, but reserves for its consideration significant matters such as the following:

- Strategic plan and long term objectives;
- Annual budgets and capital expenditures;
- Corporate and capital structure;
- Financial reporting and controls;
- Dividend policy and declaration of dividends;
- Internal controls and risk management;
- Shareholders/investors communication;
- Board membership and other appointments; and
- Corporate governance matters.

Independence of Directors

The Board conducts annual review of the independence of each of the Directors, based on information provided by the Directors. Directors are expected to volunteer information as and when changes occurred.

The fundamental premise of the assessment is that an Independent Director must be independent of management and free of any business, family or other relationship, that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of his independent and objective judgment.

The Nomination Committee and the Board have upon their annual assessment, concluded that each of the four (4) Independent Non-Executive Directors, namely; Goh Chong Chuang, Loi Kim Fah, Anita Chew Cheng Im and Dato' Azlam Shah bin Alias continues to be independent-minded and demonstrate conduct and behaviour that are essential indicators of independence.

Directors' Code of Conduct

The Company is committed to abide by ethical business practices. Accordingly and above all else, we value:

- Integrity and honesty;
- Openness and respect for others;
- Execution and accountability;
- Passion for customers, partners and technology;
- Commitment to personal excellence and self-improvement; and
- Protection of identity of whistle blower.

A. BOARD OF DIRECTORS (CONTINUED)

i. Board and Board Charter (Continued)

Directors' Code of Conduct (Continued)

To put these values into practice on a daily basis, a Code of Ethics is established as a guide for ethical business conduct for the Directors, Management and staff of the Company, which is available on the Company's website.

Review of Board Performance

The Board undertakes an annual review of its performance and that of its Committees. The performance evaluation comprises of Board Performance Evaluation, Board Committee Performance Evaluation and Directors' Self and Peer Assessment. The evaluation is designed to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed.

The main areas/performance indicators for the evaluation include the Board/Board Committee composition, administration and process, conduct, accountability, interaction and communication with the Management. Performance indicators for individual Directors include their active contributions, understanding of their roles and quality of input.

The findings were generated based on Directors' feedback and were tabled and discussed at the Nomination Committee meeting. Results revealed that the Board and the Board Committees had performed well, with overall rating above average, indicating that the Board and the Committees have performed effectively.

Board Meetings

The attendance of the Board meetings by the Directors during the financial year ended 31 December 2017 is as follows:

Date of Meeting	Total No. of Directors	Attendance by Directors	
		Executive	Non-Executive
21 February 2017	7	2	5
15 March 2017	7	2	5
26 May 2017	7	2	5
14 August 2017	7	2	5
17 November 2017	7	2	5

Details of attendance by individual Directors are as follows:

	Attendance by Directors	Percentage of Attendance
Ir. Edwin Lim Beng Fook	5/5	100%
Dato' Martin Lim Soon Seng	5/5	100%
Bjørn Bråten	5/5	100%
Goh Chong Chuang	5/5	100%
Loi Kim Fah	5/5	100%
Anita Chew Cheng Im	5/5	100%
Dato' Azlam Shah bin Alias	5/5	100%

Corporate Governance Overview Statement (continued)

A. BOARD OF DIRECTORS (CONTINUED)

i. Board and Board Charter (Continued)

Board Committees

The Board has delegated specific responsibilities to Board committees, namely the Audit Committee, Nomination Committee and Remuneration Committee in order to enhance business, operational and administration efficiency as well as efficacy. The members of the committees appoint the Chairman of their respective committees. These committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all the matters, however, lies with the Board.

(a) Audit Committee
The Audit Committee Report is presented on pages 27 to 29 of this Annual Report.

(b) Nomination and Remuneration Committees
Reports of the Nomination and Remuneration Committees are set out under items A (vi) and B.

ii. Board Balance

The Board consists of seven (7) Directors, of which two (2) are Executive Directors, four (4) are Independent Non-Executive Directors and one (1) is a Non-Independent Non-Executive Director. This is in compliance with Rule 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market ('AMLR') which requires at least two (2) Directors or one third (1/3) of the Board, whichever is higher, are Independent Directors. The Board maintains full control over the Company and monitors the Management. The Executive Directors have overall responsibility for the operational activities of the Group and implementation of the Board's policies and decisions. Independent Non-Executive Directors play a pivotal role in incorporating accountability as they provide objective and independent views to the decision-making process of the Board. The presence of the Independent Non-Executive Directors brings an additional element of check and balance to the Board.

Considering the recommendation of the Code pertaining to the tenure of an Independent Director not 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 17th Annual General Meeting to extend the tenureship of Independent 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 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.

A. BOARD OF DIRECTORS (CONTINUED)

iii. Access and Supply of Information

Directors are provided with notice of at least 14 working days prior to each Board meeting. Board papers are issued 7 working days prior to the Board meetings to enable the Directors to review and consider the agenda to be discussed in the Board meeting. This normally includes reports relevant to the agenda of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters.

The Chairman ensures that the Board has unrestricted access to timely and accurate information in furtherance of its duties. They are unhindered to seek advice and services of the Company Secretary who is responsible for ensuring the Board meeting procedures are adhered to and that applicable rules and regulations are complied with.

iv. Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the AMLR, Companies Act, 2016 and other relevant laws and regulations. In performing this duty, the Company Secretary carries out, among others, the following key tasks:

- Statutory duties as specified under the Companies Act, 2016 and AMLR;
- Facilitating and attending Board and Board Committee meetings and ensuring that the Board meetings are properly convened and proceedings are properly recorded;
- Ensuring timely communication of Board level decisions to Management;
- Ensuring that all appointments to the Board and Committees are properly made;
- Maintaining records for the purposes of meeting statutory obligations;
- Facilitating the provision of information as may be requested by the Directors from time to time; and
- Supporting the Board in ensuring adherence to Board policies and procedures.

v. Directors' Training

During the financial year under review, the following Directors had attended the undermentioned conferences, seminars and/or training programmes:

Ir. Edwin Lim Beng Fook

Date	Organiser	Topic
30 March 2017	Ernst & Young Malaysia	Digital Trends Strategies: New Challenges & Directions
17 July 2017	Bursa Malaysia	How To Engage & Enthuse Beyond Compliance with Sustainability?
15 August 2017	Baker Tilly Malaysia	Integrating Sustainability Reporting For Effective Risk Management
13 October 2017	Bursa Malaysia	Leading In A Volatile, Uncertain, Complex & Ambiguous World
23 October 2017	Bursa Malaysia	To Enhance Quality Of MD & A
5 December 2017	Bursa Malaysia	Thought Leadership For Directors

Corporate Governance Overview Statement (continued)

A. BOARD OF DIRECTORS (CONTINUED)

v. Directors' Training (Continued)

Dato' Martin Lim Soon Seng

Date	Organiser	Topic
17 July 2017	Bursa Malaysia	How To Engage & Enthuse Beyond Compliance with Sustainability?
15 August 2017	Baker Tilly Malaysia	Integrating Sustainability Reporting For Effective Risk Management
13 October 2017	Bursa Malaysia	Leading In A Volatile, Uncertain, Complex & Ambiguous World
23 October 2017	Bursa Malaysia	To Enhance Quality Of MD & A
5 December 2017	Bursa Malaysia	Thought Leadership For Directors

Loi Kim Fah

Date	Organiser	Topic
25 & 26 July 2017	Inland Revenue Board of Malaysia	National Tax Conference 2017
14 & 15 September 2017	Malaysian Institute of Accountants	Practical Auditing Methodology for SMPs
18 & 19 September 2017	Royal Malaysian Customs Department	GST Conference 2017
9 November 2017	Inland Revenue Board of Malaysia	Seminar on National Tax Malaysia 2017

Anita Chew Cheng Im

Date	Organiser	Topic
3 August 2017	Axcelasia	Driving Financial Integrity and Performance-Enhancing Financial Literacy for Audit Committees

Dato' Azlam Shah bin Alias

Date	Organiser	Topic
6 & 7 April 2017	ICLIFF	Mandatory Accreditation Programme

vi. Appointment to the Board

There is a formal and transparent procedure which has been approved for the appointment of new Directors to the Board. The Board is constantly reviewing the performance of its existing Directors as well as appointing new Directors to the Board whenever the need arises.

Nomination Committee

In compliance with the Code, a Nomination Committee was set up on 24 February 2006 and is delegated with the following specific tasks:

A. BOARD OF DIRECTORS (CONTINUED)

vi. Appointment to the Board (Continued)

Nomination Committee (Continued)

(a) To recommend to the Board, candidates for directorships to be filled;

(b) To consider, in making its recommendations, candidates for directorships proposed by the Executive Directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;

(c) To recommend to the Board, Directors to fill the seats of Board Committees;

(d) To annually review the required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board; and

(e) To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors, as well as the Chief Executive Officer. All assessments and evaluations carried out by the Committee in the discharge of all its functions shall be documented.

The Nomination Committee comprises three (3) Non-Executive Directors. The members of the Nomination Committee are as follows:

Chairman	Goh Chong Chuang	Independent Non-Executive Director
Members	Loi Kim Fah Bjørn Bråten	Independent Non-Executive Director Non-Independent Non-Executive Director

Process On Board Appointment

i. The Board makes clear at the outset its expectations of its new Directors.

ii. The Nomination Committee:

(a) makes independent recommendations for appointments to the Board based on criteria which they have developed, maintained and reviewed;

(b) may consider the use of external consultants in the identification of potential Directors;

(c) assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment and other qualities of the candidates; and

(d) recommends their appointment to the Board for approval.

vii. Re-election

The Company's Articles of Association provides that one third (1/3) or nearest to one-third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election provided always that all the Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

In considering whether to recommend a Director who is eligible to stand for re-election, the Nomination Committee would consider a variety of factors, including:

- the Director's contributions to the Board and ability to continue to contribute productively;
- the Director's attendance at Board and committee meetings;
- the Director's compliance with the Code;
- whether the Director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service;
- the independence of the Director; and
- the nature and extent of the Director's activities outside of the Company.

Corporate Governance Overview Statement (continued)

B. DIRECTORS' REMUNERATION

In compliance with the Code, a Remuneration Committee was set up on 24 February 2006 and is delegated with the following specific tasks:

(a) To establish policies on the remuneration of Executive Directors; and

(b) To recommend to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice as necessary.

The Remuneration Committee comprises two (2) Independent Non-Executive Directors and one (1) Executive Director. The members of the Remuneration Committee are as follows:

Chairman	Goh Chong Chuang	Independent Non-Executive Director
Members	Ir. Edwin Lim Beng Fook Loi Kim Fah	Executive Director Independent Non-Executive Director

The Remuneration Committee carries out annual review of the overall remuneration policy of the Directors, Chairman and the Chief Executive Officer whereupon remunerations are submitted to the Board for approval. The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders and further that the remuneration packages of the Directors, Executive Chairman and the Chief Executive Officer are sufficiently attractive to hire and retain persons of high calibre.

The Remuneration Committee takes into account the performance of the Chairman and Chief Executive Officer and submits recommendation to the Board on specific adjustments in remuneration and/or reward payment that reflect their contributions for the year which are competitive and in tandem with the Company's corporate objective, culture and strategy.

The Board as a whole determines the remuneration of the Non-Executive Directors.

Details of Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 December 2017 are as follows:

	Salaries and Bonuses** RM'000	Fees RM'000	Meeting Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors					
Ir. Edwin Lim Beng Fook	975	-	-	-	975
Dato' Martin Lim Soon Seng	975	-	-	-	975
Non-Executive Directors					
Bjørn Bråten	-	-	-	15	15
Goh Chong Chuang	-	48	6	-	54
Loi Kim Fah	-	48	6	-	54
Anita Chew Cheng Im	-	48	6	-	54
Dato' Azlam Shah bin Alias*	-	44	5	-	49
Total	**1,950**	**188**	**23**	**15**	**2,176**

* Appointed on 2 February 2017.

** Salaries and bonuses comprise basic salary, bonus, EPF and SOCSO.

C. SHAREHOLDERS

Dialogue between the Company and Individual

The Company values the importance of dialogue between the Group and its investors in order to provide them with the clearest and most complete picture of the Group's performance and financial position. Such information is disseminated via the Company's annual reports, various disclosures to Bursa Malaysia Securities Berhad, including quarterly financial results, research papers and various announcements made from time to time. Discussions were also held between the Senior Management and a number of investment analysts and investors, highlighting to them the Group's performance.

Annual General Meeting

The forthcoming Annual General Meeting ('AGM') is the Company's thirteenth AGM as a listed company and this will provide the opportunity for shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements, corporate documents, the resolutions being proposed and/or on the business of the Group. Shareholders who are unable to attend may appoint proxies to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company would be present to answer questions raised at the meeting.

D. ACCOUNTABILITY AND AUDIT

i. Financial Reporting

The aim of the Directors in relation to financial reporting is to present a balanced and meaningful assessment of the Group's position and prospects, primarily through its annual financial statements and quarterly financial results to its shareholders. In presenting the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates. The quarterly financial results were reviewed by the Audit Committee and approved by the Board before its release to Bursa Malaysia Securities Berhad.

ii. Statement of Directors' Responsibility for Preparing Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

iii. Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Statement of Risk Management and Internal Control is furnished on pages 30 and 31 of this Annual Report and this provides an overview of the state of internal controls within the Group. For the financial year ended 31 December 2017, the cost incurred in respect of the internal audit review performed by in-house Internal Auditors was RM102,794.

The Group's operations involve the management and assessment of a wide range of risks. Its system of internal control can only provide reasonable and not absolute assurance against fraud, material misstatement or loss.

Corporate Governance Overview Statement (continued)

D. ACCOUNTABILITY AND AUDIT (CONTINUED)

iii. Internal Control (Continued)

It is possible that internal control may be circumvented or overridden. Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The risk management and internal control systems are designed to identify principal risks, assess and manage these risks within the overall risk tolerance of the Group and to manage these risks efficiently, effectively and economically rather than to eliminate these risks, much as we wish but highly improbable.

iv. Relationship with External Auditors

The Company maintains a transparent and professional relationship with the Company's External Auditors. Key features underlying the relationships of the External Auditors through the Audit Committee are described on pages 27 to 29 of this Annual Report. The External Auditors' remuneration including non-audit fees for the Group and the Company for the financial year ended 31 December 2017 is disclosed in Note 18 of the financial statements.

The Audit Committee and Board place great emphasis on the objectivity and independence of the External Auditor in providing the Auditors' reports to the shareholders. The External Auditors were invited to and attended all the Audit Committee Meetings held in 2017.

The External Auditors' presence was also requested and attended the Company's Annual General Meeting held in May 2017 to address, as appropriate, pertinent issues raised by the shareholders.

The role of the Audit Committee in connection with its relationship with the External Auditors is illustrated in the Audit Committee Report under "Summary Of Work" on pages 27 to 29 of this Annual Report.

Audit Committee Report

The Company established an Audit Committee on 3 February 2005. The Audit 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 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 Committee meetings held during the financial year ended 31 December 2017. The details of the attendance of each member of the Audit Committee are as follows:

		Total Meetings Attended by Committee Members	Percentage of Audit 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 Committee include:

(a) Financial Reporting

- Reviewed with the appropriate officers of the Group, the quarterly financial results and annual audited financial statements of the Group, 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 comply 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;

Audit Committee Report (continued)

SUMMARY OF WORK (CONTINUED)

(a) Financial Reporting (Continued)

- 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.

(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 quarterly 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 by the Internal Audit function;
- Reviewed the performance of the internal audit staff; and
- Reviewed the adequacy of the charter of the Internal Audit function.

(d) Others

- Reviewed the Executive Chairman's Statement, the CEO's Operations Review, the Management's Discussion and Analysis of Business Operations and Financial Performance, the Audit Committee Report, the Statement on Risk Management and Internal Control and the Corporate Governance Overview Statement prior to their inclusion in the Company's Annual Report 2017; 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 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 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.

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 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 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 Controls

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. However, AHM Consultancy & Security Services Sdn. Bhd. did not come under the purview of the Group's internal controls and risk management processes as it only officially became an associate company in January 2018 following the completion of its acquisition at the same time.

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, key business risks which include external, operational and financial risks were presented to the Board.

The Group consciously covers and transfers certain risks by securing adequate insurance coverage against product and public liabilities, goods in-transit damage/loss and fire mishap.

The Board regards the risk management and internal controls system as an integral part of the overall management processes. The Audit 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 proposed mitigating plans.

iii. Documented Policies And Procedures

We have 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.

Statement of Risk Management and Internal Controls (continued)

KEY ELEMENTS OF INTERNAL CONTROLS (CONTINUED)

iv. Code of Business Conduct

The Group has formalised business ethics through a Code of Conduct & Ethics. Staff are briefed upon joining and subsequently reminded to adhere to the Code of Conduct & Ethics which is available on the Company's website.

v. Quality Control

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

vi. Internal Audit

The Internal Audit Department that reports to the Audit 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 recommendations made by the Audit Committee and Senior Management.

vii. Audit Committee

The Audit Committee was set up with the view to assist and provide the Board with added focus in discharging its duties. For 2017, the Audit 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 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 Head Of Finance 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 Reviews of Historic Financial Information and reported to the Board that are based on the procedures performed, 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 26 February 2018.

Other Information

MATERIAL CONTRACTS INVOLVING DIRECTOR' AND MAJOR SHAREHOLDERS' INTERESTS

There was no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders' interests.

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 2017.

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 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Loss for the financial year	9,603,752	306,107
Loss attributable to:		
Owners of the Company	9,603,752	306,107

DIVIDENDS

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

The directors do not recommend any final dividend payment in respect of the financial year ended 31 December 2017.

RESERVES AND 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 provision for doubtful debts and have satisfied themselves that there were no known bad debts that had not been written off 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 provided 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 realise 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 liability 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 OR DEBENTURES

During the financial year, the Company issued 46,488,980 new ordinary shares at an issue price of RM0.14 each for working capital purposes pursuant to the private placement as disclosed in Note 30 to the financial statements.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

No debentures were issued during the financial year.

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").

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 15 to the financial statements.

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 January 2017**	**Granted**	**Exercised**	**Forfeited**	**At 31 December 2017**
13 March 2017	RM0.165	-	130,000,000	-	(1,200,000)	128,800,000
25 July 2017	RM0.20	-	500,000	-	-	500,000

Directors' Report (continued)

DIRECTORS OF THE COMPANY

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. Edwin Lim Beng Fook *
Dato' Martin Lim Soon Seng *
Bjørn Bråten *
Goh Chong Chuang
Loi Kim Fah
Anita Chew Cheng Im
Dato' Azlam Shah bin Alias (Appointed on 2 February 2017)

* Directors of the Company and of certain subsidiaries

DIRECTORS' INTERESTS

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:

	Number of Ordinary Shares			
	At 1.1.2017	**Subscribed**	**Sold**	**At 31.12.2017**
Direct interest				
Ir. Edwin Lim Beng Fook	65,832,988	21,269,490	-	87,102,478
Dato' Martin Lim Soon Seng	56,245,575	21,269,490	-	77,515,065
Bjørn Bråten	45,243,694	-	-	45,243,694
Goh Chong Chuang	408,220	-	-	408,220
Loi Kim Fah	111,300	-	-	111,300

	Number of ESOS			
Name	**Balance as at 1.1.2017**	**Granted**	**Exercised**	**Balance as at 31.12.2017**
Ir. Edwin Lim Beng Fook	-	13,000,000	-	13,000,000
Dato' Martin Lim Soon Seng	-	13,000,000	-	13,000,000
Bjørn Bråten	-	1,000,000	-	1,000,000
Goh Chong Chuang	-	1,000,000	-	1,000,000
Loi Kim Fah	-	1,000,000	-	1,000,000
Anita Chew Cheng Im	-	500,000	-	500,000
Dato' Azlam Shah bin Alias	-	500,000	-	500,000

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' 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 21 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 26 to the financial statements.

DIRECTORS' BENEFITS (CONTINUED)

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, there were no indemnity coverage and insurance premium paid for the directors and officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 30 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 19 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, Malaysia.

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, 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 dated 10 April 2018.

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IR. EDWIN LIM BENG FOOK
Director

....

DATO' MARTIN LIM SOON SENG
Director

Date: 10 April 2018

Statements of Financial Position

As at 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	**8,730,557**	8,729,914	**3,903,022**	3,961,890
Prepaid land lease	6	**1,020,407**	-	**-**	-
Other intangible assets	7	**171,171**	289,072	**140,447**	210,560
Investment in subsidiaries	8	**-**	-	**35,659,240**	15,801,000
Deferred tax assets	9	**276,600**	329,800	**-**	-
Total non-current assets		**10,198,735**	9,348,786	**39,702,709**	19,973,450
Current assets					
Inventories	10	**15,674,940**	9,501,942	**-**	-
Receivables, deposits and prepayments	11	**25,719,595**	19,979,616	**9,773,837**	2,623,465
Tax assets		**1,356,307**	863,344	**-**	-
Short term cash investment	12	**32,374,420**	23,000,000	**32,374,420**	23,000,000
Cash and bank balances	13	**18,615,056**	29,650,862	**14,007,062**	20,666,298
Total current assets		**93,740,318**	82,995,764	**56,155,319**	46,289,763
TOTAL ASSETS		**103,939,053**	92,344,550	**95,858,028**	66,263,213
EQUITY AND LIABILITIES					
Share capital	14	**69,659,347**	47,265,534	**69,659,347**	47,265,534
Reserves	15	**16,033,824**	28,700,566	**13,561,863**	16,912,988
Total equity		**85,693,171**	75,966,100	**83,221,210**	64,178,522
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	9	**1,000**	300	**-**	-
Total non-current liabilities		**1,000**	300	**-**	-
Current liabilities					
Payables and accruals	16	**18,151,397**	16,316,802	**12,556,014**	2,023,609
Tax payables		**93,485**	61,348	**80,804**	61,082
Total current liabilities		**18,244,882**	16,378,150	**12,636,818**	2,084,691
Total liabilities		**18,245,882**	16,378,450	**12,636,818**	2,084,691
TOTAL EQUITY AND LIABILITIES		**103,939,053**	92,344,550	**95,858,028**	66,263,213

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

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	17	**78,261,403**	81,864,186	**1,751,032**	1,351,871
Cost of sales	18	**(62,669,736)**	(72,313,437)	**(160,106)**	(1,377,247)
Gross profit/(loss)		**15,591,667**	9,550,749	**1,590,926**	(25,376)
Other income		**1,988,639**	1,876,037	**1,764,367**	1,278,670
Administrative expenses		**(12,354,162)**	(9,203,966)	**(964,598)**	(598,339)
Sales and distribution costs		**(966,132)**	(946,752)	**(57,635)**	(54,490)
Other operating expenses		**(12,840,338)**	(10,327,408)	**(2,414,711)**	(4,566,906)
		(26,160,632)	(20,478,126)	**(3,436,944)**	(5,219,735)
Loss before tax	19	**(8,580,326)**	(9,051,340)	**(81,651)**	(3,966,441)
Tax expense	22	**(1,023,426)**	(174,624)	**(224,456)**	(720,365)
Loss for the financial year		**(9,603,752)**	(9,225,964)	**(306,107)**	(4,686,806)
Other comprehensive loss, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation		**(17,972)**	7,208	**-**	-
Total comprehensive loss for the financial year		**(9,621,724)**	(9,218,756)	**(306,107)**	(4,686,806)
Loss attributable to:					
Owners of the Company		**(9,603,752)**	(9,225,964)	**(306,107)**	(4,686,806)
Total comprehensive loss attributable to:					
Owners of the Company		**(9,621,724)**	(9,218,756)	**(306,107)**	(4,686,806)
Loss per ordinary share attributable to owners of the Company					
Basic (sen)	23	**(1.88)**	(1.95)		
Diluted (sen)	23	**(1.88)**	(1.95)		

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

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2017

	Attributable to Owners of the Company					
	Share Capital RM	Share Premium RM	Share Option Reserve RM	Foreign Exchange Reserve RM	Retained Earnings RM	Total Equity RM
At 1 January 2016	47,265,534	15,885,356	-	(4,677)	22,038,643	85,184,856
Comprehensive loss						
Loss for the financial year	-	-	-	-	(9,225,964)	(9,225,964)
Other comprehensive income						
Foreign currency translation difference	-	-	-	7,208	-	7,208
Total comprehensive income/(loss)	-	-	-	7,208	(9,225,964)	(9,218,756)
At 31 December 2016	47,265,534	15,885,356	-	2,531	12,812,679	75,966,100
Comprehensive loss						
Loss for the financial year	-	-	-	-	(9,603,752)	(9,603,752)
Other comprehensive loss						
Foreign currency translation difference	-	-	-	(17,972)	-	(17,972)
Total comprehensive loss	-	-	-	(17,972)	(9,603,752)	(9,621,724)
Transactions with owners						
Transition to no-par value regime	15,885,356	(15,885,356)	-	-	-	-
Issuance of ordinary shares	6,508,457	-	-	-	-	6,508,457
ESOS granted	-	-	12,840,338	-	-	12,840,338
Total transactions with owners	22,393,813	(15,885,356)	12,840,338	-	-	19,348,795
At 31 December 2017	**69,659,347**	**-**	**12,840,338**	**(15,441)**	**3,208,927**	**85,693,171**

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

Statement of Changes In Equity (continued)
For the financial year ended 31 December 2017

	Share Capital RM	Share Premium RM	Share Option Reserve RM	Retained Earnings RM	Total Equity RM
	← Attributable to Owners of the Company →				
At 1 January 2016	47,265,534	15,885,356	-	5,714,438	68,865,328
Comprehensive loss					
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(4,686,806)	(4,686,806)
At 31 December 2016	47,265,534	15,885,356	-	1,027,632	64,178,522
Comprehensive loss					
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(306,107)	(306,107)
Transactions with owners					
Transition to no-par value regime	15,885,356	(15,885,356)	-	-	-
Issuance of ordinary shares	6,508,457	-	-	-	6,508,457
ESOS granted	-	-	12,840,338	-	12,840,338
Total transactions with owners	22,393,813	(15,885,356)	12,840,338	-	19,348,795
At 31 December 2017	69,659,347	-	12,840,338	721,525	83,221,210

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

Statements of Cash Flows

For the financial year ended 31 December 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cash Flows from Operating Activities				
Loss before tax	**(8,580,326)**	(9,051,340)	**(81,651)**	(3,966,441)
Adjustments for:				
Impairment on goodwill	**-**	5,545,761	**-**	-
Impairment on investment in subsidiaries	**-**	-	**1,706,100**	4,353,912
Impairment loss on amount due from subsidiaries	**-**	-	**231,761**	-
Reversal of impairment loss on amount due from subsidiaries	**-**	-	**(1,246)**	-
Amortisation of computer software	**125,901**	128,927	**70,113**	71,938
Depreciation of property, plant and equipment	**576,002**	2,466,379	**58,868**	59,298
Property, plant and equipment written off	**-**	3,657,942	**-**	-
Intangible assets written off	**-**	23	**-**	-
Interest income	**(746,216)**	(1,081,109)	**(626,033)**	(849,165)
Income from short term cash investment	**(609,168)**	(193,009)	**(609,168)**	(193,009)
Share options granted under ESOS	**12,840,338**	-	**476,850**	-
Net unrealised loss/(gain) on foreign exchange	**708,702**	1,063,419	**37,442**	(36,631)
Operating profit/(loss) before working capital changes carried down	**4,315,233**	2,536,993	**1,263,036**	(560,098)
Inventories	**(6,172,998)**	(319,146)	**-**	-
Receivables	**2,634,998**	7,966,511	**(30,692)**	599,179
Payables	**1,853,640**	(7,398,397)	**80,262**	(87,001)
Cash generated from/(used in) operations	**2,630,873**	2,785,961	**1,312,606**	(47,920)
Interest received	**746,216**	1,081,109	**626,033**	849,165
Tax paid	**(1,456,843)**	(1,524,344)	**(204,734)**	(157,521)
Tax refunded	**26,491**	49,757	**-**	-
Net cash (used in)/from operating activities	**1,946,737**	2,392,483	**1,733,905**	643,724

Statements of Cash Flows (continued)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment		**(576,645)**	(940,733)	**-**	(4,880)
Purchase of prepaid land lease		**(1,020,407)**	-	**-**	-
Purchase of intangible assets		**(8,000)**	(5,000)	**-**	-
Purchase of shares in associate company		**(8,700,000)**	-	**(8,700,000)**	-
Income from short term cash investment		**609,168**	193,009	**609,168**	193,009
(Advances to)/Repayment from subsidiaries		**-**	-	**(7,851,047)**	23,302,413
Placement of deposit with licenced banks		**(7,500,000)**	(6,000,000)	**(7,500,000)**	(6,000,000)
Short term cash investments		**(9,374,420)**	(23,000,000)	**(9,374,420)**	(23,000,000)
Net cash used in investing activities		**(26,570,304)**	(29,752,724)	**(32,816,299)**	(5,509,458)
Cash Flows from Financing Activities					
Proceeds from issuance of shares		**6,508,457**	-	**6,508,457**	-
Advances from subsidiaries		**-**	-	**10,452,146**	731,337
Net cash from financing activities		**6,508,457**	-	**16,960,603**	731,337
Net decrease in cash and cash equivalents		**(18,115,110)**	(27,360,241)	**(14,121,791)**	(4,134,397)
Effect of exchange rate fluctuations on cash and cash equivalents		**(420,696)**	(1,134,087)	**(37,445)**	10,846
Cash and cash equivalents at beginning of financial year		**23,650,862**	52,145,190	**14,666,298**	18,789,849
Cash and cash equivalents at end of financial year	13	**5,115,056**	23,650,862	**507,062**	14,666,298

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

Notes to the Financial Statements

31 December 2017

1. CORPORATE INFORMATION

K-One Technology Berhad is a public limited liability company, incorporated and domiciled in Malaysia and 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 8.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were approved and authorised for issue in accordance with a Board of Directors' resolution dated 10 April 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

The Company had adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs

MFRS 12	Disclosure of Interest in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvements to MFRSs 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.

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective and have not been early adopted

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021

Notes to the Financial Statements (continued)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective and have not been early adopted (Continued)

Amendments/Improvements to MFRSs

MFRS 1	First time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

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

MFRS 9 Financial Instruments

MFRS9 replaces the guidance of MFRS 139, *Financial Instruments Recognition and Measurement* on the classification and measurement of financial assets and liabilities, on impairment of financial assets and on hedge accounting.

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaces the "incurred loss" model in MFRS139. Specifically, this Standard requires entities to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financial component shall always measure the loss allowance at an amount equal to lifetime expected asset losses.

Notes to the Financial Statements (continued)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective and have not been early adopted (Continued)

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The Group will apply MFRS 9 retrospectively. Based on the Group's initial assessment, the Group does not expect material financial impact to the financial statements in the period of its initial application. The Group will conclude its assessment upon completion of its detailed analysis in initial application of this Standard.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 *Leases*, 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.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact of the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this Standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this Standard when it becomes effective in the financial year beginning 2019 by applying the transitional provisions and include the resolved additional disclosure in their financial statements of that year.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 provide specific guidance on the accounting for:

(i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective and have not been early adopted (Continued)

***Amendments to MFRS 2 Share-based Payment* (Continued)**

(ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and

(iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations; and

(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

The Group is in the process of determining the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC.

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 and has been rounded to the nearest thousand, unless otherwise stated.

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 FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 involved a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(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 on 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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Accounting for business combinations (Continued)

(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.

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.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(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.

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.

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (Continued)

(c) Depreciation (Continued)

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.

3.3 Intangible assets

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.

3.4 Financial assets

Financial assets 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near future.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains and losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial assets (Continued)

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially assuming all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales 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. All regular way purchases or sales of financial asset are recognised and derecognised, as applicable, using trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 risk specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down 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 are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. 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. Impairment loss on goodwill is not reversed in a subsequent period.

3.6 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of financial assets (Continued)

(a) Trade and other receivables and other financial assets carried at amortised cost (Continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity instruments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

3.7 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.

3.8 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.

3.9 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.

3.10 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, 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. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial liabilities (Continued)

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the profit or loss.

3.11 Leases

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.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalizes 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 capitalize 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Leases (Continued)

(b) Lessor accounting

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.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement 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.

3.12 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue is recognised upon delivery of goods and customer acceptance, if any, when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(b) Services

Revenue from services are recognised when the services are rendered.

(c) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(d) 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.

(e) Income from short term cash investment

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

3.14 Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(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.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Taxes (Continued)

(b) Deferred tax (Continued)

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) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST 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 GST included.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statements of financial position.

3.15 Employee Benefits

(a) Short-term employee benefits

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences, including sick leave, maternity and paternity leave are recognised when absences occur.

(b) Post-employment benefits

The Group and the Company contribute to the Employees Provident Fund, based on the national defined contribution plan. The contributions are charged to the profit or loss in the year to which they are related. Once the contributions have been paid, the Group and the Company have no further payment obligations.

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 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Share-based payments (Continued)

(a) Equity-settled share-based payment (Continued)

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 Company 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 28, 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.

3.19 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date or the amount initially recognised less cumulative amortisation.

3.20 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.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Fair value measurement (Continued)

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 Share-based payments

The Group and the Company grant share options to directors and employees who have met the specified conditions. The share options granted are measured at fair value at grant date using a binomial option pricing model. The key assumptions or inputs used in the binomial option pricing model include: (a) the current share price, (b) the exercise price, (c) the risk-free rate, (d) the volatility of the share price, (e) the dividend yield and (f) the time period to maturity. As the volatility of the share price is estimated based on past price movements, the actual volatility may not coincide with the estimates made. This difference may affect the fair value measurement of the options granted but they are not adjusted retrospectively because the equity component of the options granted is not remeasured to fair value subsequent to their initial recognition. 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 carrying amount of share option reserve and assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 15.

Notes to the Financial Statements (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Furniture and fittings, office equipment and renovation RM	Motor vehicles RM	Plant and machinery and testing equipment RM	Capital work in progress RM	Total RM
Cost								
At 1 January 2017	1,433,333	1,680,000	5,090,881	7,724,112	-	3,577,693	130,371	19,636,390
Additions during financial year	-	-	-	540,998	-	-	35,647	576,645
Reclassification	-	-	-	166,018	-	-	(166,018)	-
Effect of movement in exchange rates	-	-	-	(3,579)	-	-	-	(3,579)
At 31 December 2017	1,433,333	1,680,000	5,090,881	8,427,549	-	3,577,693	-	20,209,456
Accumulated Depreciation								
At 1 January 2017	-	288,000	654,835	6,415,984	-	3,547,657	-	10,906,476
Charge for financial year	-	48,000	107,185	408,179	-	12,638	-	576,002
Effect of movement in exchange rates	-	-	-	(3,579)	-	-	-	(3,579)
At 31 December 2017	-	336,000	762,020	6,820,584	-	3,560,295	-	11,478,899
Net Carrying Amount								
At 31 December 2017	1,433,333	1,344,000	4,328,861	1,606,965	-	17,398	-	8,730,557
Cost								
At 1 January 2016	1,433,333	1,680,000	4,932,800	8,170,988	23,000	15,249,719	29,287	31,519,127
Additions during financial year	-	-	158,081	681,568	-	-	101,084	940,733
Written off during financial year	-	-	-	(1,129,908)	(23,000)	(11,672,026)	-	(12,824,934)
Effect of movement in exchange rates	-	-	-	1,464	-	-	-	1,464
At 31 December 2016	1,433,333	1,680,000	5,090,881	7,724,112	-	3,577,693	130,371	19,636,390
Accumulated Depreciation								
At 1 January 2016	-	240,000	547,650	7,172,459	22,998	9,622,518	-	17,605,625
Charge for financial year	-	48,000	107,185	340,223	-	1,970,971	-	2,466,379
Written off during financial year	-	-	-	(1,098,162)	(22,998)	(8,045,832)	-	(9,166,992)
Effect of movement in exchange rates	-	-	-	1,464	-	-	-	1,464
At 31 December 2016	-	288,000	654,835	6,415,984	-	3,547,657	-	10,906,476
Net Carrying Amount								
At 31 December 2016	1,433,333	1,392,000	4,436,046	1,308,128	-	30,036	130,371	8,729,914

Notes to the Financial Statements (continued)

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
Cost					
At 1 January 2017/At 31 December 2017	1,433,333	2,866,667	2,131,859	601,092	7,032,951
Accumulated Depreciation					
At 1 January 2017	-	343,998	2,126,050	601,013	3,071,061
Charge for financial year	-	57,333	1,535	-	58,868
At 31 December 2017	-	401,331	2,127,585	601,013	3,129,929
Net Carrying Amount					
At 31 December 2017	1,433,333	2,465,336	4,274	79	3,903,022
Cost					
At 1 January 2016	1,433,333	2,866,667	2,126,979	601,092	7,028,071
Additions during financial year	-	-	4,880	-	4,880
At 31 December 2016	1,433,333	2,866,667	2,131,859	601,092	7,032,951
Accumulated Depreciation					
At 1 January 2016	-	286,665	2,124,085	601,013	3,011,763
Charge for financial year	-	57,333	1,965	-	59,298
At 31 December 2016	-	343,998	2,126,050	601,013	3,071,061
Net Carrying Amount					
At 31 December 2016	1,433,333	2,522,669	5,809	79	3,961,890

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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Freehold land	**1,433,333**	1,433,333	**1,433,333**	1,433,333
Office buildings	**2,465,336**	2,522,669	**2,465,336**	2,522,669
	3,898,669	3,956,002	**3,898,669**	3,956,002

(b) Capital work in progress

These are in respect of renovation of buildings.

6. PREPAID LAND LEASE

	Group 2017 RM	Group 2016 RM
Cost		
At beginning of financial year	-	-
Additions during financial year	**1,020,407**	-
At end of financial year	**1,020,407**	-
Accumulated Depreciation		
At beginning/at end of financial year	-	-
Net Carrying Amount		
At end of financial year	**1,020,407**	-

7. OTHER INTANGIBLE ASSETS

	Group		Company	
Computer software	**2017 RM**	**2016 RM**	**2017 RM**	**2016 RM**
Cost				
At beginning of financial year	**1,165,831**	1,281,966	**865,795**	865,795
Additions during financial year	**8,000**	5,000	-	-
Written off during financial year	-	(121,135)	-	-
At end of financial year	**1,173,831**	1,165,831	**865,795**	865,795
Accumulated amortisation				
At beginning of financial year	**876,759**	868,944	**655,235**	583,297
Charge for financial year	**125,901**	128,927	**70,113**	71,938
Written off during financial year	-	(121,112)	-	-
At end of financial year	**1,002,660**	876,759	**725,348**	655,235
Net carrying amount	**171,171**	289,072	**140,447**	210,560

Notes to the Financial Statements (continued)

8. INVESTMENT IN SUBSIDIARIES

	Note	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost			
In Malaysia		**9,554,844**	9,554,844
Outside Malaysia		**1**	1
		9,554,845	9,554,845
ESOS granted to employees of subsidiaries		**12,363,488**	-
		21,918,333	9,554,845
Less: Allowance for impairment			
At beginning of financial year		**(4,683,912)**	(330,000)
Impairment during the year	(a)	**-**	(4,353,912)
At end of financial year		**(4,683,912)**	(4,683,912)
		17,234,421	4,870,933
Quasi loans	(b)	**20,130,919**	10,930,067
Less: Allowance for impairment			
At beginning of financial year		**-**	-
Impairment during the year		**(1,706,100)**	-
At end of financial year		**(1,706,100)**	-
		18,424,819	10,930,067
		35,659,240	15,801,000

(a) An impairment on investments in subsidiary amounting to RM4,353,912 has been recognised in the previous financial year to write down to its carrying value.

(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. An impairment on quasi loan amounting to RM1,706,100 (2016: RM Nil) has been recognised during the financial year to write down its carrying value.

Details of the subsidiaries are as follows:

Name of Company	Principal place of business/ Country of incorporation	Principal Activities	Effective ownership interest/voting right 2017	Effective ownership interest/voting right 2016
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%

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Company	Principal place of business/ Country of incorporation	Principal Activities	Effective ownership interest/voting right 2017	2016
K-One Electronics Sdn. Bhd.	Malaysia	Development and manufacturing of wire harness and electronic related accessories	100%	100%
K-One Resources Sdn. Bhd.	Malaysia	Development and manufacturing of electronic end-products and sub-systems	100%	100%
K-One Venture Sdn. Bhd. (fka K-One eLearning 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%
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	Development and manufacturing of electronic products and sub-systems	100%	100%

* Audited by auditors other than Baker Tilly Monteiro Heng.

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deferred tax assets/(liabilities)				
At beginning of financial year	**329,500**	413,700	**-**	494,700
Recognised in profit or loss (Note 22)	**(53,900)**	(84,200)	**-**	(494,700)
At end of financial year	**275,600**	329,500	**-**	-

Presented after appropriate offsetting as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deferred tax assets	**276,600**	329,800	**-**	-
Deferred tax liabilities	**(1,000)**	(300)	**-**	-
	275,600	329,500	**-**	-

Notes to the Financial Statements (continued)

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

Deferred tax assets/(liabilities) are attributable to the following:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Difference between the carrying amount of property, plant and equipment and its tax base	**(89,000)**	(134,081)	**-**	-
Deductible temporary differences in respect of expense	**170,000**	-		
Deductible temporary differences in respect of income	**(6,400)**	(76,242)	**-**	-
Unutilised capital allowance	**-**	536,165	**-**	-
Unabsorbed tax losses	**201,000**	3,658	**-**	-
	275,600	329,500	**-**	-

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other deductible temporary differences	**-**	-	**50,900**	-
Unutilised capital allowance	**1,387,500**	1,343,800	**-**	1,000
Unabsorbed tax losses	**4,692,500**	6,319,800	**884,200**	2,487,200
	6,080,000	7,663,600	**935,100**	2,488,200

10. INVENTORIES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At cost				
Raw materials	**14,097,733**	8,747,603	**-**	-
Work-in-progress	**16,392**	-	**-**	-
Finished goods	**1,560,815**	754,339	**-**	-
	15,674,940	9,501,942	**-**	-

During the financial year, inventories of the Group recognised as cost of goods sold amounted to RM62,669,736 (2016: RM72,313,437).

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current					
Trade					
Trade receivables	(a)	**15,503,421**	18,675,833	**529,264**	658,976
Non-trade					
Other receivables		**357,403**	138,016	**278,743**	92,036
GST refundable		**777,036**	825,758	**6,930**	4,965
		1,134,439	963,774	**285,673**	97,001
Amounts due from subsidiaries	(b)	**-**	-	**1,705,652**	3,055,457
Less: Allowance for impairment		**-**	-	**(1,465,201)**	(1,234,686)
		-	-	**240,451**	1,820,771
Deposits	(c)	**8,795,750**	82,064	**8,715,780**	16,280
Prepayments		**285,985**	257,945	**2,669**	30,437
		25,719,595	19,979,616	**9,773,837**	2,623,465

(a) Trade receivables

(i) Credit term of trade receivables

The normal credit terms extended to customers range from 30 to 90 days (2016: 30 to 90 days).

(ii) Ageing analysis of trade receivables

The ageing analysis of trade receivables as at the end of the reporting period are as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Neither past due nor impaired	**12,720,294**	16,874,237	**444,429**	594,646
1 to 30 days past due not impaired	**2,739,457**	1,157,379	**63,931**	5,604
31 to 60 days past due not impaired	**37,718**	291,608	**20,904**	-
61 to 90 days past due not impaired	**-**	307,094	**-**	57,382
91 to 120 days past due not impaired	**-**	43,173	**-**	-
More than 121 days past due not impaired	**5,952**	2,342	**-**	1,344
	2,783,127	1,801,596	**84,835**	64,330
Impaired	**-**	-	**-**	-
	15,503,421	18,675,833	**529,264**	658,976

<u>Receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with long term relationship and good payment records with the Group.

<u>Receivables that are past due but not impaired</u>

The Group and the Company have trade receivables amounting to RM2,783,127 and RM84,835 (2016: RM1,801,596 and RM64,330) respectively that are past due at the reporting date but not impaired because there have been no significant changes in the credit quality of the debtors and the amounts are still considered recoverable. These trade receivables that are past due but not impaired are unsecured in nature.

Notes to the Financial Statements (continued)

11. RECEIVABLES AND DEPOSITS (CONTINUED)

(a) Trade receivables (Continued)

(iii) Receivables that are impaired

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2017 RM	2016 RM
At beginning of financial year	-	156,812
Written off during financial year	-	(156,812)
At end of financial year	-	-

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand in cash and cash equivalents.

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

	Company	
	2017 RM	2016 RM
At beginning of financial year	1,234,686	1,234,686
Addition in impairment loss	231,761	-
Reversal of impairment loss	(1,246)	-
At end of financial year	1,465,201	1,234,686

The above receivables that are individually determined to be impaired at the reporting date related to subsidiaries that are currently inactive or semi active.

(c) Included in deposits of the Group and of the Company is an amount of RM8,700,000 (2016: RM Nil) placed with a stakeholder pursuant to the purchase of shares in AHM Consultancy & Security Services Sdn. Bhd. as mentioned in Note 30.

12. SHORT TERM CASH INVESTMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash management fund with investment management companies	**32,374,420**	23,000,000	**32,374,420**	23,000,000

Notes to the Financial Statements (continued)

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	**4,815,056**	14,312,662	**507,062**	6,728,098
Deposit placed with licenced banks	**13,800,000**	15,338,200	**13,500,000**	13,938,200
	18,615,056	29,650,862	**14,007,062**	20,666,298
Less: Non-short term fixed deposits	**(13,500,000)**	(6,000,000)	**(13,500,000)**	(6,000,000)
	5,115,056	23,650,862	**507,062**	14,666,298

The fixed deposits of the Group and the Company bear effective interest at rates ranging from 3.2% to 4.03% (2016: 0.25% to 3.6%) per annum and with maturity periods of 1 to 12 months (2016: 1 to 7 months).

14. SHARE CAPITAL

	Group/Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
Ordinary shares				
At beginning of financial year	**472,655,342**	**47,265,534**	472,655,342	47,265,534
Issuance of ordinary shares	**46,488,980**	**6,508,457**	-	-
Transition to no-par value regime	**-**	**15,885,356**	-	-
At end of financial year	**519,144,322**	**69,659,347**	472,655,342	47,265,534

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.

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. Consequently, the amounts standing to the credit of the share premium account of RM15,885,356 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM15,885,356 for purposes as set out in Sections 618(3). There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the financial year, the Company issued 46,488,980 new ordinary shares at an issue price of RM0.14 each for working capital purposes pursuant to the private placement as disclosed in Note 30.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Notes to the Financial Statements (continued)

15. RESERVES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Share premium	**-**	15,885,356	**-**	15,885,356
Foreign exchange reserve	**(15,441)**	2,531	**-**	-
Share option reserve	**12,840,338**	-	**12,840,338**	-
Retained earnings	**3,208,927**	12,812,679	**721,525**	1,027,632
	16,033,824	28,700,566	**13,561,863**	16,912,988

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 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 expire, 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 the 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 Company (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 the 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;

(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;

15. RESERVES (CONTINUED)

Share option reserve (Continued)

(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; and

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:

	2017		2016	
	No.	**WAEP (RM)**	**No.**	**WAEP (RM)**
Outstanding at 1 January	-	-	-	-
- Granted	130,500,000	0.165	-	-
- Exercised	-	-	-	-
- Lapsed	-	-	-	-
- Forfeited	(1,200,000)	-	-	-
Outstanding at 31 December	129,300,000	0.165	-	-
Exercisable at 31 December	89,155,000	0.165	-	-

The options outstanding as at 31 December 2017 have exercise prices range from RM0.165 to RM0.20 (2016: Nil) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was approximately 4 years (2016: Nil).

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

	2017
Fair value of share options and assumptions	
Weighted average fair value of share option at grant date (RM)	0.1182
Share price on grant date (RM)	0.19
Option life (years)	5 years
Risk-free rate (%)	3.88
Expected dividends (%)	Nil
Expected volatility (%)	64.93

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

Notes to the Financial Statements (continued)

16. PAYABLES AND ACCRUALS

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Trade					
Trade payables	(a)	**15,871,241**	15,777,015	**126,236**	110,788
Non-trade					
Other payables	(b)	**1,471,425**	128,965	**83,435**	13,741
Amount due to a director	(c)	**2,354**	2,354	**2,351**	2,351
Amount due to subsidiaries	(d)	**-**	-	**12,288,720**	1,836,574
Accruals		**795,323**	399,608	**46,412**	51,295
Deposit received		**11,054**	8,860	**8,860**	8,860
		2,280,156	539,787	**12,429,778**	1,912,821
		18,151,397	16,316,802	**12,556,014**	2,023,609

(a) Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2016: 30 to 90 days).

(b) Other payables

Included in other payables is an amount of RM929,307 in respect of purchase of a piece of leasehold land.

(c) Amount due to a director

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

(d) Amount due to subsidiaries

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

17. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Research, design and development of electronic end-products and sub-systems	**1,751,032**	1,351,871	**1,751,032**	1,351,871
Manufacturing of electronic end-products and sub- systems	**76,510,371**	80,512,315	**-**	-
	78,261,403	81,864,186	**1,751,032**	1,351,871

Notes to the Financial Statements (continued)

18. COST OF SALES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Research, design and development of electronic end-products and sub-systems	**160,106**	1,377,247	**160,106**	1,377,247
Cost of manufacturing of electronic end-products and sub-systems	**62,509,630**	70,936,190	**-**	-
	62,669,736	72,313,437	**160,106**	1,377,247

19. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
After charging :-				
Auditors' remuneration				
- current year	**128,500**	120,000	**48,000**	48,000
- other services	**9,000**	9,000	**9,000**	9,000
Impairment on investment in subsidiary	**-**	-	**-**	4,353,912
Impairment loss on amount due from subsidiaries	**-**	-	**1,706,100**	-
Amortisation of intangible assets	**125,901**	128,927	**231,761**	71,938
Depreciation of property, plant and equipment	**576,002**	2,466,379	**58,868**	59,298
Directors' fees	**188,000**	132,000	**188,000**	132,000
Directors' other emoluments	**1,973,320**	1,540,888	**23,000**	14,000
Foreign currency exchange loss/(gain)				
- realised	**336,902**	(103,381)	**(54)**	31,382
- unrealised	**708,702**	1,063,419	**37,442**	(36,631)
Property, plant and equipment written off	**-**	3,657,942	**-**	-
Intangible asset written off	**-**	23	**-**	-
Impairment of goodwill	**-**	5,545,761	**-**	-
Rental of equipment	**6,731**	7,969	**5,436**	6,214
Rental of office	**472**	-	**-**	-
Staff premises rental	**60,000**	49,919	**-**	-
Factory rental	**99,000**	82,750	**-**	-
And crediting :-				
Reversal of impairment on amount due from subsidiary	**-**	-	**(1,246)**	-
Income from short term cash investment	**(609,168)**	(193,009)	**(609,168)**	(193,009)
Interest income	**(746,216)**	(1,081,109)	**(626,033)**	(849,165)
Rental income of premises	**(71,441)**	(71,040)	**(29,040)**	(29,040)

Notes to the Financial Statements (continued)

20. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive directors' salary and other emoluments	**1,950,320**	1,526,888	**-**	-
EPF	**875,668**	551,388	**-**	96,070
Salaries and bonus	**7,549,782**	4,496,470	**-**	783,711
SOCSO	**85,308**	49,408	**-**	9,432
Share options granted under ESOS	**12,840,338**	-	**476,850**	-
Other personnel costs	**320,023**	291,159	**2,500**	3,499
	23,621,439	6,915,313	**479,350**	892,712

21. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive:				
Salary and other emoluments	**1,950,320**	1,526,888	**-**	-
Share options granted under ESOS	**3,081,000**	-	**-**	-
Benefits-in-kind	**15,151**	11,770	**15,151**	-
	5,046,471	1,538,658	**15,151**	-
Non-executive:				
Fees	**188,000**	132,000	**188,000**	132,000
Allowances	**23,000**	14,000	**23,000**	14,000
Share options granted under ESOS	**476,850**		**476,850**	-
Total directors' remuneration	**5,734,321**	1,684,658	**703,001**	146,000

Notes to the Financial Statements (continued)

22. TAX EXPENSE

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Current tax:				
Malaysian income tax:				
Current financial year	**894,700**	266,948	**150,200**	212,175
Under/(Over)provision in prior financial years	**74,826**	(176,524)	**74,256**	13,490
	969,526	90,424	**224,456**	225,665
Deferred tax (Note 9) :				
Origination and reversal of temporary differences	**67,900**	(293,351)	**-**	-
Reversal of deferred tax assets	**-**	617,100	**-**	494,700
Recognition of deferred tax previously not recognised	**(210,000)**	-	**-**	-
Under/(Over)provision in prior financial years	**196,000**	(239,549)	**-**	-
	53,900	84,200	**-**	494,700
Tax expense	**1,023,426**	174,624	**224,456**	720,365

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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Loss before tax	**(8,580,326)**	(9,051,340)	**(81,651)**	(3,966,441)
Tax at the Malaysian statutory income tax rate of 24% (2016: 24%)	**(2,059,300)**	(2,172,300)	**(19,600)**	(951,900)
Tax effect on non-deductible expenses	**3,656,600**	1,635,613	**689,000**	1,137,051
Tax effect on non-taxable income	**(464,300)**	(86,608)	**(146,500)**	(86,608)
Recognition of deferred tax assets previously not recognised	**(210,000)**	-	**-**	-
Utilisation of deferred tax assets previously not recognised	**(372,700)**	-	**(372,700)**	-
Reversal of deferred tax assets	**-**	617,100	**-**	494,700
Deferred tax assets not recognised	**202,300**	596,892	**-**	113,632
Under/(Over)provision in prior years				
- current tax	**74,826**	(176,524)	**74,256**	13,490
- deferred tax	**196,000**	(239,549)	**-**	-
	1,023,426	174,624	**224,456**	720,365

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

Notes to the Financial Statements (continued)

23. LOSS PER ORDINARY SHARE

(a) Basic

Basic loss per ordinary share for the financial year is calculated by dividing the loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2017 RM	2016 RM
Loss for the financial year attributable to owners of the Company	**(9,603,752)**	(9,225,964)
Weighted average number of ordinary shares outstanding during the financial year	**509,846,526**	472,665,342
Basic loss per ordinary share (sen)	**(1.88)**	(1.95)

(b) Diluted

The diluted earnings per share of the Company is the same as the basic earnings per ordinary share of the Company as the potential ordinary shares are anti-dilutive for the financial year ended 31 December 2017 whilst the Company does not have any potential dilutive ordinary shares for the financial year ended 31 December 2016.

There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

24. CORPORATE GUARANTEE

	Company	
	2017 RM	2016 RM
Corporate guarantees for credit facilities granted to subsidiaries: -		
- K-One Industry Sdn. Bhd.	**22,576,000**	24,526,000

Notes to the Financial Statements (continued)

25. CAPITAL COMMITMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Capital expenditures approved and contracted for:				
- Property, plant and equipment	**-**	43,322	**-**	-

26. 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

	Company	
	2017	**2016**
	RM	**RM**
Paid or payable to directors of the Company		
Rental of factory	**60,000**	60,000

(c) Related party balances

Information on the outstanding balances with related parties at the end of the reporting period are disclosed in Notes 11 and 16 to the financial statements.

(d) Compensation of key management personnel

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Directors of the Company				
Fees	**188,000**	132,000	**188,000**	132,000
Salaries and other emoluments (including estimated monetary value of benefits-in-kind)	**1,779,671**	1,389,218	**38,151**	14,000
Share options granted under ESOS	**3,557,850**	-	**476,850**	-
Post-employment benefits	**208,800**	163,440	**-**	-
	5,734,321	1,684,658	**703,001**	146,000

Notes to the Financial Statements (continued)

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

2017 Group Financial assets	Fair value through profit or loss RM	Loans and receivables RM	Total RM
Receivables and deposits #	-	15,956,574	15,956,574
Short term cash investments	32,374,420	-	32,374,420
Cash and bank balances	-	18,615,056	18,615,056
	32,374,420	34,571,630	66,946,050

Financial liabilities	Financial liabilities at amortised cost RM	Total RM
Payables and accruals	18,151,397	18,151,397

2016 Group Financial assets	Fair value through profit or loss RM	Loans and receivables RM	Total RM
Receivables and deposits #	-	18,895,913	18,895,913
Short term cash investments	23,000,000	-	23,000,000
Cash and bank balances	-	29,650,862	29,650,862
	23,000,000	48,546,775	71,546,775

Financial liabilities	Financial liabilities at amortised cost RM	Total RM
Payables and accruals	16,316,802	16,316,802

2017 Company Financial assets	Fair value through profit or loss RM	Loans and receivables RM	Total RM
Receivables and deposits #	-	4,843,303	4,843,303
Short term cash investments	32,374,420	-	32,374,420
Cash and bank balances	-	14,007,062	14,007,062
	32,374,420	18,850,365	51,224,785

 # Exclude GST refundable, prepayments and stakeholder sum pursuant to acquisition of shares.

Notes to the Financial Statements (continued)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

2017 Company Financial liabilities	Financial liabilities at amortised cost RM	Total RM
Payables and accruals	12,556,014	12,556,014

2016 Company Financial assets	Fair value through profit or loss RM	Loans and receivables RM	Total RM
Receivables and deposits #	-	2,588,063	2,588,063
Short term cash investments	23,000,000	-	23,000,000
Cash and bank balances	-	20,666,298	20,666,298
	23,000,000	23,254,361	46,254,361

Financial liabilities	Financial liabilities at amortised cost RM	Total RM
Payables and accruals	2,023,609	2,023,609

 # Exclude GST refundable, 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 interest rate 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 the Head of Finance. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise the credit risk by dealing exclusively with high credit rating financial institutions.

The Group and the Company do not hold any collateral as security and other credit enhancements for the above financial assets.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure. The management has a credit policy in place to monitor credit risks on an on-going basis.

Notes to the Financial Statements (continued)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

(a) Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 11.

(b) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the ageing profile of its trade receivables on an on-going basis. The Group's trade receivables credit risk is concentrated in Europe.

At the reporting date, approximately 86% (2016: 86%) of the gross trade receivables were from five (2016: three) customers.

The credit risk concentration profile of the Group's and Company's trade receivables at the financial year end by geographical region are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	**119,443**	684,062	**-**	-
Asia (excluding Malaysia)	**1,163,075**	1,646,521	**-**	-
Oceania	**24,777**	52,311	**-**	-
Europe	**11,141,560**	15,511,641	**115,946**	648,932
Middle East	**-**	18,048	**-**	-
United States of America	**3,054,566**	763,250	**413,318**	10,044
	15,503,421	18,675,833	**529,264**	658,976

(c) Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 11.

Deposits with banks and other financial institutions are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

(d) Inter-company balance

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

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

(e) Financial guarantees

The Company provides financial guarantees to a financial institution in respect of bank facilities granted to a subsidiary. The credit risk of the financial guarantees of the Company is disclosed in Note 24.

As at the end of the reporting period, the subsidiary did not have any outstanding credit facilities as it was not utilised during the financial year.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

(e) Financial guarantees (Continued)

The financial guarantees have not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the securities pledged by the subsidiaries and it is unlikely the subsidiaries will default within the guarantee period. The bank facilities are just for standby purpose.

(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, loans and borrowings.

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:

Group	Trade and other receivables RM	Cash and bank balances RM	Trade and other payables RM	Total RM
2017				
USD	11,508,201	1,187,042	(5,318,211)	7,377,032
Euro	2,860,009	37,217	(2,109,532)	787,694
GBP	1,015,789	361,548	(100,297)	1,277,040
	15,383,998	1,585,807	(7,528,040)	9,441,766
2016				
USD	16,018,297	3,570,373	(7,793,717)	11,794,953
Euro	1,439,064	115,900	(2,600,656)	(1,045,692)
GBP	685,403	1,449,353	(112,187)	2,022,569
	18,142,764	5,135,626	(10,506,560)	12,771,830

Notes to the Financial Statements (continued)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Foreign currency risk (Continued)

Company	Trade and other receivables RM	Cash and bank balances RM	Trade and other payables RM	Total RM
2017				
USD	529,264	131,211	(5,378)	655,097
2016				
USD	658,976	1,223,447	(5,959)	1,876,464

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	
		Loss for the financial year Increase/(Decrease)			
		2017 RM	2016 RM	2017 RM	2016 RM
USD/RM	- Strengthen by 5% (2016: 5%)	(280,300)	(448,200)	(24,900)	(71,300)
	- Weaken by 5% (2016: 5%)	280,300	448,200	24,900	71,300
EURO/RM	- Strengthen by 1% (2016: 1%)	(6,000)	7,900	-	-
	- Weaken by 1% (2016: 1%)	6,000	(7,900)	-	-
GBP/RM	- Strengthen by 1% (2016: 13%)	(9,700)	(199,800)	-	-
	- Weaken by 1% (2016: 13%)	9,700	199,800	-	-

(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) Cash and bank balances, trade and other receivables and payables

The carrying amounts of cash and bank balance, 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.

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

27. 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			
Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Financial assets at fair value through profit or loss				
2017				
- Short term cash investment	32,374,420	-	-	32,374,420
2016				
- Short term cash investment	23,000,000	-	-	23,000,000

Notes to the Financial Statements (continued)

28. 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 healtchcare, medical, Internet of Things, 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.
Investment holding	Investment holding and dormant companies.

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, tax payables 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.

Notes to the Financial Statements (continued)

28. SEGMENT INFORMATION (CONTINUED)

Segment capital expenditure (Continued)

	Research, design and development and sales RM	Manufacturing RM	Investment holding RM	Elimination RM	Consolidated RM
2017					
Total external revenue	1,751,032	76,510,371	-	-	78,261,403
Inter-segment revenue	-	-	-	-	-
Total segment revenue	1,751,032	76,510,371	-	-	78,261,403
Segment result	(11,816,865)	3,347,586	(109,798)	(1,249)	(8,580,326)
Finance costs					-
Tax expense					(1,023,426)
Loss for the financial year					(9,603,752)
Other information					
Segment assets	59,958,337	42,001,290	346,519	-	102,306,146
Unallocated corporate assets					1,632,907
Consolidated total assets					103,939,053
Segment liabilities	264,943	17,846,912	37,188	-	18,149,043
Unallocated corporate liability					96,839
Consolidated total liabilities					18,245,882
Capital expenditure	-	1,545,695	59,357		1,605,052
Amortisation of computer software	70,113	55,788	-		125,901
Depreciation of property, plant and equipment	58,868	511,176	5,958		576,002
Share options granted under ESOS	-	12,363,488	476,850		12,840,338

Notes to the Financial Statements (continued)

28. SEGMENT INFORMATION (CONTINUED)

Segment capital expenditure (Continued)

	Research, design and development and sales RM	Manufacturing RM	Investment holding RM	Elimination RM	Consolidated RM
2016					
Total external revenue	1,351,871	80,512,315	-	-	81,864,186
Inter-segment revenue	-	-	-	-	-
Total segment revenue	1,351,871	80,512,315	-	-	81,864,186
Segment result	387,471	(9,264,649)	(174,162)	-	(9,051,340)
Finance costs					-
Tax expense					(174,624)
Loss for the financial year					(9,225,964)
Other information					
Segment assets	48,641,442	40,999,960	1,510,004	-	91,151,406
Unallocated corporate assets					1,193,144
Consolidated total assets					92,344,550
Segment liabilities	184,684	16,076,935	52,829	-	16,314,448
Unallocated corporate liability					64,002
Consolidated total liabilities					16,378,450
Capital expenditure	4,880	329,175	611,678	-	945,733
Amortisation of computer software	71,938	56,989	-	-	128,927
Depreciation of property, plant and equipment	59,298	2,406,873	208	-	2,466,379
Impairment of goodwill	-	5,545,761	-	-	5,545,761
Property, plant and equipment written off	-	3,657,942	-	-	3,657,942

28. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's business is derived mainly from three geographical areas. About 99% (2016: 99%) 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, USA and Asia (excluding Malaysia). The manufacturing activities are mainly conducted in Malaysia.

Revenue and non-current assets 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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Malaysia	**903,438**	506,000	**9,922,135**	9,018,986
Asia (excluding Malaysia)	**7,511,609**	11,169,000	**-**	-
Europe	**62,013,909**	66,537,000	**-**	-
Oceania	**25,330**	173,000	**-**	-
Middle East	**43,161**	33,186	**-**	-
United States of America	**7,763,956**	3,446,000	**-**	-
	78,261,403	81,864,186	**9,922,135**	9,018,986

Information about major customers

The Group has 2 (2016: 3) major international customers (each with revenue equal or more than 10% of the Group revenue) from the manufacturing segment contributing total revenue of approximately RM49,767,583 (2016: RM63,505,552).

29. 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 2017 and 2016.

The Group and the Company do not have any borrowings as at the financial years ended 31 December 2017 and 2016. 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.

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 7 March 2017, the Company implemented the Employees' Share Option Scheme ("ESOS").

On 13 March 2017, the Company offered a total of 130,000,000 options over new shares ("Options") to the Directors and eligible employees of the Group under its ESOS at an exercise price of RM0.165 per share. On 25 July 2017, the Company offered a further 500,000 Options at an exercise price of RM0.20 to Dato' Azlam Shah bin Alias, an independent non-executive director of the Company.

The said ESOS will expire on 7 March 2022 and may be extended for another 5 years at the discretion of the ESOS Committee.

Notes to the Financial Statements (continued)

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) On 15 March 2017, the Company announced the completion of its private placement exercise with the listing and quotation of 46,488,980 placement shares which were issued at RM0.14 each.

(c) On 17 March 2017, the Company entered into a Share Sale Agreement with the Vendors to acquire 4,500,000 ordinary shares in AHM Consultancy & Security Services Sdn. Bhd. ("AHM"), representing 30% of the issued and paid up capital for a purchase consideration of RM8,700,000. The Vendors have provided a profit guarantee of RM14,000,000 over a period of two years commencing successful completion of the acquisition. The acquisition was completed on 15 January 2018. Consequently, AHM became an associate of the Company.

(d) On 18 December 2017, a wholly-owned subsidiary of the Company, i.e. K-One Industry Sdn. Bhd. entered into a sale and purchase agreement with a third party to acquire a piece of vacant industrial leasehold land with a lease period of 34 years for a purchase consideration of RM911,000, excluding GST.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, IR. EDWIN LIM BENG FOOK and DATO' MARTIN LIM SOON SENG, being two of the directors of K-ONE TECHNOLOGY BERHAD, do hereby state that in the opinion of the directors, the financial statements set out on pages 38 to 88 are drawn up in accordance with the 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 2017 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 10 April 2018.

....

IR. EDWIN LIM BENG FOOK
Director

....

DATO' MARTIN LIM SOON SENG
Director

Date: 10 April 2018

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 financial statements as set out on pages 38 to 88 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 No.: 11309

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor on 10 April 2018.

Before me

....

WONG CHOY YIN (B508)
Commissioner for Oaths

Independent Auditors' Report

To The Members Of K-One Technology Berhad (Incorporated In Malaysia)

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 2017 of the Group and of the Company, and the statements of profit or loss and other 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 88.

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 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with the 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.

7.1 Share option reserve (Notes 4.1, 15 and 20 to the financial statements)

Risk:

During the financial year, the Group and the Company recognised share option reserve amounting to RM12,840,338 pursuant to the share options granted to the directors and eligible employees of the Group under the Employees' Share Option Scheme. The share option reserve was estimated based on the fair valuation of share options performed by an external consultant. We focused on this area because the valuation requires significant judgement in determining the appropriate valuation method and the key input data of the share options used in the valuation.

Our audit response:

Our audit procedures included, among others:

- evaluating the competence, capabilities and objectivity of the external consultant which included consideration of their qualifications and experience;
- understanding the scope and objective of the valuation by reading the terms of engagement to assess whether any matters that might have affected their objectivity or limited the scope of their work;
- reading the valuation letter and testing the accuracy and reference of the key input data used by the external consultant; and
- perform recomputation of the share option reserve.

Independent Auditors' Report (continued)

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.

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.

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 8 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
No. AF 0117
Chartered Accountants

Lee Kong Weng
No. 02967/07/2019 J
Chartered Accountant

Kuala Lumpur

Date: 10 April 2018

List of Properties
As at 31 December 2017

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 31/12/2017 (RM '000)
66, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	28	6,000	4.7.2006	1,949
68, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	28	6,000	4.7.2006	1,949
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	28	45,000	9.8.2007	2,941
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	1,020

Analysis of Shareholdings
As at 30 March 2018

Authorised Share Capital	:	RM150,000,000
Issued and Fully Paid-Up Share Capital	:	RM69,659,347
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One (1) vote per share on a poll

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 30 MARCH 2018

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	25	0.65	899	0.00
100 to 1,000	159	4.15	84,353	0.02
1,001 to 10,000	1,028	26.81	7,472,222	1.44
10,001 to 100,000	2,099	54.75	89,290,851	17.20
100,001 to less than 5% of issued shares	520	13.56	237,880,250	45.82
5% and above of issued shares	3	0.08	184,415,747	35.52
Total	**3,834**	**100.00**	**519,144,322**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2018

Name	DIRECT		INDIRECT	
	No. of Shares	%	No. of Shares	%
Lim Beng Fook	87,102,478	16.78	-	-
Lim Soon Seng	77,515,065	14.93	-	-
Bjørn Bråten	45,243,694	8.72	-	-
Goh Chong Chuang	408,220	0.08	-	-
Loi Kim Fah	111,300	0.02	-	-
Anita Chew Cheng Im	-	-	-	-
Azlam Shah bin Alias	-	-	-	-

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 30 MARCH 2018

Name	DIRECT		INDIRECT	
	No. of Shares	%	No. of Shares	%
Lim Beng Fook	87,102,478	16.78	-	-
Lim Soon Seng	77,515,065	14.93	-	-
Bjørn Bråten	45,243,694	8.72	-	-

Analysis of Shareholdings (continued)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 MARCH 2018

No.	Names	No. of Shares of RM0.10 Each	% of Issued Capital
1.	Lim Soon Seng	73,339,065	14.13
2.	Lim Beng Fook	65,832,988	12.68
3.	Bjørn Bråten	45,243,694	8.72
4.	Lim Beng Fook	21,269,490	4.10
5.	Lim Moi Moi	6,338,000	1.22
6.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ling Yoke Tek (10MG00001)	4,500,000	0.87
7.	Lim Soon Seng	4,176,000	0.80
8.	Law Chin Chiang	3,909,000	0.75
9.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mohd Basar bin Parngon (MM0914)	3,337,000	0.64
10.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Loh Kok Hoong (MY0401)	3.011,000	0.58
11.	CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	2,714,600	0.52
12.	Wong Ah Yong	2,700,000	0.52
13.	Lars Peter Vennstrom	2,600,000	0.50
14.	Goo Khoon Eng	2,555,600	0.49
15.	Tey Kim Lay	2,528,500	0.49
16.	Lim Weng Hoov	2,525,000	0.49
17.	Loh Choon Li	2,302,700	0.44
18.	Ooi Leh Hong	2,283,600	0.44
19.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Kok Hoong	2,103,600	0.41
20.	Lam Khuan Ying	2,086,000	0.40
21.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Koh Kin Lip (MY0502)	2,073,900	0.40
22.	RHB Capital Nominees (Tempatan) Sdn Bhd Baskaran A/L Govinda Nair	2,000,000	0.39
23.	Lee Quee Siong	1,950,000	0.38
24.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheah Keng Meng	1,800,000	0.35
25.	HSBC Nominees (Tempatan) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-TEMP)	1,749,700	0.34
26.	Lam Weng	1,610,065	0.31
27.	Peh Chyuan Chyuan	1,600,000	0.31

Analysis of Shareholdings (continued)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 MARCH 2018 (continued)

No.	Names	No. of Shares of RM0.10 Each	% of Issued Capital
28.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Parlisamy A/L Muthusamy	1,558,300	0.30
29.	Baskaran A/L Govinda Nair	1,500,000	0.29
30.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Kok Hoong (MG0000392)	1,500,000	0.29

Notice of the Seventeenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventeenth 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, 28 May 2018 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 2017 together with the Directors' and Audit Reports thereon. **Please refer to Note B on this Agenda**

2. To approve the payments of aggregate Directors' fees and allowances to the Non-Executive Directors of up to RM250,000 from 29 May 2018 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service. **Resolution 1**

3. To re-elect the following Directors who are retiring in accordance with Article 104 of the Company's Articles of Association:-

   (a) Mr. Goh Chong Chuang **Resolution 2**
   (b) Ms Anita Chew Cheng Im **Resolution 3**

4. To re-appoint Messrs Baker Tilly Monteiro Heng as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **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 Section 76 of the Companies Act 2016** **Resolution 5**

   "**THAT** subject always to the Companies Act 2016 ("Act"), Articles of Association 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 Section 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 Malaysia Securities Berhad ("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** **Resolution 6**

   "**THAT** subject to the passing of Ordinary Resolution 2 and pursuant to 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** **Resolution 7**

   "**THAT** pursuant to 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.

Notice of the Seventeenth Annual General Meeting (continued)

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

"**THAT** subject to the Companies Act 2016 ("Act"), the Memorandum and Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Securities ("AMLR") 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 Articles of Association and the Companies Act 2016.

By Order of the Board
K-ONE TECHNOLOGY BERHAD

WONG YOUN KIM
Company Secretary

Kuala Lumpur

27 April 2018

Notice of the Seventeenth Annual General Meeting (continued)

NOTES:

A. Proxy

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 and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.

2. A member shall be entitled to appoint more than two (2) proxies 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.

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. **General Meeting Record of Depositors**

   For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 60(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2018. Only a depositor whose name appears on the Record of Depositors as at 22 May 2018 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

B. Audited Financial Statement for the Financial Year Ended 31 December 2017

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.

Notice of the Seventeenth Annual General Meeting (continued)

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 5 - Authority to Issue and Allot Shares pursuant to Section 76 of the Companies Act 2016**

   The proposed 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 Sixteenth Annual General Meeting held on 26 May 2017. 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 Sixteenth AGM of the Company.

2. **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 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 Practice Note 4.2 of the MCCG, the Board will seek the approval of the shareholders through a two-tier voting process at the Seventeenth Annual General Meeting of the Company. Further rationale for his retention as Independent Non-Executive Director can be found on Page 6 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 Practice Note 4.2 of the MCCG, the Board will seek the approval of the shareholders through a two-tier voting process at the Seventeenth Annual General Meeting of the Company. Further rationale for his retention as Independent Non-Executive Director can be found on Page 6 of this Annual Report.

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

   The proposed 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 2017 Annual Report.

Notice of the Seventeenth Annual General Meeting (continued)

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are seeking re-election and/or continuing in office as Independent Non-Executive Directors at the Seventeenth Annual General Meeting of the Company are :-

   (a) Mr Goh Chong Chuang (Article 104 and Practice Note 4.2 of MCCG)
   (b) Ms Anita Chew Cheng Im (Article 104)
   (c) Mr Loi Kim Fah (Practice Note 4.2 of MCCG)

   The profiles of the above 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 6 and 7 of this Annual Report.

   The details of the above Directors' interest in the securities of the Company are stated on page 36 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 of RM0.10 each 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 (continued)

Definitions (continued)		
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.

Proposed Renewal of Authority for Share Buy-Back (continued)

1. Introduction

K-One Tech had on 2 April 2018 announced its intention to seek shareholders' approval of the "Proposed Renewal of Authority for Share Buy-Back" at the forthcoming Seventeenth Annual General Meeting ("17th 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 17th 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 2017, the retained profits of the Company and the Group stood at RM721,525 and RM3,208,927 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 combined amount of retained profits and share premium 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 March 2018 are set out below based on the following assumptions:-

Proposed Renewal of Authority for Share Buy-Back (continued)

5. Direct and Indirect Interests of the Directors and Substantial Shareholders in the Proposed Renewal of Authority for Share Buy-Back (Continued)

(a) The proposed share buy-back is implemented in full, i.e. up to 10% of the total number of issued shares of 519,144,322 of the Company; and

(b) The shares so purchased are from shareholders other than the substantial shareholders and Directors of the Company.

	As At 30 March 2018				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Beng Fook	87,102,478	16.78	-	-	87,102,478	18.64	-	-
Lim Soon Seng	77,515,065	14.93	-	-	77,515,065	16.59	-	-
Bjørn Bråten	45,243,694	8.72	-	-	45,243,694	9.68	-	-
Goh Chong Chuang	408,220	0.08	-	-	408,220	0.09	-	-
Loi Kim Fah	111,300	0.02	-	-	111,300	0.02	-	-
Anita Chew Cheng Im	-	-	-	-	-	-	-	-
Azlam Shah bin Alias	-	-	-	-	-	-	-	-
Substantial Shareholders								
Lim Beng Fook	87,102,478	16.78	-	-	87,102,478	18.64	-	-
Lim Soon Seng	77,515,065	14.93	-	-	77,515,065	16.59	-	-
Bjørn Bråten	45,243,694	8.72	-	-	45,243,694	9.68	-	-

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.

Proposed Renewal of Authority for Share Buy-Back (continued)

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 2017, the issued and paid-up share capital of the Company is RM69,659,347 comprising 519,144,322 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.

(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.

Proposed Renewal of Authority for Share Buy-Back (continued)

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.

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 March 2018, the public shareholding spread of the Company was 59.5%.

11. Directors' Statement

This Statement has been seen and approved by the Board on 16 March 2018 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 Seventeenth Annual General Meeting.

Form of Proxy

*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 Seventeenth 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, 28 May 2018 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. : Address :	
2. Name : NRIC No. : Address :	

No.	Resolutions		For	Against
1.	Approval of payments of aggregate Directors' fees and allowances to the Non-Executive Directors of up to RM250,000 from 29 May 2018 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service.	**Resolution 1**		
2.	Re-election of Mr. Goh Chong Chuang	**Resolution 2**		
3.	Re-election of Ms Anita Chew Cheng Im	**Resolution 3**		
4.	Re-appointment of Messrs Baker Tilly Monteiro Heng as Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration.	**Resolution 4**		
5.	Approval for Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016	**Resolution 5**		
6.	Authority for Mr Goh Chong Chuang to Continue in Office as Independent Non-Executive Director	**Resolution 6**		
7.	Authority for Mr Loi Kim Fah to Continue in Office as Independent Non-Executive Director	**Resolution 7**		
8	Proposed Renewal of Shareholders' Mandate for Share Buy-Back	**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.	

_______________________ Date

_______________________ Signature of Shareholder

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 and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.*
2. *A member shall be entitled to appoint more than two (2) proxies 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.*
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. ***General Meeting Record of Depositors***

   For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 60(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2018. Only a depositor whose name appears on the Record of Depositors as at 22 May 2018 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

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AFFIX
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K-ONE TECHNOLOGY BERHAD (Company No. 539757-K)

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