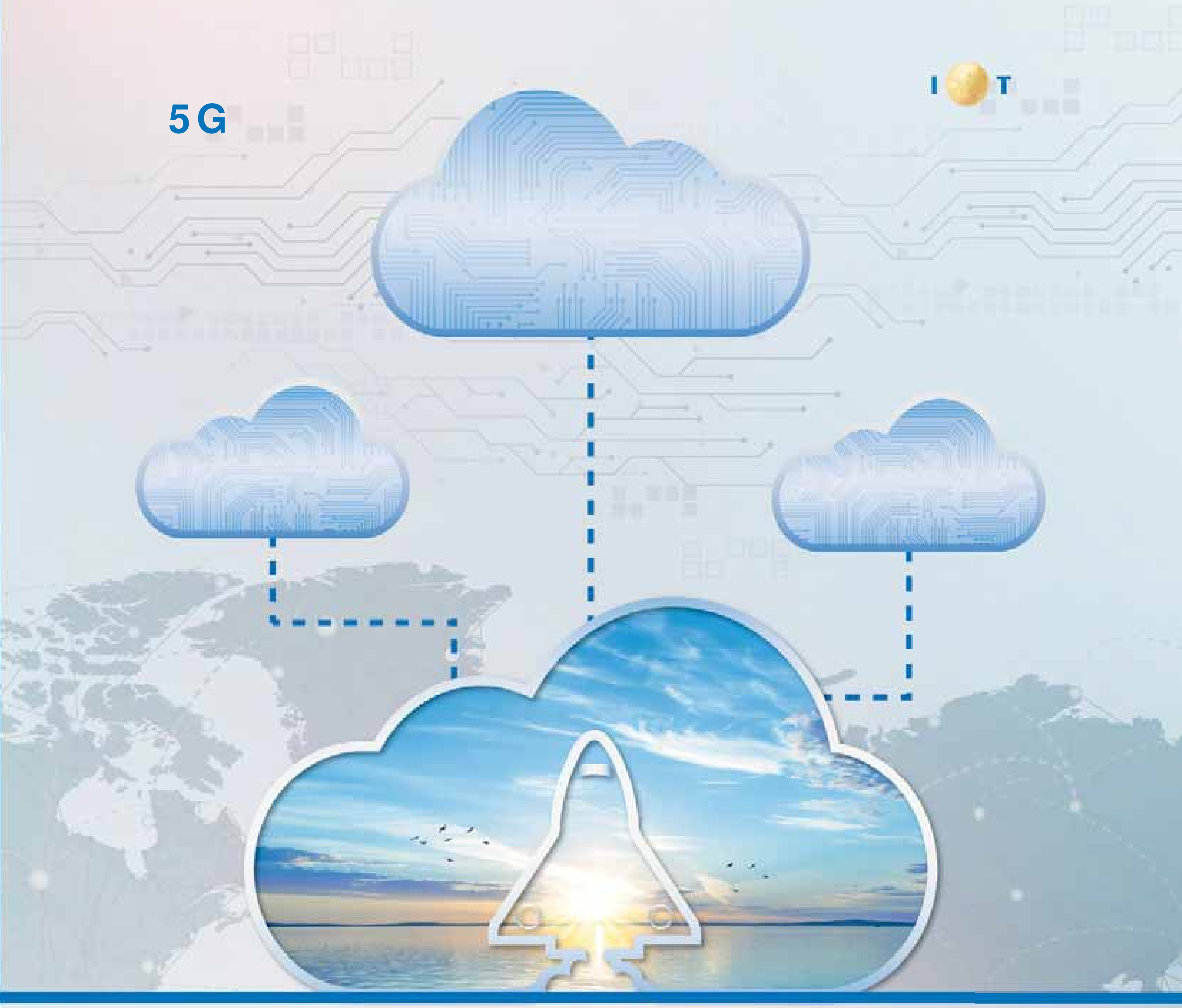
ANNUAL REPORT

2020



REBOUND
ROCKETING UP CLOUD BUSINESS
computing

K-One®
innovate

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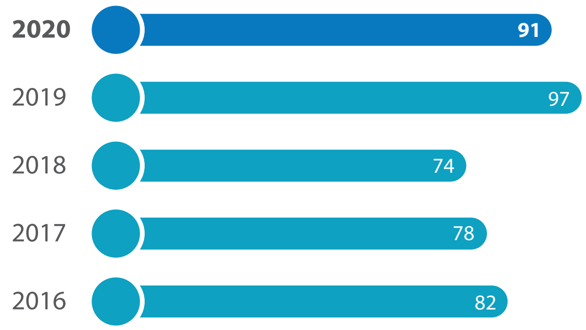
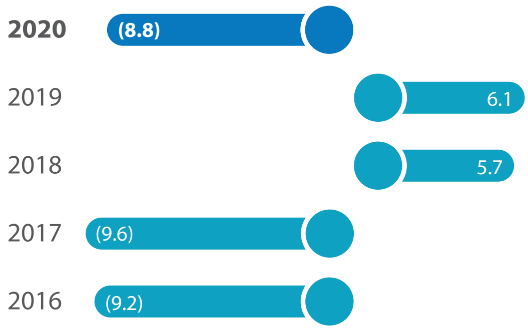
PAST FINANCIAL INFORMATION SUMMARY

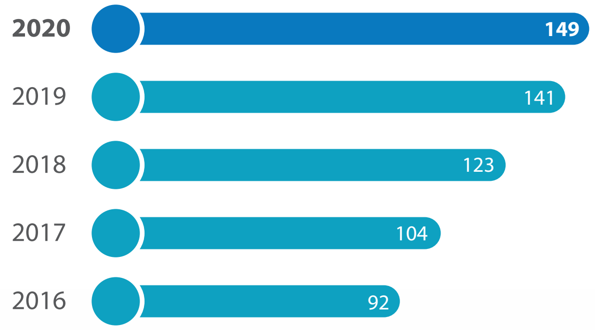
SALES (RM MILLION)



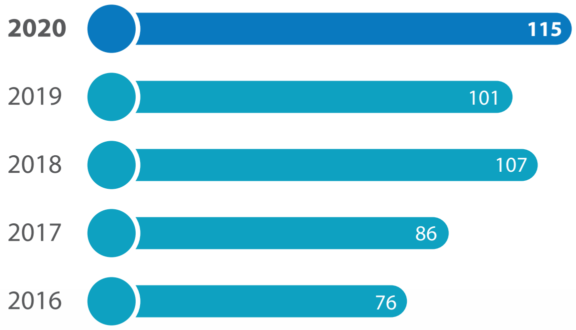
PROFIT(RM MILLION)



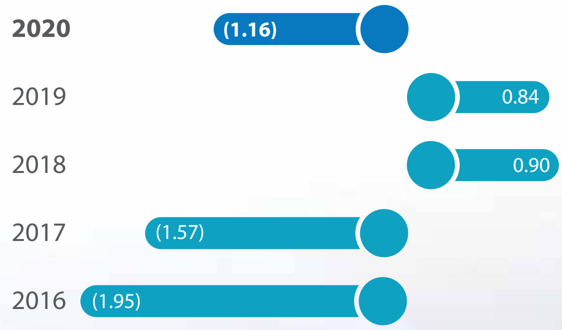
TOTAL ASSETS (RM MILLION)



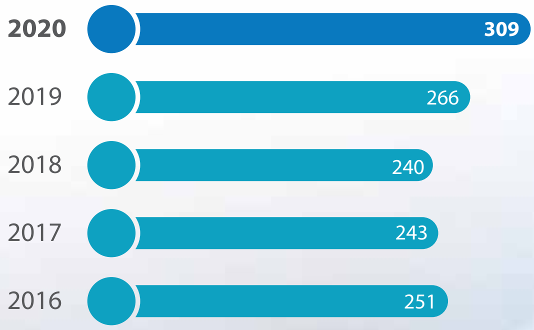
SHAREHOLDER EQUITY (RM MILLION)



EARNINGS PER SHARE (SEN)



HUMAN RESOURCES (NO. OF EMPLOYEES)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Ir. Edwin Lim Beng Fook
(Executive Chairman)

Dato' Martin Lim Soon Seng
(Chief Executive Officer)

Bjørn Bråten
(Non-Independent Non-Executive Director)

Goh Chong Chuang
(Independent Non-Executive Director)

Loi Kim Fah
(Independent Non-Executive Director)

Anita Chew Cheng Im
(Independent Non-Executive Director)

Dato' Azlam Shah bin Alias
(Independent Non-Executive Director)

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)

AUDITORS

Messrs Baker Tilly Monteiro Heng PLT
Chartered Accountants

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

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

STOCK SHORT NAME & CODE

K1 (0111)

REGISTERED OFFICE

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

HEAD OFFICE

66 & 68, Jalan SS 22/21
Damansara Jaya
47400 Petaling Jaya
Selangor
Tel : +603 7728 1111
Email : investor@k-one.com

GROUP PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
CIMB Bank Berhad

WEBSITE

www.k-one.com

CORPORATE STRUCTURE

DIRECTORS' PROFILE

IR. EDWIN LIM BENG FOOK
Executive Chairman,
Malaysian, Age 63

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 K2 Cloud Sdn Bhd, K-One Industry Sdn Bhd, Big'Ant (M) Sdn Bhd, K-One Meditech Sdn Bhd, K-One Manufacturing Sdn Bhd, K-One Electronics Sdn Bhd, K-One Venture Sdn Bhd and G-AsiaPacific Sdn Bhd.

DATO' MARTIN LIM SOON SENG
Chief Executive Officer,
Malaysian, Age 58

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 K2 Cloud Sdn Bhd, K-One Industry Sdn Bhd, Big'Ant (M) Sdn Bhd, K-One Meditech Sdn Bhd, K-One Manufacturing Sdn Bhd, K-One Venture Sdn Bhd, K-One Electronics Sdn Bhd, K-One International Ltd and G-AsiaPacific Sdn Bhd.

BJØRN BRÅTEN
Non-Independent
Non-Executive Director,
Norwegian, Age 63

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

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

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

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

DIRECTORS' PROFILE
Cont'd

GOH CHONG CHUANG
Independent
Non-Executive Director,
Malaysian, Age 68

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

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

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

LOI KIM FAH
Independent
Non-Executive Director,
Malaysian, Age 54

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

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

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

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

ANITA CHEW CHENG IM
Independent
Non-Executive Director,
Malaysian, Age 54

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

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

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

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

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

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

She is currently an Independent Non-Executive Director of Notion Vtec Berhad, MK Land Holdings Berhad, SKP Resources Berhad and an Independent Director of Fortress Minerals Limited, a company listed on the Catalist Board of the Singapore Exchange Trading Limited (SGX Ltd).

DATO' AZLAM SHAH BIN ALIAS
Independent Non-Executive Director, Malaysian, Age 60

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 Bachelor of Business Administration, majoring in Finance from the Eastern Michigan University, United States of America.

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

He first joined Mobil Oil Malaysia Sdn. Bhd. as a Retail Development Officer in 1987 and moved on to assume the position of Real Estate Outsourcing Manager for ExxonMobil Asia Pacific PLC based in Singapore.

In 2001, he joined Tesco Malaysia as its Regional Property Director and was concurrently an Alternate Director of Tesco Malaysia's Board and a key member of the Senior Leadership Board. He is presently the Senior Advisor reporting to the President of Lotuss Stores Malaysia (formerly known as Tesco Stores Malaysia Sdn. Bhd.)

He is currently the Chairman of MR DIY Berhad.

Besides work matters, he is serving as a committee member of PPUMCare fund of University Malaya Medical Center and advisor for UMCares, a Community and Sustainability Center of University Malaya.

He was previously actively involved in industry advocacy work representing the 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 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.

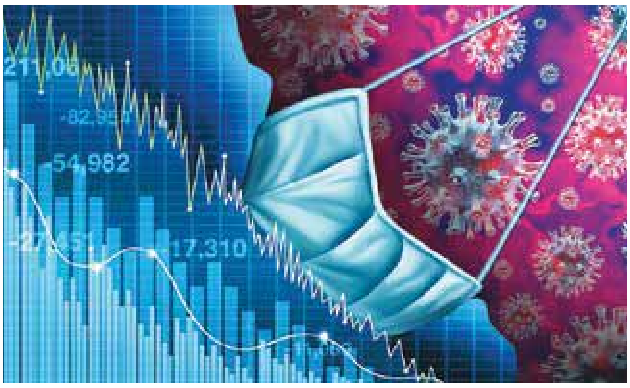
EXECUTIVE CHAIRMAN'S STATEMENT

"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 2020."

BUSINESS PERFORMANCE FOR 2020

The Group's sales revenue declined to RM91.2 million in 2020 from RM97.0 million in 2019, representing a decrease of 6%.

EMS Business



The EMS business registered sales of RM60.6 million in 2020 vs RM73.1 million in 2019, indicating a decrease of 17%. The electronic headlamps, industrial equipment and IoT gadgets succumbed to the global economic downturn induced by the COVID-19 pandemic which resulted in global lockdowns in almost all corners of the world in an effort to curb the spread of COVID-19 infections. On the contrary, medical/healthcare devices chalked up rising sales, but it was unable to negate the shortfall in the non-medical/healthcare segment.

Cloud Business

The Cloud business came in at RM30.6 million in 2020 vs RM23.9 million in 2019 (March-December'19) which was the effective accounting period following the completion of acquisition in March 2019. For an apple-to-apple comparison, it would be RM30.6 million in FY2020 vs RM28.1 million in FY2019, representing an increase of 9%. The Cloud business remained upbeat despite the invoking of Movement Control Order (MCO) and its variations throughout 2020 as businesses and consumers at large resorted to work from home (WFH) and adopted new behavioural habits of online buying respectively, all of which augur well for Cloud usage and benefitted the K-One Group.

The Group recorded loss attributable to equity holders of the parent company of RM8.8 million in 2020 as compared to a profit of RM6.1 million in 2019. Discounting the one-off provision of doubtful debt with respect to receivables relating to the disposal of equity of an associate of RM5.0 million back to the former vendors, the recognition of fair value movement of Put Option liability over shares of a subsidiary of RM0.9 million and the reversal of deferred tax assets of RM1.0 million, the loss would have been RM1.9 million instead.

EMS Earnings

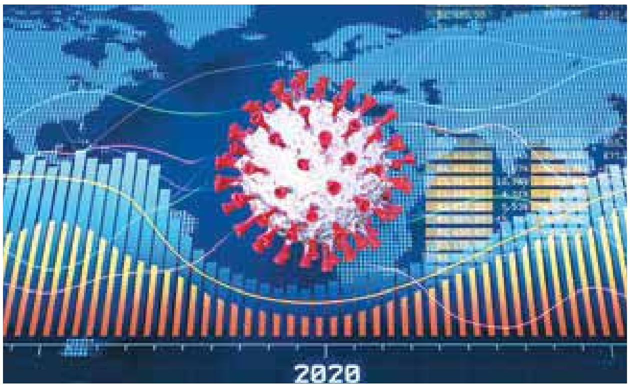
The EMS business registered an operational loss of RM4.2 million.

Cloud Earnings

The Cloud business made a profit of RM2.6 million.

PROSPECTIVE BUSINESS OUTLOOK

The COVID-19 outbreak which was declared a pandemic by the World Health Organization (WHO) on 11 March 2020 is anticipated to linger on for a while inspite of the accelerated rollout of the COVID-19 vaccinations at the beginning of 2021 in various parts of the world which includes, US, UK, China, India, Singapore, to name a few.



Nonetheless, it is a promising start for 2021. The Group expects the global economy to pick up steam as the year unfolds, assuming that the COVID-19 vaccines work successfully to put the pandemic behind us. Although there is a change in guard in US with Mr. Joe Biden as the new US President, it is envisaged that there may not be much change in the US/China trade relations at the current moment.

For the EMS business, the Group is expecting the diversion of US business out of China to continue as the Biden administration seems to be maintaining the same stance towards China as Trump. In this regard, it is enhancing its efforts to make itself the EMS of choice for such potential manufacturing relocations.

The Group's efforts to focus in the medical/healthcare space since exiting from the mobile phone accessories's arena in 2016 has been showing escalating sales contributions over the last few years. This business transformation journey was further catalyzed by the COVID-19 pandemic in 2020 with the Group making its foray into developing and manufacturing medical aids such as 3D printed nasal/oral swabs, ventilators and syringe safety needle caps under its own brand, albeit under licence for the latter two. The preceding medical devices are long term business as their uses are still needed post-pandemic. These own brand medical aids are taking traction and are expected to see rising demand while the medical/healthcare devices of the EMS business which is the main business driver is expected to pose sturdy growth in 2021, regardless if COVID-19 persists or abates. As for the non-medical/healthcare segment, it foresees it riding on the global economic upturn triggered by the COVID-19 vaccine rollout optimism.

On the Cloud business, it is expected to follow through with positive contributions in both the top and bottom lines in 2021. The change in work pattern to WFH phenomena will stick beyond the COVID-19 pandemic and society at large will lean towards online buying, all of which will augur well for Cloud usage. As the global economies improve, the return of business confidence will see uptick in new customers migrating to the Cloud.

On another front, the coming widespread launch of 5G in many countries and this year end for Malaysia will further drive Cloud adoption as demand for data storage grows in tandem with internet speed. The government's launch of the MyDIGITAL initiative and the Malaysia Digital Economy Blueprint on 19 February 2021 will provide the impetus for government agencies to migrate its data to the Cloud. In this regard, the Group foresees ample opportunities in the public sector which it intends to leverage its competencies and seasoned experience to tap into this greenfield market by working with its principals (Amazon, Google and Microsoft) or government appointed vendors or directly as appropriate. Therefore, the Cloud business has tremendous growth potential in Malaysia and ASEAN.

The Group's footprints in Indonesia and Singapore are witnessing good progress and is expected to yield positive results in 2021. The streaming of a key customer in Singapore serves as a good referral to penetrate the competitive Singapore market.

The Group will not pay any dividend for 2020 as it prefers to conserve its cash to grow its business which is expected to turnaround this year after going through a challenging 2020 which was dampened by the COVID-19 pandemic. Furthermore, the surplus cash would come in handy to take on additional synergistic M&A candidates as we move forward in 2021 and beyond.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my deepest appreciation to all our customers, business associates, financiers and shareholders for their continued support, understanding and confidence in the Group. I also wish to express my sincere appreciation to the Management and staff for their tolerance, dedication and contribution in 2020 in helping the Group weather the unprecedented storm.

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 2020."

SALES AND FINANCIALS

The Group registered sales revenue of RM91.2 million in 2020 as compared to RM97.0 million in 2019, representing a slide of 6% against the backdrop of one of the most unforgettable calamities in human history – the COVID-19 pandemic.

EMS Business

EMS's sales eased to RM60.6 million in 2020 from RM73.1 million a year ago. The decline was mainly attributed to the aftermath of the COVID-19 pandemic which curtailed the global demand of electronic headlamps, industrial equipment and IoT gadgets which comprised the bulk of its non-medical/healthcare products. Although, its medical/healthcare devices recorded rising sales, ironically caused by the COVID-19 pandemic, it was unable to make up for the shortfall from the non-medical/healthcare segment.

Cloud Business

Cloud clocked in sales revenue of RM30.6 million in 2020 as compared to RM23.9 million in 2019 (March-December) following its acquisition end March 2019. On a full year basis, the Cloud business registered sales revenue of RM28.1 million in 2019. For a like-for-like comparison, it posted growth of 9% which confirmed that Cloud is a beneficiary of the COVID-19 pandemic as with the medical/healthcare business.

The Group recorded loss attributable to equity holders of the parent company of RM8.8 million in 2020 as compared to a profit of RM6.1 million in 2019 due mainly to non-cash charges amounting to approximately RM6.9 million. Otherwise, the loss would have been RM1.9 million instead.

EMS Earnings

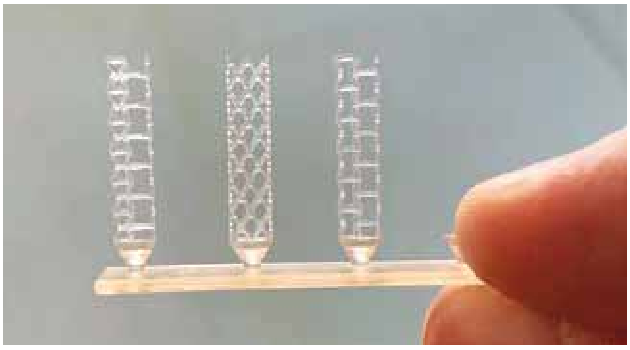
The EMS business registered an operational loss of RM4.2 million.

Cloud Earnings

The Cloud business chalked up a profit of RM2.6 million.

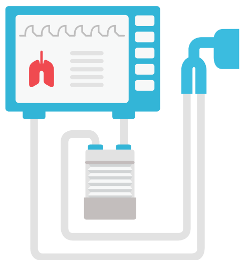
DESIGN AND DEVELOPMENT

The outbreak of the COVID-19 pandemic at the beginning of 2020 triggered the Group to go on an overdrive to develop medical devices such as nasal and oral swabs to fulfill the shortage in the market.



K-One's R&D engineers resorted to designing nasal and oral swabs which it has filed for patents to be manufactured by 3D printing; a novel way of producing nasal and oral swabs as opposed to the conventional method of producing them by injection moulding. The nasal and oral swabs are categorized as Class A medical devices ie low risks. Nevertheless, they required the approval of the Medical Device Authority (MDA) under the Ministry of Health, Malaysia which it managed to secure in September and December 2020 for different designs to enable it to sell in the Malaysian market. It cannot be over-emphazised that these nasal and oral swabs are not COVID-19 specific medical devices. They are used and can be used for swabbing and elution of fluid specimens for testing of other diseases such as influenza during normal times.

CEO'S OPERATIONS REVIEW
Cont'd



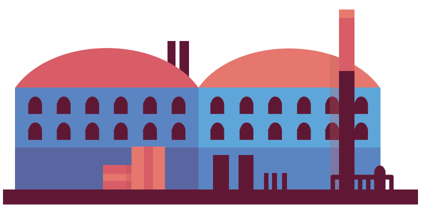
Besides the above, the Group's R&D engineers also spent relentless efforts and time in testing and industrializing the NASA designed ventilator licensed to the Group for manufacturing for worldwide supply. Being categorized as a Class C medical device (with high moderate risks) as it is considered as semi-invasive in use, it is required to undergo stringent clinical tests before it can be approved by the authorities. In Malaysia, the approving authority is the Medical Device Authority (MDA) under the Ministry of Health, Malaysia. At the time of writing, the Group is still working with the laboratories on the clinical testing and reports for submission to MDA for their evaluation and approval. The Group strongly advocates that safety is paramount in the application of medical devices and it will not compromise in this respect although it may take a while longer for approval. As for the ventilator, the Group is taking it through the full approval process and not under the Emergency Use Authorization (EUA) route. Therefore, the approval process is more thorough and highly stringent but it is worth it for strategic reasons as it is viewing this as a sustainable long-term business.

There is one thing which the Group's R&D engineers learnt – the development and manufacturing of own brand medical devices are complex, time consuming and approval by the relevant authorities of such devices are crucial. Nonetheless, K-One's R&D team is committed with the development of medical/healthcare devices as the Group believes its future lies with the medical/healthcare industry which promises high growth, long product life cycle and attractive margins.

MANUFACTURING

The COVID-19 pandemic propelled the Group to innovate and manufacture its own brand of medical devices to take advantage of the surge in demand of specific medical aids driven by the pandemic. At the same time, it was considering doing it for a good cause as part of its corporate social responsibility initiative. As such, it pulled its resources together to accelerate the due diligence process to register its manufacturing facility with MDA. It successfully got its Establishment Licence from MDA in June 2020 to enable it to produce MDA approved medical products. Being an FDA certified manufacturing facility made the MDA registration process easier and faster as the system and infrastructure were already in place.

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



To prepare for the anticipated business uptick in medical/healthcare devices, the Group purchased a factory in the vicinity of the existing factories. The transaction was completed in January 2021 and it plans to refurbish it in the coming months.

HUMAN RESOURCE

Despite the onslaught of the COVID-19 pandemic, the Group is proud to have maintained its headcount. In fact, it increased the production headcount of its EMS business towards year end when its sales exhibited a rising trend. It expects its EMS business to continue on recovery mode in 2021. Hiring the right talents in the technical and business development fields remains a challenge. In this regard, the Group had embarked on new avenues such as engaging non-conventional job portals and doing personal headhunting through specific social media platform to search for such talents.

The Group spent much time, efforts and money to ensure the safety and health of its employees last year to mitigate the risks posed by the COVID-19 pandemic. So far, there was no employee infected with COVID-19 in its factories or offices to-date. It is worthwhile to note that the Group does not have foreign employees working on its production floors or offices. It believes in hiring locals and provide employment opportunities to the local communities where it operates. This policy proves advantageous as the Management does not need to spend additional time and expenses to manage foreign workers and the associated lodging issues to mitigate COVID-19 infection risks.

CORPORATE DEVELOPMENT

On 19 May 2020, the Group exercised its Call Option to acquire the remaining 40% equity interest in G-AsiaPacific Sdn. Bhd. (GAP) at the Option Price of RM17,259,814.40 to be satisfied via the issuance of 53,768,892 Option Consideration Shares (K-One shares) at the issue price of RM0.321 per K-One share. The Call Option was completed on 18 June 2020 with GAP becoming a wholly owned subsidiary of K-One Technology Berhad.

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 2020 which was extremely challenging.

Dato' Martin Lim Soon Seng
CEO

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

1. OVERVIEW

It was a strenuous year for the K-One Group as it manoeuvred through an unprecedented business environment which was overwhelmed with uncertainties and hostility due mainly to the outbreak of the COVID-19 pandemic declared by the World Health Organization (WHO) on 11 March 2020. The pandemic has led to a series of wide-ranging global containment measures, including lockdowns and quarantines, which in turn created a global socio-economic crisis. As the world battles on COVID-19 containment, the ongoing rollout of vaccines has given welcome signs of hope to end this pandemic.

Against the backdrop of the COVID-19 pandemic and the ensuing movement restrictions, digitalisation is shaping up to be part of the New Normal as the process is being pushed to the forefront by businesses. The Group has taken this opportunity to accelerate its ongoing business transformation effected since the last few years by taking bolder steps to expand both the medical/healthcare industry segment within the EMS space and Cloud business as these technology business segments are anticipated to be recession proof and beneficiaries of the COVID-19 pandemic.

The major accomplishments in 2020 carried by this business transformation include: 1) Expansion of own product portfolio in the medical/healthcare segment of the EMS business to encompass nasal/oral swabs, ventilators and syringe safety needle caps. These medical aids are essential medical supplies in the combat of COVID-19 infections and can be applied for detection and treatment of other diseases post-pandemic; 2) Being the only Malaysian company and one of two companies in South-East Asia to be granted by NASA-JPL the licence to manufacture and distribute the VITAL ventilators worldwide (VITAL is the acronym for Ventilator Intervention Technology Accessible Locally); 3) Received endorsement from Amazon Web Services (AWS) as the leading Cloud partner in Malaysia with Public Sector badge that gives preferred access to the public sector which has immense potential and 4) Last but not least, the Cloud business secured a key Singapore based customer which will act as a good referral to facilitate the Group's further penetration into the fast growing and rich Cloud computing market in Singapore and the South-East Asia region. These accelerated business transformation and expansion was partly the catalytic result of the COVID-19 pandemic.

Nevertheless, the Group's bottom line was adversely affected and negatively compounded by certain accounting treatments, ie reversal of deferred tax assets, provision for doubtful debt and recognition of fair value movement of Put Option liability. These accounting treatments were one-off non-recurring, required to comply with the appropriate accounting standards and on the principle of prudence in view of the unprecedented global economic uncertainties brought about by the outbreak of the COVID-19 pandemic. Notwithstanding, the Group continued to be cash generative, debt free and with strong cash surplus.

The Group has managed to cope and will continue to prioritise protecting its employees and their families against COVID-19 infections as well as having contingency plans to deal with the various possible scenarios arising from the pandemic.

2. BUSINESS OBJECTIVES AND STRATEGIES

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

The COVID-19 pandemic catalyzed and accelerated the Group's diversification into the medical/healthcare industry which it had been pursuing in the last few years to fill the void created following its exit from the mobile phone accessories's market in its EMS business. Spurred by the COVID-19 pandemic, It took the opportunity to invest into developing and manufacturing its own brand medical devices such as nasal/oral swabs, ventilators and syringe safety needle caps to fulfil the hyper-demand caused by the pandemic. As it stands, the OEM/ODM sales derived from both the medical/healthcare devices and non-medical/healthcare products (consumer electronics/IoT/industrial) is the main anchor of the EMS business while its own brand medical devices begin to take traction and in the long-term is expected to counter-balance the EMS business, which in itself will be medical/healthcare weighted over time.

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

Cont'd

Since March 2019, the K-One Group has diversified into cloud computing (Cloud) following its acquisition of 60% equity interest in G-AsiaPacific Sdn. Bhd. (GAP). In May 2020, the Group exercised the Call Option to acquire the remaining 40% equity interest in GAP. The Call Option was completed in June 2020 which resulted in GAP becoming a wholly owned subsidiary of the Group. The Cloud business is principally involved in the provision of advanced cloud technology which comprises infrastructure as a service (IAAS), platform as a service (PAAS), software and mobile application development and consultancy as well as cloud management related services.

It is envisaged that the Cloud business will be a strong counterbalance to the EMS business moving forward as the Group extends its coverage to all facets of business in Malaysia, be it private or public, large or small and concurrently reaches out to ASEAN countries where growth opportunities are equally plentiful.

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

3. FINANCIAL REVIEW

Financial Performance

Group Business

The Group's revenue declined to RM91.2 million in 2020 from RM97.0 million in 2019, which is a slide of 6%, attributed entirely to the contraction in its EMS business due primarily to the outbreak of the COVID-19 pandemic declared by the World Health Organization (WHO) on 11 March 2020, which adversely affected global demand of non-essential goods, hence, negatively impacted the non-medical/healthcare segment of its EMS business, vis-a-vis consumer electronic products, industrial equipment and IoT gadgets.

EMS Business

EMS's sales eased to RM60.6 million as compared with RM73.1 million in the preceding year, representing a decline of 17%. Industrial equipment, electronic headlamps and IoT gadgets succumbed to the COVID-19 pandemic induced global economic downturn. The medical/healthcare devices on the contrary, registered sales increase in view of strong market demand spurred by the COVID-19 pandemic with production ramp up for both the existing and new medical/healthcare customers. However, these were insufficient to make up for the shortfall arising from the said industrial, consumer electronics and IoT segments.

Cloud Business

Cloud business generated sales revenue of RM30.6 million in 2020 as compared with RM23.9 million (March-December'19) in the previous year in accordance with the equity accounting period following acquisition in March 2019. Despite the enforcement of MCO since 18 March 2020 and the subsequent relaxation of restrictions (CMCO and RMCO) during the year, the Group's Cloud business remains upbeat. While development/implementation order growth from new customers had been stunted due to restricted movement and a wait-and-see attitude of most businesses, the recurring business from existing customers, on the contrary, increased as remote working, e-commerce and e-learning uptrends spurred Internet connectivity and data usage which benefited Cloud.

Group Earnings

The Group recorded loss attributable to equity holders of RM 8.8 million for 2020 as compared to a profit of RM6.1 million in 2019. The indicated loss was substantially attributed to the reversal of deferred tax assets of RM1.0 million and provision for doubtful debts of RM5.0 million on the receivable pursuant to the disposal of equity of an associate back to the former vendors on the principle of prudence in view of the unprecedented global economic uncertainties brought about by the outbreak of the COVID-19 pandemic. Additionally, recognition of fair value movement of Put Option liability over shares of GAP of RM0.9 million, which is in line with the appropriate accounting treatment under MFRS 132, increased the Group's loss. Discounting the reversal of deferred tax assets of RM1.0 million, provision for doubtful debt of RM5.0 million and recognition of fair value movement of Put Option liability of RM0.9 million, the Group's loss would have been RM1.9 million for 2020.

EMS Earnings

The operational loss from the EMS business (2020 loss: RM4.2 million vs 2019 profit: RM3.1 million) was mainly attributed to the overall gross profit margin slide from 24% in 2019 to 15% in 2020 and reversal of deferred tax assets of RM1.0 million on the principle of prudence. Lower manufacturing yield on new product lines due to steep learning curve dampened the overall gross margin. Increasing initial investments on prototype making to bid for new business, extra COVID-19 related precautionary steps taken and associated expenses incurred for MCO/CMCO/RMCO compliance purposes and the weak USD exacerbated margin compression, resulting in weak earnings performance of the EMS business in 2020.

Cloud Earnings

On the Cloud business, profit declined from RM4.2 million to RM2.6 million on lower gross profit margin, mainly dragged by sluggish Cloud solutions development/implementation orders which usually commanded premium margins.

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

Cont'd

Assets

The Group's total assets for 2020 surged from RM140.9 million to RM149.3 million year-on-year (YoY), representing an increase of 6%, owing mainly to increase in property, plant and equipment (PPE), trade receivables and cash and cash equivalents.

PPE increased to RM18.6 million from RM16.2 million YoY, representing an increase of 15% due mainly to the acquisition of a factory of RM1.2 million to accommodate the expected uptick in manufacturing demands, arising particularly from the medical/healthcare industry in the near term. On the other hand, trade receivables jumped to RM23.2 million in 2020 from RM18.3 million in 2019, attributed mainly to the increase in the Group's sales revenue of 17% to RM31.3 million in 4Q'20 from RM26.7 million in the corresponding quarter last year.

Cash and cash equivalents in the form of time deposits and short-term cash funds of the Group which stood at RM55.9 million as at end 2020 registered an increase of 10% from RM50.7 million as of the previous year end. The increase was attributed mainly to cash generated from operating activities of RM4.8 million and exercise of 33.1 million ESOS options by eligible employees which raised proceeds of RM4.7 million, but partially offset by the said factory acquisition and increase in working capital in the form of higher trade receivables. The Group's healthy cash position will allow it to undertake organic growth besides looking into merger and acquisition (M&A).

Gearing

The Group does not have any borrowings as at end 2020.

Dividend

No dividend would be paid or declared for the year (2020) as the Group needed to preserve cash to fuel expected impending organic growth and taking on strategic M&A opportunities.

4. OPERATIONAL AND FINANCIAL RISKS

Economic and Market Environment

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

However, the Group's EMS business has successfully embarked on product diversification into "sunrise" markets in the likes of medical/healthcare devices, IoT gadgets and industrial products. In the medical/healthcare segment of the EMS business, production of specific new medical/healthcare devices are being ramped up to meet increasing demand attributed to the persistence of COVID-19 infections worldwide, notwithstanding the COVID-19 vaccine rollout which will take time to achieve herd immunity. Furthermore, the Group's ongoing expansion in its own product portfolio in the medical/healthcare business is taking traction. It is envisaged that healthcare devices will constitute a substantial portion of the Group's EMS business in 2021.

The US and China had been growing apart since Donald Trump became President and that trajectory will likely continue under President Joe Biden based on initial guidance. Therefore, US businesses are projected to follow up in diverting manufacturing out of China. With the current evolution of Asia's trade landscape under the Regional Comprehensive Economic Partnership (RCEP), the region has been positioned as a choice beneficiary of the potential business diversion. This present ample opportunities to the K-One Group, which has been relentlessly tapping on such potentials by continuously marketing its capabilities and competencies directly in the US markets through organized online exhibitions and targeted marketing blitz to identified companies based in US. The business leads secured are encouraging and are expected to be crystallized into sales in the medium term to add on to its bucket of new customers.

Besides, the Group's diversification into the Cloud business through the acquisition of GAP, which is complementary to its existing principal activities is providing another stream of income. The Cloud business has been increasingly promising considering that the COVID-19 pandemic catalyzed the pace of cloud adoption and usage especially for operational continuity, as witnessed by behavioural shifts on work processes and remote working among the public and private business sectors. It is anticipated that integrated work from home strategies will continue to be employed post-pandemic to harmonize and optimize employer, employee and environmental outcomes.

Technology Disruptions

The Group operates in a space which is subject to rapid technological changes. It acknowledges the significant impact of this risk to the well-being of its business. Therefore, the Group has focussed on diversification into other synergistic technology-based businesses under the Industry 4.0 ecosystem (such as the acquisition of GAP in 2019), continuous manufacturing technology upgrade (currently working towards smart manufacturing as part of its Industry 4.0 attainment), stringent quality management, improvement in back office efficiency (recently replaced its legacy ERP system with Oracle system) and effective sales and marketing efforts in reaching out to potential customers in US which intend to divert their production from China to Malaysia. The Group is confident that it is flexible enough to adapt to new technologies in view of its agile staff, industry knowledge and technical know-how, particularly in R&D capabilities and engineering excellence.

Human Capital

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

Foreign Currency Exchange Fluctuation

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

COVID-19 Pandemic

There are plenty of uncertainties on the COVID-19 pandemic front ie will it persist or abate and what are the consequential ramifications to societies, businesses and the supply chain. Irrespective of the turn in events, in order to mitigate the risks, the Group will strictly adhere to the Standard Operating Procedures ("SOPs") and government regulations to ensure the health and safety of its employees, suppliers, customers and business associates.

It is committed to expand its medical/healthcare portfolios within its EMS business and own brand medical devices and scale its Cloud business geographically as these are sustainable businesses insulated from economic weather changes and natural calamities.

5. BUSINESS & MARKET OUTLOOK

We foresee that global uncertainty and instability to continue in 2021, owing to the vulnerable global economic environment with mounting global economic risks marked with instability, unabating COVID-19 pandemic woes, lingering global protectionism and heightened geopolitical risks. Amidst a challenging global business landscape and COVID-19 pandemic induced global economic downturn, the K-One Group is cautiously optimistic and expects the overall sales outlook for 2021 to be on a rising trend, while its medical/healthcare OEM/ODM and OBM businesses and Cloud business are primed for further growth in the coming years, as conjectured below.

EMS Business

Production of specific new medical/healthcare devices are being ramped up to meet increasing demand attributed to unsettling COVID-19 infections worldwide in spite of the vaccines rollout. On the consumer electronics, industrial and IoT sectors, orders from existing customers are gradually recovering supported by improving global gross domestic product (GDP) and trade, stimulus measures implemented by various governments, COVID-19 pandemic's containment and deployment of vaccines. Both the medical/healthcare and non-medical/healthcare segments are expected to continue to expand as overall consumer and business confidence improves. Simultaneously, the Group is engaging in new business opportunities, in particular to convert potential US customers to actual clients by riding the foreseeable next wave of manufacturing diversions out of China.

The range of own product portfolio in the medical/healthcare business has been expanded to encompass nasal/oral swabs (used in COVID-19 testing), ventilators (necessary for COVID-19 patients with severe breathing difficulties) and syringe safety needle caps (required for inoculation of COVID-19 vaccine). Beyond the COVID-19 pandemic period, these medical products can be applied for detection and treatment of other diseases respectively. Additionally, the business collaboration with an established local company, Selia-Tek Medical Sdn Bhd (Selia-Tek) is expected to enhance the distribution of the said medical aids, amid the persistence of COVID-19 infections. On the other hand, the Group will distribute Selia-Tek's syringes abroad.

Cloud Business

Recurring revenue from the significant pool of GAP's existing customers exceeding 3,000 is expected to be sturdy as the COVID-19 pandemic is driving the acceleration of technology adoption, particularly digitalization. Presently, most businesses and society at large are working from home and adopting new behavioural habits of online buying. It is anticipated that integrated work from home strategies will continue to be employed post-pandemic to harmonize and optimize employer, employee and environmental outcomes. The digital transformation of work during and post COVID-19 augurs well for cloud usage and is thus beneficial to the Cloud business of the K-One Group.

Prime Minister, Tan Sri Muhyiddin Yassin's launch of the MyDIGITAL initiative and the Malaysia Digital Economy Blueprint on 19 February 2021, in particular, the government's Cloud-First strategy to migrate 80% of public data to hybrid systems by 2022 is expected to provide immense Cloud business opportunities. The Group stands ready to work with its principals; namely, Amazon, Google and Microsoft which have been conditionally appointed as Cloud Service Providers (CSPs) to tap into the vast greenfield public sector market in Malaysia. This is a timely opportunity for the Group to leverage on its expertise and honed experience to pitch for a slice of the public sector Cloud business which it believes can support multi-vendors, on top of the 3 selected Manage Service Providers (MSPs) in view of the sizable business.

Both G-AsiaPasific (S) Pte Ltd (wholly-owned subsidiary of GAP) and P.T. GAsia Pasific Indo (investment of GAP) are making good progress in Singapore and Indonesia respectively. The recent G-AsiaPasific (S) Pte Ltd's customer wins will serve as good reference to facilitate the Group's further penetration into the fast growing and huge Cloud computing market in Singapore and the South-East Asia region.

The streaming of the new key customer based in Singapore in January 2021 will provide additional sales contribution of approximately RM10 million in 2021 based on the contract signed for 3 years with carrying value of approximately RM10 million per year. Furthermore, the predicted recovery of the global economy should provide the impetus to businesses to invest in cloud transformation and GAP is ready to convert them to new customers.

All in all, the K-One Group is cautiously optimistic and expects to turnaround in 2021 barring unforeseen circumstances. The focus moving forward is to maintain a standard of excellence in its execution. The Group will continue to strive for top quality delivery on a timely basis to its customers. The Group continues to be highly committed to maximising value for its customers, employees, shareholders and other valued stakeholders.

SUSTAINABILITY STATEMENT

INTRODUCTION

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

UN GLOBAL COMPACT
United Nations Global Compact

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

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

STAKEHOLDERS ENGAGEMENT

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

Stakeholder Group	Engagement Approach	Sustainability Concern
Shareholders	• Annual and extraordinary general meetings • Financial and corporate announcements	• Dividend • Return on investment • Financial performance • Share performance
Board	• Board meetings • Annual and extraordinary general meetings • Corporate organised events	• Corporate governance • Business strategy • Continuous business and operational improvements • Risk management and compliance with laws and regulations • Financial results • Interests of stakeholders and shareholders
Employees	• Quarterly forums • Employee performance appraisal • Group organised events	• Occupational health and safety • Fair remuneration • Fair employment practices • Career development opportunities
Customers	• Ad-hoc meetings • Exhibitions • Plant audits	• Manufacturing quality • Manufacturing capacity • Research and development • Equitable business operations
Suppliers	• Supplier audits • Ad-hoc meetings	• Fair tender practices • Competitive prices • Supply chain disruption • Business continuity
Government/ Regulatory Authorities	• Continuous interaction • Formal and informal meetings • Participation in government programmes and initiatives	• Manufacturing issues and policies • Compliance with applicable laws • Economic, environmental and social impacts • Collaborative programmes related to national agenda
Non-Governmental Organisations	• Public events • Face-to-face interaction	• Working conditions • Labour rights

GLOBAL CRISIS (COVID-19 PANDEMIC)

The World Health Organization (WHO) declared COVID-19 a global pandemic on 11 March 2020. It remains difficult to determine the full extent of the social and economic impacts of the outbreak and this uncertainty is expected to continue for some time to come. Over the past 20 years, the Group has successfully navigated through countless crises together with its employees, suppliers, customers and the local communities by putting people first as part of its long term objective in contributing to the well-being of the local communities, nation and humanity. Capitalizing on its innate strengths, the Group will continue to ensure the safety and health of its employees and do its utmost to support the local communities and public at large in the battle to overcome the COVID-19 pandemic.

Health and safety are the cornerstone of the Group's aspirations. Since the early stages of the COVID-19 outbreak, the Group's Occupational Health and Safety Committee has put in place strict remedial measures in response to mitigating guidelines imposed by the Ministry of Health, Malaysia and other relevant authorities. The Group regularly provides updates to its employees on each of its worksites' situation and enhancement measures implemented as necessary from time to time. COVID-19 has impacted each and every one of us and the Group has adapted to this New Normal to support the safety and well-being of its employees, customers and suppliers. The aim is to establish a safe and efficient work environment while minimizing the disruption faced by customers in accessing the Group's products and services.

The key initiatives undertaken by the Group to combat the spread of COVID-19 are summarised herein:
- Providing a working environment that promotes personal and workplace hygiene.
- Mandatory temperature check for employees and visitors prior to commencing work or entering its premises.
- Visitors are not encouraged to physically meet in the Group's offices and plants and employees are similarly discouraged from visiting suppliers or customers, unless absolutely necessary. All meetings with third parties are preferred to be done virtually.
- Restricting movement between manufacturing areas or compartments to reduce risk of transmission.
- Minimizing headcount in the office by alternate work week practice ie alternating in working in the office and work from home.
- Practise social distancing in the workplace and wearing of masks during meetings.
- Provision of sanitizers at designated locations such as toilets and other strategic spots.
- Sanitization of the workplace at defined time schedule; prior to commencement and end of work at the minimum.
- Self-quarantine of 14 days if employee exhibits COVID-19 symptoms or is in close proximity with a COVID-19 suspect or infected party. If necessary, to conduct a COVID-19 test as appropriate.
- Submitted one-off compliance report with photos to the Department of Safety and Health (JKKP) Selangor.
- Submit daily compliance report to the Ministry of International Trade and Industry (MITI).

In June 2020, MITI conducted a surprise audit of the Group's plant in Ipoh which was satisfactory and in good order.

ECONOMIC, ENVIRONMENT AND SOCIAL SUSTAINABLE PRACTICES

A. Economic

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

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

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

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

SUSTAINABILITY STATEMENT
Cont'd

B. Environment

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

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

The Group is taking steps towards becoming a smart factory through the utilization of IoT concepts and integration of all systems into one centralized digital platform. The Group will continue to push forward into automated production processes backed by advanced cloud solutions in its assembly lines. The final goal is to establish a digitalized production shop-floor which is green, yet highly efficient with optimum workforce utilization and raw materials usage.

The Group has invested approximately RM2.8 million to replace its Enterprise Resource Planning (ERP) system as part of its move to achieve Industry 4.0. The new ERP system (Oracle) had been rolled out in January 2021. This will enable the Group to take the next step in bridging automation and data connectivity to develop sophisticated integrated manufacturing and business systems.

C. Social

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

Caring for our Community

COVID-19 began to haunt the world as early as January 2020. On 11 March 2020, the World Health Organization (WHO) considered the COVID-19 outbreak as a pandemic. What followed were severe unprecedented adverse impacts on the global economy, healthcare system, social behaviour and disruptions in almost every facet of life.

In keeping with K-One's objectives in helping the local community and supporting the education fraternity, the Management of K-One took the initiative to give away hand sanitizers to the pupils of three primary schools in Ipoh. The Group believes that children is a vulnerable lot and they deserve to be given due attention to their basic needs in combating COVID-19 infections. The three schools were: 1) Sekolah Kebangsaan Manjoi (Dua), 2) Sekolah Jenis Kebangsaan (Cina) Guntong and 3) Sekolah Jenis Kebangsaan (Tamil) St. Philomena Convent.

Each of the primary schools were given 410, 192 and 432 bottles of 60 ml hand sanitizer respectively. The hand sanitizers were specially done in pocket size to enable the pupils to carry them in their pockets so that they can conveniently use it to disinfect their hands as and when needed.

Braving the COVID-19 pandemic for the past one year was indeed trying, more so for those who have to face the floods at the same time. The year end floods that hit the East Coast and the southern part of the country weighed harder on those who were already suffering from the ravages of COVID-19. Thousands of people had to be evacuated to relief centres with some losing their homes. The least K-One could do was to support the Malaysian Relief Agency by contributing sanitizers to be handed out to victims affected by the floods in Pahang and Johor. The Malaysian Relief Agency is a humanitarian organization with the aim of assisting those affected by natural disasters or armed conflicts.

In appreciation of the frontliners who worked tirelessly in the hospitals to attend to patients, particularly those infected with COVID-19, Dato' Martin Lim, CEO of K-One gave approximately 2,000 pomelos to the healthcare staff of Hospital Raja Permaisuri Bainun in Ipoh on 27 March 2020 to lighten up their days. The healthcare staff were delighted and it was also a short break from their stressful routine. The COVID-19 pandemic has been extremely challenging for everybody especially for healthcare staff who are working under immense pressure, often putting their physical, mental and well-being at risks to save others. In this regard, K-One would like to take this opportunity to record our heartfelt gratitude and appreciation to all frontline staff for their tireless efforts, commitment and sacrifices. It is with great hope that the COVID-19 pandemic will end soon with the rollout of the vaccine this year.

Last but not least, K-One's MyJanji program to help the needy, underprivileged and disadvantaged individuals and families is rolling on with new beneficiaries. Times are tough and it is expected that needy cases will increase. K-One is doing its best to alleviate the financial burden of the selected beneficiaries.

Caring for our Employees

Following the declaration of COVID-19 as a pandemic by WHO on 11 March 2020, the Malaysian government invoked the Movement Control Order (MCO) on 18 March 2020 which subsequently morphed into Conditional Movement Control Order (CMCO) followed by Recovery Control Movement Order (RMCO) but reverted to CMCO and MCO when COVID-19 cases took a turn for the worse at the end of 2020 or beginning of 2021 in specific states. All these versions of Movement Control Order were implemented as appropriate depending on COVID-19 infection rates so as to balance economic sustainability. It is a tough decision to make to juggle between human and economic health.

During the effective period of the MCO, all business premises had to shut down, except those in the supply of essential services or goods such as banking, utilities, medical, food, transport, government activities and selected industries that were permitted to run by the authorities from time to time. Businesses which were allowed to operate had to strictly adhere to all the guidelines termed as Standard Operating Procedures (SOPs) set by the regulatory agencies which included the Ministry of Health (MOH) and/or the Ministry of International Trade and Industry (MITI).

SUSTAINABILITY STATEMENT
Cont'd

During the MCO period, K-One's office staff were advised to follow the work schedule drawn up which alternates work from home (WFH) and work in office (WIF). As for those who were scheduled to work in the office, the Management of K-One diligently instituted SOPs set by the authorities to ensure that safety of employees was not compromised. Employees were supplied with masks and hand sanitizers which were readily available within the working premises. Temperature scanners were installed at the entrance and employees are required to scan their body temperature prior to entering the premise. In the event that the employee is detected with temperature above the permissible level of 37.5, the employee will be quarantined for further action.

Social distancing is practised at all times. Employees are constantly kept in the loop on the latest development with respect to COVID-19 infections in the vicinity and reminded in adhering to SOPs to keep each other safe. Thanks to technology that employees are connected via WhatsApp group which allows instant updates without much hassle. The Group is fortunate to have a strong IT team and a workforce who are quick to adapt to technology and change in working methods to keep us going to provide our level best in serving our customers and suppliers alike in such times of crisis. Employees would hold internal meetings amongst staff from different locations and external meetings with third parties, be it customers or suppliers by videoconference. Visitors are not encouraged to K-One's premises unless absolutely necessary to meet face-to-face. All these measures were taken to mitigate the staff's exposure to COVID-19 infections.

The Group has similarly adopted stringent measures on the shopfloor to ensure that its production staff work in a safe and healthy environment. In this regard, it has the advantage that all its production employees are local and stay in nearby communities with their families. The Management has taken steps to compartmentalize its shopfloor so that the risks of COVID-19 spreading can be isolated. The Group is proud to have taken all mitigating measures necessary to keep all its employees safe and continued its level best to provide stability during this unprecedented global crisis. It is to be noted that most of the Group's staff reciprocate positively by adapting to new ways of working and exhibit courage to take on new challenges for the betterment of the Group.

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

Set out below is an overview of the corporate governance practices of the Group during the financial year ended 31 December 2020. This overview statement is prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market ('AMLR') and it is to be read together with the Corporate Governance Report 2020 of the Company ("CG Report") which is available on the Company's website: https://www.k-one.com/investor/corporate governance report/.

The CG Report provides the description of how the Group has applied each Practice as set out in the MCCG throughout the financial year ended 31 December 2020.

PRINCIPLES OF CORPORATE GOVERNANCE

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

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

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

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

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

2. Board Composition

Size and Composition of the Board

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

Appointment of Directors and Board Diversity

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. Board Composition (Continued)

Tenure of Independent Directors

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

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

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

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

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

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

Review of Board Performance

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

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

Assessments and evaluations were conducted for 2020 and the Board was satisfied with the overall performance of its Directors and the respective Committees.

Re-election of Directors

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

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. Remuneration

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

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

The details of the Directors' remuneration for the financial year ended 31 December 2020 are as follows:

	Salaries and Other Emoluments* RM'000	Fees RM'000	Meeting Allowances RM'000	Benefits-In-Kind RM'000	Total RM'000
Executive Directors					
Ir. Edwin Lim Beng Fook	941	-	-	-	941
Dato' Martin Lim Soon Seng	942	-	-	-	942
Non-Executive Directors					
Bjørn Bråten	-	-	-	-	-
Goh Chong Chuang	-	58	4	-	62
Loi Kim Fah	-	58	4	-	62
Anita Chew Cheng Im	-	58	4	-	62
Dato' Azlam Shah bin Alias	-	58	4	-	62
Total	**1,883**	**232**	**16**	**-**	**2,131**

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

4. Board Committees

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

4. Board Committees (Continued)

The composition of the Board Committees and the attendance of members at Board Committees meeting held in 2020 are as follows:

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

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit & Risk Management Committee

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

The composition of the ARMC is reviewed annually to ensure that the Chairman and members are financially literate and are able to carry out their duties in accordance with the Terms of Reference of the ARMC. The ARMC members are expected to continuously update their knowledge and enhance their skills. Based on the performance evaluation of the ARMC for the financial year ended 31 December 2020, the Board is satisfied that the Chairman and members of the ARMC have discharged their responsibilities effectively.

Please refer to the Audit & Risk Management Committee Report on pages 26 to 28 for further information on our Audit & Risk Management Committee.

2. Risk Management and Internal Control Framework

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

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

The Statement on Risk Management and Internal Control is set out on pages 29 to 31 of the Annual Report 2020.

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

1. Effective Communication with Shareholders and Investors

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

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

2. AGM

The AGM is another avenue for shareholders to interact with the Senior Management of the Group. Shareholders will be notified of the meeting date and time together with a copy of the Company's Annual Report at least 28 days before the meeting is held. At the 19th AGM of the Company held on 29 June 2020, 5 of the 7 members of the Board were present to respond to questions raised by the shareholders or proxies. Two (2) Directors were absent due to inconvenience and safety concerns posed by the COVID-19 outbreak. The voting at the 19th AGM was conducted through proper poll voting system and was scrutinised by an independent scrutineer. The Group is continuing to explore the leveraging of technology to enhance the quality of engagement with its shareholders to facilitate further participation by shareholders at AGMs of the Company.

3. Professional Development of Directors

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

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

Date of Training	Programme	Organised by	Attended by
12.9.20	Design Thinking	Equity Trackers	Anita Chew Cheng Im
3.11.20	Fraud Risk Management	Bursa Malaysia	Ir. Edwin Lim Beng Fook
17.11.20	National Tax Conference 2020	Inland Revenue Board	Loi Kim Fah
18.11.20	Fraud Risk Management	Bursa Malaysia	Goh Chong Chuang
27.11.20	International Market Update Session for Japan and South Korea	Ministry of Domestic Trade and Consumer Affairs and Malaysia Franchise Association	Dato' Azlam Shah bin Alias
7-10.12.20	Role of Audit Committees Ensuring Organizational Integrity, Risk and Governance	Institute of Corporate Directors Malaysia	Dato' Azlam Shah bin Alias
15-16.12.20	Best Practice In Applying Malaysian Private Entities Reporting Standards (MPERS)	Malaysian Institute of Accountants	Loi Kim Fah
18.12.20	Dealings In Listed Securities, Closed Period And Insider Trading and Conduct Of Directors Of A Listed Companies And Common Breaches Of Listing Rules	CKM Advisory	Dato' Azlam Shah bin Alias

This Corporate Governance Overview Statement was approved by the Board of Directors on 24 February 2021.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

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

TERMS OF REFERENCE

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

MEETINGS

There were four (4) Audit & Risk Management Committee meetings held during the financial year ended 31 December 2020. The details of the attendance of each member of the Audit Committee are as follows:

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

SUMMARY OF WORK

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

(a) Financial Reporting

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

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

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

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

SUMMARY OF WORK (CONTINUED)

(b) External Audit

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

(c) Internal Audit

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

(d) Others

- Reviewed the Executive Chairman's Statement, CEO's Operations Review, Sustainability Report, Management's Discussion and Analysis of Business Operations and Financial Performance, Audit & Risk Management Committee Report, Statement on Risk Management and Internal Controls and Corporate Governance Overview Statement prior to their inclusion in the Company's Annual Report 2020; and
- Reviewed the adequacy of the terms of reference of the Committee.

INTERNAL AUDIT FUNCTION

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
Cont'd

INTERNAL AUDIT FUNCTION (CONTINUED)

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

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

In 2020, the Internal Audit Department had conducted audits on the Group's work premises to ensure that all staff complied with the Standard Operating Procedures (SOPs) and guidelines on the Movement Control Order (MCO) and its variations imposed by the National Security Council (NSC)/Ministry Of Health (MOH)/Ministry of International Trade and Industry (MITI). Additionally, the said department had submitted a one-off compliance report with photos to the Department of Safety and Health (JKKP) Selangor and daily compliance reports to the Ministry of International Trade and Industry (MITI).

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

BOARD RESPONSIBILITIES

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

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

RISK MANAGEMENT

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

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

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

KEY ELEMENTS OF INTERNAL CONTROLS

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

i. Formal Organisation Structure

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

ii. Regular Performance Reporting

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

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

iii. Documented Policies And Procedures

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Cont'd

KEY ELEMENTS OF INTERNAL CONTROLS (CONTINUED)

iv. Code of Business Conduct

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

To ensure ethical and responsible business practices, the Supplier Ethical Data Exchange (Sedex) audit was carried out in August/September 2020 to check for compliances and upholding of ethical and responsible business values which the Group passed with no key concerns.

v. Quality Control

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

vi. Internal Audit

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

During the outbreak of the COVID-19 pandemic, the Internal Audit Department was entrusted to conduct regular audits on the Group's work premises to ensure that all staff complied with the Standard Operating Procedures (SOPs) and guidelines on the Movement Control Order (MCO) and its variations imposed by the National Security Council (NSC)/ Ministry Of Health (MOH)/Ministry of International Trade and Industry (MITI) respectively and collectively. The frequent audits helped to put all employees on their toes in strictly adhering to the SOPs which prevented COVID-19 infections.

vii. Audit & Risk Management Committee

The Audit & Risk Management Committee was set up with the view to assist and provide the Board with added focus in discharging its duties. For 2020, the Audit & Risk Management Committee met four (4) times to review the financial performance and operations relating to business performance, productivity, internal controls and risk management of the Group, following which had reported its deliberations and recommendations to the Board. Henceforth, the Audit & Risk Management Committee will continue to convene quarterly meetings to advise the Board on findings and in particular, improvements of the risk management and internal controls of the Group.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed by conducting a limited assurance engagement on this Statement on Risk Management and Internal Controls in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised) and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report. 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 24 February 2021.

ADDITIONAL COMPLIANCE INFORMATION

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

MATERIAL CONTRACT INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

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

REVALUATION OF LANDED PROPERTIES

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

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"), industrial and consumer electronics industries, Cloud computing service provider and investment holding. 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 RM	Company RM
Loss for the financial year, net of tax	(8,373,197)	(6,157,518)
Attributable to:		
Owners of the Company	(8,784,429)	(6,157,518)
Non-controlling interests	411,232	-
	(8,373,197)	(6,157,518)

DIVIDENDS

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2020.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:
(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

Other than disclosed in Note 32 to the financial statements, in the opinion of the directors,
(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the following shares were issued by the Company:

Class	Number	Term of issue	Purpose of issue
Ordinary share	33,084,600	Cash	Exercise of options by option holders
Ordinary share	53,768,962	Non-cash	Exercise of options over shares in a subsidiary held by non-controlling interest

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

No new issue of debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

Cont'd

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 18 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 1.1.2020**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2020**
13.3.2017	RM0.14	46,800,000	-	(30,427,500)	-	16,372,500
25.7.2018	RM0.17	600,000	-	-	-	600,000
10.7.2018	RM0.16	1,764,000	-	(814,600)	(67,200)	882,200
13.1.2020	RM0.19	-	8,000,000	(1,842,500)	(600,000)	5,557,500

WARRANTS

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

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

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

		Number of Warrants			
	At 1.1.2020	**Allotment**	**Exercised**	**Forfeited**	**At 31.12.2020**
Warrants	182,234,783	-	-	-	182,234,783

DIRECTORS

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

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

* Directors of the Company and certain subsidiaries

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

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

DIRECTORS' INTERESTS

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

Interests in the Company

	Number of Ordinary Shares			
	At 1.1.2020	Bought	Sold	At 31.12.2020
Direct interest				
Ir. Lim Beng Fook	119,522,973	649,300	-	120,172,273
Dato' Lim Soon Seng	101,418,078	-	-	101,418,078
Bjørn Bråten	31,492,432	-	-	31,492,432
Goh Chong Chuang	1,689,864	-	-	1,689,864
Loi Kim Fah	1,333,560	-	-	1,333,560
Anita Chew Cheng Im	600,000	-	-	600,000

	Number of ESOS			
Name	Balance as at 1.1.2020	Granted	Exercised	Balance as at 31.12.2020
Ir. Lim Beng Fook	6,600,000	-	-	6,600,000
Dato' Lim Soon Seng	7,200,000	-	-	7,200,000
Dato' Azlam Shah bin Alias	600,000	-	-	600,000

	Number of Warrants Issued Pursuant To the Deed Poll dated 11 December 2018 exercisable at any time from 31.12.2018 to 30.12.2021			
	Balance as at 1.1.2020	Alloted	Exercised	Balance as at 31.12.2020
Name				
Ir. Lim Beng Fook	29,880,743	-	-	29,880,743
Dato' Lim Soon Seng	25,354,519	-	-	25,354,519
Bjørn Bråten	7,873,108	-	-	7,873,108
Goh Chong Chuang	422,466	-	-	422,466
Loi Kim Fah	333,390	-	-	333,390
Anita Chew Cheng Im	150,000	-	-	150,000

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

DIRECTORS' REPORT
Cont'd

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 24 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 28 to the financial statements.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company and subsidiaries were RM8,000,000 and RM14,840 respectively.

SUBSIDIARIES

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

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

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events during and subsequent to the end of the financial year are disclosed in Note 32 to the financial statements.

AUDITORS

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

The details of the auditors' remuneration are disclosed in Note 22 to the financial statements.

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

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

....
IR. LIM BENG FOOK
Director

....
DATO' LIM SOON SENG
Director

Date: 16 April 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	18,634,979	16,181,019	3,730,609	3,789,176
Goodwill on business combination	6	18,561,563	18,561,563	-	-
Other intangible assets	7	13,208	26,327	-	22,572
Investment in subsidiaries	8	-	-	87,691,903	65,527,528
Investment in associates	9	-	-	-	-
Deferred tax assets	10	99,277	1,400,591	-	288,000
Other investment	11	115,171	115,171	-	-
Total non-current assets		37,424,198	36,284,671	91,422,512	69,627,276
Current assets					
Inventories	12	19,134,451	20,310,226	-	-
Receivables, deposits and prepayments	13	32,980,485	30,908,613	4,071,305	9,130,777
Contract assets	14	1,840,992	682,317	-	-
Current tax assets		2,038,010	2,014,398	133,134	72,000
Short term cash investment	15	18,651,367	8,066,719	12,651,367	8,066,719
Cash and bank balances	16	37,203,661	42,616,779	11,580,181	19,371,088
Total current assets		111,848,966	104,599,052	28,435,987	36,640,584
TOTAL ASSETS		149,273,164	140,883,723	119,858,499	106,267,860
EQUITY AND LIABILITIES					
Share capital	17	119,785,718	94,678,721	119,785,718	94,678,721
Reserves	18	(4,842,677)	19,490,060	(252,576)	8,551,788
Put option over shares held by non-controlling interests	18	-	(16,212,478)	-	-
		114,943,041	97,956,303	119,533,142	103,230,509
Non-controlling interests		-	2,902,798	-	-
Total equity		114,943,041	100,859,101	119,533,142	103,230,509
LIABILITIES					
Non-current liability					
Deferred tax liabilities	10	240,528	240,528	-	-
Total non-current liability		240,528	240,528	-	-
Current liabilities					
Payables and accruals	19	28,004,967	17,495,080	325,357	3,037,351
Contract liabilities	14	6,035,180	5,215,482	-	-
Gross obligation under put option	8	-	16,332,672	-	-
Current tax liabilities		49,448	740,860	-	-
Total current liabilities		34,089,595	39,784,094	325,357	3,037,351
Total liabilities		34,330,123	40,024,622	325,357	3,037,351
TOTAL EQUITY AND LIABILITIES		149,273,164	140,883,723	119,858,499	106,267,860

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Revenue	20	91,203,117	97,048,925	27,371	548,995
Cost of sales	21	(76,435,656)	(73,286,684)	(18,502)	(620,223)
Gross profit/(loss)		14,767,461	23,762,241	8,869	(71,228)
Other income		501,013	1,113,891	234,108	549,188
Administrative expenses		(14,391,765)	(14,402,907)	(1,082,426)	(1,333,639)
Sales and distribution costs		(482,847)	(875,351)	(64,510)	(115,888)
Net (impairment losses)/reversal of impairment losses on financial instruments		(5,055,556)	-	(5,205,710)	64,642
Other operating expenses		(3,085,211)	(2,532,012)	(157,526)	(186,277)
		(23,015,379)	(17,810,270)	(6,510,172)	(1,571,162)
Operating (loss)/profit		(7,746,905)	7,065,862	(6,267,195)	(1,093,202)
Finance income		814,850	1,182,132	395,248	1,113,678
Finance costs		-	(14,099)	-	-
Share of results of an associate, net of tax		-	22,843	-	-
(Loss)/Profit before tax	22	(6,932,055)	8,256,738	(5,871,947)	20,476
Income tax (expense)/credit	25	(1,441,142)	(475,407)	(285,571)	256,023
(Loss)/Profit for the financial year		(8,373,197)	7,781,331	(6,157,518)	276,499
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation		(3,014)	(66,913)	-	-
Total comprehensive (loss)/income for the financial year		(8,376,211)	7,714,418	(6,157,518)	276,499
(Loss)/Profit attributable to:					
Owners of the Company		(8,784,429)	6,104,157	(6,157,518)	276,499
Non-controlling interest		411,232	1,677,174	-	-
		(8,373,197)	7,781,331	(6,157,518)	276,499
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(8,787,443)	6,037,244	(6,157,518)	276,499
Non-controlling interest		411,232	1,677,174	-	-
		(8,376,211)	7,714,418	(6,157,518)	276,499
(Loss)/ Earnings per ordinary share attributable to owners of the Company					
Basic (sen)	26	(1.16)	0.84		
Diluted (sen)	26	(1.16)	0.82		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to Owners of the Company							
Group	**Share capital RM**	**Share option reserve RM**	**Foreign exchange reserve RM**	**Other reserve RM**	**Retained earnings RM**	**Sub-total RM**	**Non-controlling interests RM**	**Total equity RM**
At 31 December 2018	94,678,721	3,680,971	(12,623)	-	9,041,915	107,388,984	-	107,388,984
Total comprehensive income for the financial year								
Profit for the financial year	-	-	-	-	6,104,157	6,104,157	1,677,174	7,781,331
Other comprehensive loss								
Foreign currency translation difference	-	-	(66,913)	-	-	(66,913)	-	(66,913)
Total comprehensive income	-	-	(66,913)	-	6,104,157	6,037,244	1,677,174	7,714,418
Transactions with owners								
ESOS granted	-	742,553	-	-	-	742,553	-	742,553
Put option over shares held by non-controlling interest	-	-	-	(16,212,478)	-	(16,212,478)	-	- (16,212,478)
Acquisition of subsidiary	-	-	-	-	-	-	1,225,624	1,225,624
Total transactions with owners	-	742,553	-	(16,212,478)	-	(15,469,925)	1,225,624	(14,244,301)
At 31 December 2019	94,678,721	4,423,524	(79,536)	(16,212,478)	15,146,072	97,956,303	2,902,798	100,859,101

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Cont'd

	← Attributable to Owners of the Company					→		
Group	Share capital RM	Share option reserve RM	Foreign exchange reserve RM	Other reserve RM	Retained earnings (Accumulated losses) RM	Sub-total RM	Non-controlling interests RM	Total equity RM
At 31 December 2019	94,678,721	4,423,524	(79,536)	(16,212,478)	15,146,072	97,956,303	2,902,798	100,859,101
Total comprehensive loss for the financial year								
Loss for the financial year	-	-	-	-	(8,784,429)	(8,784,429)	411,232	(8,373,197)
Other comprehensive loss								
Foreign currency translation difference	-	-	(3,014)	-	-	(3,014)	-	(3,014)
Total comprehensive loss	-	-	(3,014)	-	(8,784,429)	(8,787,443)	411,232	(8,376,211)
Transactions with owners								
Issuance of ordinary shares pursuant to:								
- Exercise of ESOS	7,847,183	(3,097,706)	-	-	-	4,749,477	-	4,749,477
- Acquisition of shares held by non-controlling interest	17,259,814	-	-	-	-	17,259,814	-	17,259,814
ESOS granted	-	450,860	-	-	-	450,860	-	450,860
ESOS forfeited	-	(32,670)	-	-	32,670	-	-	-
Changes in ownership interests in a subsidiary	-	-	-	-	(12,898,448)	(12,898,448)	(3,314,030)	(16,212,478)
Exercise of options over shares held by non-controlling interest	-	-	-	16,212,478	-	16,212,478	-	16,212,478
Total transactions with owners	25,106,997	(2,679,516)	-	16,212,478	(12,865,778)	25,774,181	(3,314,030)	22,460,151
At 31 December 2020	119,785,718	1,744,008	(82,550)	-	(6,504,135)	114,943,041	-	114,943,041

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
Cont'd

	Attributable to Owners of the Company			
	Share capital	Share option reserve	Retained earnings	Total equity
Company	**RM**	**RM**	**RM**	**RM**
At 31 December 2018	94,678,721	3,680,971	3,851,765	102,211,457
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year	-	-	276,499	276,499
Transactions with owners				
ESOS granted	-	742,553	-	742,553
Total transactions with owners	-	742,553	-	742,553
At 31 December 2019	94,678,721	4,423,524	4,128,264	103,230,509
Total comprehensive loss for the financial year				
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	(6,157,518)	(6,157,518)
Transactions with owners				
Issuance of ordinary shares pursuant to:				
- Acquisition of shares held by non-controlling interest	17,259,814	-	-	17,259,814
- Exercise of ESOS	7,847,183	(3,097,706)	-	4,749,477
ESOS granted	-	450,860	-	450,860
ESOS forfeited	-	(32,670)	32,670	-
Total transactions with owners	25,106,997	(2,679,516)	32,670	22,460,151
At 31 December 2020	119,785,718	1,744,008	(1,996,584)	119,533,142

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash flows from operating activities				
(Loss)/Profit before tax	(6,932,055)	8,256,738	(5,871,947)	20,476
Adjustments for:				
Net allowance for/(reversal of) impairment losses on:				
- trade receivables	65,556	-	-	-
- other receivable	4,990,000	-	4,990,000	-
- subsidiary	-	-	215,710	(64,642)
Reversal of impairment on investment in subsidiaries	-	-	-	(53,314)
Amortisation of computer software	27,513	56,785	22,572	47,761
Depreciation of property, plant and equipment	2,121,100	1,434,169	58,567	58,441
Other intangible assets written off	-	29	-	18
Property, plant and equipment written off	2,858	30,580	-	301
Interest income	(814,850)	(1,182,132)	(395,248)	(1,113,678)
Income from short term cash investment	(157,009)	(385,002)	(119,323)	(227,606)
Fair value gain on short term cash investment	(84,648)	(181,841)	(84,648)	(181,841)
Finance cost	-	14,099	-	-
Fair value movement of put option liability over shares of a subsidiary	927,141	120,194	-	-
Share options granted under ESOS	450,860	742,553	-	-
Net unrealised loss on foreign exchange	85,127	91,017	6,873	3
Loss on disposal of an associate	-	523,857	-	-
Share of results of an associate, net of tax	-	(22,843)	-	-
Operating profit/(loss) before changes in working capital carried down	681,593	9,498,203	(1,177,444)	(1,514,081)
Changes in working capital:				
Inventories	1,175,775	(4,823,385)	-	-
Receivables	(7,175,466)	717,714	(3,438)	2,284,367
Payables	10,170,910	1,471,812	148,666	(47,921)
Net cash generated from/(used in) operations	4,852,812	6,864,344	(1,032,216)	722,365
Interest received	814,850	1,182,132	395,248	1,113,678
Interest paid	-	(14,099)	-	-
Tax paid	(854,852)	(1,464,198)	(58,705)	(148,550)
Net cash from/(used in) operating activities	4,812,810	6,568,179	(695,673)	1,687,493

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
Cont'd

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Cash flows from investing activities					
Purchase of property, plant and equipment		(4,577,918)	(5,299,753)	-	(3,340)
Purchase of intangible assets		(14,394)	(1,242)	-	-
Acquisition of subsidiary, net of cash acquired		-	(14,700,826)	-	(20,400,000)
Purchase of other investments		-	(115,171)	-	-
Income from short term cash investment		157,009	385,002	119,323	227,606
Advances to subsidiaries		-	-	(4,596,501)	(3,167,325)
Uplift/(Placement) of deposits with licensed banks		5,500,000	(4,000,000)	9,500,000	5,500,000
(Placement)/Redemption of short term cash investment		(10,500,000)	20,357,945	(4,500,000)	20,357,945
Net cash used in investing activities		(9,435,303)	(3,374,045)	522,822	2,514,886
Cash flows from financing activities					
Proceeds from issuance of shares		4,749,477	-	4,749,477	-
Repayments of term loans		-	(792,949)	-	-
Repayment from subsidiaries		-	-	(2,860,645)	(9,501,165)
Net cash from/(used in) financing activities		4,749,477	(792,949)	1,888,832	(9,501,165)
Net increase/(decrease) in cash and cash equivalents		126,984	2,401,185	1,715,981	(5,298,786)
Cash and cash equivalents at the beginning of financial year		14,616,779	12,355,614	871,088	6,171,260
Effect of exchange rate fluctuations on cash and cash equivalents		(40,102)	(140,020)	(6,888)	(1,386)
Cash and cash equivalents at the end of financial year	16	14,703,661	14,616,779	2,580,181	871,088

(a) Reconciliation of liabilities arising from financing activities

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

(b) During the financial year, the total cash outflow for leases amounted to RM192,971. (2019: RM206,330).

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The Company is principally engaged in research, design and development of electronic end-products and sub-systems for the healthcare, medical, Internet of Things ("IoT"), industrial and consumer electronics industries, Cloud computing service provider and investment holding. 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 authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 April 2021.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosure
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendment to MFRS 16 Leases issued by the Malaysian Accounting Standards Board ("MASB") on 5 June 2020 or/and 6 April 2021.

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, except for those as discussed below.

Amendment to MFRS 16 Leases

The Group has early adopted the amendment to MFRS 16 that exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications, applying to reduction in lease payments originally due on or before 30 June 2022.

The Group elected the practical expedient not to assess whether a rent concession received from landlord is a lease modification.

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2021/ 1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*
# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2. BASIS OF PREPARATION (CONTINUED)

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

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

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 9 Financial Instruments – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by Malaysian Accounting Standards Board in April 2018.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period ; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of controls as mentioned above.

When the Group has less than majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other holders;
- Potential voting rights, if such rights are substantive, held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- The nature of the Group's relationship with other parties and whether those other parties are acting on its behalf (i.e. they are 'de facto agents'); and
- Any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Accounting for business combinations

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

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

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

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

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

Acquisition on or after 1 January 2012

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

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

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

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

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

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

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

Acquisition between 1 January 2007 and 31 December 2011

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Accounting for business combinations (Continued)

Acquisition prior to 1 January 2007

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

(c) Non-controlling interests

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

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

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

(d) Changes in group composition

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

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

(e) Transactions eliminated on consolidation

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

3.2 Property, plant and equipment

(a) Recognition and measurement

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (Continued)

(b) Subsequent costs

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

(c) Depreciation

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

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

Leasehold land	26 to 38 years
Buildings	26 to 50 years
Furniture and fittings, office equipment and renovation	15% to 40%
Motor vehicles	20%
Plant and machinery and testing equipment	20%

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

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

(d) Derecognition

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

3.3 Other intangible assets

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

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

3.4 Financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

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

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

(a) Subsequent measurement

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

(i) Financial assets

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

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

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

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

<u>Debt instruments</u>

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

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

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

Equity instruments

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

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

(ii) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

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

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

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

(c) Financial guarantee contracts

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

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

(d) Regular way purchase or sale of financial assets

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

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

Trade date accounting refers to:

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

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

(e) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(e) Derecognition (Continued)

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

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

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

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

(f) Offsetting of financial instruments

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

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

3.5 Impairment of assets

(a) Impairment of financial assets and contract assets

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Impairment of non-financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets (Continued)

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

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

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

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

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

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

3.6 Inventories

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

3.7 Cash and cash equivalents

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

3.8 Share capital and share issuance expenses

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases

(a) Definition of lease

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

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

(b) Lessee accounting

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

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

<u>Right-of-use asset</u>

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

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

<u>Lease liability</u>

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

Lease payments include in the measurement of the lease liability may comprise:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(b) Lessee accounting (Continued)

Lease liability (Continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Lessor accounting

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

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

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

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

3.10 Foreign currency

(a) Foreign currency transactions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Foreign currency (Continued)

(a) Foreign currency transactions (Continued)

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.

3.11 Goodwill on business combination

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

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

3.12 Contract assets/(liabilities)

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue recognition

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

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

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

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

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

Financing components

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

(i) Sale of goods

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

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

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

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

(ii) Rendering of services

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue recognition (Continued)

(iii) Membership fee

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

(iv) Interest income

Interest income is recognised on effective interest method.

(v) Rental income

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

(vi) Income from short term cash investment

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

3.14 Income tax

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

(a) Current tax

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

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax (Continued)

(b) Deferred tax (Continued)

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

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

(c) Sales and services tax

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

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

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

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

3.15 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.16 Share-based payments

(a) Equity-settled share-based payment

The cost of equity-settled share-based payment is determined by the fair value at the date when the grant is made using an appropriate valuation model. Details regarding the determination of the fair value of equity-settled share-based payments are set out in Note 18.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 30, 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 Fair value measurement

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rate to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including near-term impact from COVID-19 pandemic, forecast growth rates, operating expenses and gross profit margin. The economic uncertainties from COVID-19 pandemic may result in a higher level of estimation uncertainty to the inputs and assumptions used in the value-in-use calculations. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 6.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Motor Vehicles RM	Furniture and fittings, office equipment and renovation RM	Plant and machinery and testing equipment RM	Right-of-use assets RM	Total RM
Cost							
At 1 January 2020	1,433,333	6,200,626	918,480	4,642,721	3,916,095	2,644,926	19,756,181
Additions	-	700,000	-	810,317	2,467,601	600,000	4,577,918
Written off	-	-	-	-	(3,500)	-	(3,500)
At 31 December 2020	1,433,333	6,900,626	918,480	5,453,038	6,380,196	3,244,926	24,330,599
Accumulated depreciation							
At 1 January 2020	-	1,007,833	152,413	1,364,620	563,901	486,395	3,575,162
Charge for financial year	-	142,724	183,696	823,819	894,481	76,380	2,121,100
Written off	-	-	-	-	(642)	-	(642)
At 31 December 2020	-	1,150,557	336,109	2,188,439	1,457,740	562,775	5,695,620
Net carrying amount							
At 31 December 2020	1,433,333	5,750,069	582,371	3,264,599	4,922,456	2,682,151	18,634,979

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

NOTES TO THE FINANCIAL STATEMENTS

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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
2020					
Cost					
At 1 January/31 December	1,433,333	2,866,667	8,220	-	4,308,220
Accumulated depreciation					
At 1 January	-	516,000	3,044	-	519,044
Charge for the financial year	-	57,334	1,233	-	58,567
At 31 December	-	573,334	4,277	-	577,611
Net carrying amount					
At 31 December	1,433,333	2,293,333	3,943	-	3,730,609
2019					
Cost					
At 1 January	1,433,333	2,866,667	2,131,859	601,092	7,032,951
Addition	-	-	3,340	-	3,340
Written off	-	-	(2,126,979)	(601,092)	(2,728,071)
At 31 December	1,433,333	2,866,667	8,220	-	4,308,220
Accumulated depreciation					
At 1 January	-	458,667	2,128,693	601,013	3,188,373
Charge for the financial year	-	57,333	1,108	-	58,441
Written off	-	-	(2,126,757)	(601,013)	(2,727,770)
At 31 December	-	516,000	3,044	-	519,044
Net carrying amount					
At 31 December	1,433,333	2,350,667	5,176	-	3,789,176

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 2020 RM	Group/Company 2019 RM
Freehold land	**1,433,333**	1,433,333
Office buildings	**2,293,333**	2,350,667
	3,726,666	3,784,000

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

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

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

	Group	
	2020	2019
Carrying amount	RM	RM
At 1 January	**2,158,531**	2,234,911
Additions	**600,000**	-
Depreciation	**76,380**	76,380
At 31 December	**2,682,151**	2,158,531

The leases have a remaining lease term of 25 to 31 years (2019: 32 years).

6. GOODWILL ON BUSINESS COMBINATION

	Group	
	2020	2019
	RM	RM
Goodwill on business combination	**18,561,563**	18,561,563

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

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

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

Average gross margin : 23.5% (2019: 27%)
Average annual sales growth : 21% (2019: 22%)
Discount rate : 16% (2019: 15%)

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

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

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7. OTHER INTANGIBLE ASSETS

Computer software	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cost				
At 1 January	**257,722**	1,178,831	**230,480**	865,795
Additions	**14,394**	1,242	**-**	-
Written off	**-**	(922,351)	**-**	(635,315)
At 31 December	**272,116**	257,722	**230,480**	230,480
Accumulated amortisation				
At 1 January	**231,395**	1,096,932	**207,908**	795,444
Charge for financial year	**27,513**	56,785	**22,572**	47,761
Written off	**-**	(922,322)	**-**	(635,297)
At 31 December	**258,908**	231,395	**230,480**	207,908
Net carrying amount	**13,208**	26,327	**-**	22,572

8. INVESTMENT IN SUBSIDIARIES

	Note	Company 2020 RM	Company 2019 RM
Unquoted shares, at cost			
In Malaysia			
At 1 January		**29,854,844**	9,454,844
Addition		**17,259,814**	20,400,000
At 31 December		**47,114,658**	29,854,844
Outside Malaysia		**1**	1
		47,114,659	29,854,845
ESOS granted to employees of subsidiaries		**15,001,279**	14,550,419
		62,115,938	44,405,264
Less: Accumulated impairment			
At 1 January		**(4,333,632)**	(4,386,946)
Reversal of impairment loss	(a)	**-**	53,314
At 31 December		**(4,333,632)**	(4,333,632)
		57,782,306	40,071,632
Quasi loans	(b)	**29,909,597**	25,455,896
		87,691,903	65,527,528

(a) The reversal of impairment loss on investment in subsidiaries amounting to RM53,314 recognised in prior financial year was based on recoverable amount.

(b) Quasi loans represent advances and payments made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. These amounts are, in substance, a part of the Company's net investment in the subsidiaries. The quasi loans are stated at cost less accumulated impairment losses, if any.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of Company	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest/voting right 2020	2019
K2 Cloud Sdn. Bhd. (formerly known as EMB Technology Sdn. Bhd.)	Malaysia	Investment holding	**100%**	100%
Big' Ant (M) Sdn. Bhd.	Malaysia	Provision of consultancy, system integration, installation, manufacturing, supply and distribution of electronic security and smart surveillance solutions	**100%**	100%
K-One Electronics Sdn. Bhd.	Malaysia	Development, manufacturing, supply and trading of consumer electronic products, healthcare equipment, digital devices and associated accessories via distribution network and/or online platforms and design, development and manufacturing of production tools	**100%**	100%
K-One Venture Sdn. Bhd.	Malaysia	Provision of co-working space, investment in business by capital funding and business advisory services	**100%**	100%
K-One International Limited *	Hong Kong	Dormant	**100%**	100%
G-AsiaPacific Sdn. Bhd.	Malaysia	Provision of cloud computing and its related services	**100%**	60%
Subsidiary of K2 Cloud Sdn. Bhd. (formerly known as EMB Technology Sdn. Bhd.)				
K-One Industry Sdn. Bhd.	Malaysia	Design and development of manufacturing process/tools and manufacturing of electronics end- products and sub-systems	**100%**	100%
Subsidiary of K-One Industry Sdn. Bhd.				
K-One Manufacturing Sdn. Bhd.	Malaysia	Design and development of manufacturing process/tools and manufacturing of electronics end-products and sub-systems	**100%**	100%
K-One MediTech Sdn. Bhd. (formerly known as K-One Resources Sdn. Bhd.)	Malaysia	Development and manufacturing of medical/healthcare devices and sub-systems	**100%**	100%
Subsidiary of G-AsiaPacific Sdn. Bhd.				
G-AsiaPacific (S) Pte Ltd *	Singapore	Provision of cloud computing and its related services	**100%**	-

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

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of G-AsiaPacific (S) Pte. Ltd.

On 13 May 2020, the Group incorporated G-AsiaPacific (S) Pte. Ltd. with an issued and paid up share capital of RM3,096.

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

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

(i) Fair value of consideration transferred

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

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

	2019 RM
Assets	
Plant and equipment	1,232,807
Trade and other receivables	2,600,589
Contract assets	685,448
Cash and cash equivalents	5,699,174
Total assets	10,218,018
Liabilities	
Term loans	792,949
Deferred tax liabilities	9,276
Trade and other payables	2,328,169
Contract liabilities	4,022,738
Tax liabilities	825
Total liabilities	7,153,957
Total identifiable net assets acquired	3,064,061
Goodwill arising on acquisition (Note 6)	18,561,563
Non-controlling interest at fair value	(1,225,624)
Fair value of consideration transferred	20,400,000

(iii) Effect of acquisition on cash flows:

	2019 RM
Fair value of consideration transferred, paid in cash	20,400,000
Less: Cash and cash equivalents of subsidiary acquired	(5,699,174)
Net cash outflow on acquisition	14,700,826

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

(iv) Effects of acquisition in statements of comprehensive income

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

	2019 RM
Revenue	23,859,481
Profit for the financial period	4,192,934

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

	2019 RM
Revenue	28,183,193
Profit for the financial year	5,393,692

(v) Call and Put Options

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

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

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

On 19 May 2020, the Company exercised the Call Option to purchase the remaining 40% equity interest in GAP at the option price of RM17,259,814 satisfied via the issuance of 53,936,920 ordinary shares in the Company at the issue price of RM0.32 per ordinary share.

(c) Non-controlling interests in subsidiaries

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

Equity interest held by non-controlling interests:

Name of company	Principal place of business/ country of incorporation	Voting right 2020 %	 2019 %
G-AsiaPacific Sdn. Bhd.	Malaysia	-	40

Carrying amount of material non-controlling interest:

Name of company	2020 RM	2019 RM
G-AsiaPacific Sdn. Bhd.	-	2,902,798

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Profit or loss allocated to material non-controlling interest:

Name of company	2020 RM	2019 RM
G-AsiaPacific Sdn. Bhd.	-	1,677,174

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

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

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

9. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Share at cost	-	-	-	8,700,000
Disposal of an associate	-	-	-	(8,700,000)
	-	-	-	-

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

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

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

10. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	As at 1 January 2020 RM	Recognised in profit or loss RM	As at 31 December 2020 RM
Group			
Deferred tax assets			
Property, plant and equipment	(166,431)	166,431	-
Taxable temporary differences in respect of income	(6,000)	6,000	-
Unutilised capital allowance	231,443	(231,443)	-
Unabsorbed tax losses	1,341,579	(1,242,302)	99,277
	1,400,591	(1,301,314)	99,277
Deferred tax liabilities			
Property, plant and equipment	(171,528)	-	(171,528)
Taxable temporary differences in respect of income	(69,000)	-	(69,000)
	(240,528)	-	(240,528)
	1,160,063	(1,301,314)	(141,251)

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

	As at 1 January 2019 RM	Recognised in profit or loss RM	Acquisition of subsidiary RM	As at 31 December 2019 RM
Group				
Deferred tax liabilities				
Property, plant and equipment	(162,252)	-	(9,276)	(171,528)
Taxable temporary differences in respect of income	(69,000)	-	-	(69,000)
	(231,252)	-	(9,276)	(240,528)
	804,448	364,891	(9,276)	1,160,063

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

Presented after appropriate offsetting as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Deferred tax assets	**99,277**	1,400,591	**-**	288,000
Deferred tax liabilities	**(240,528)**	(240,528)	**-**	-
	(141,251)	1,160,063	**-**	288,000

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Taxable temporary difference	**(2,500)**	-	**(2,500)**	-
Unutilised capital allowance	**8,300**	-	**-**	-
Unabsorbed tax losses	**3,273,100**	-	**1,375,500**	-
	3,278,900	-	**1,373,000**	-
Potential deferred tax at 24% (2019: 24%)	**786,900**	-	**329,500**	-

The availability of unused tax losses for offsetting against future taxable profits of the Company are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The unutilised tax losses which are available for offset against future taxable profits of the subsidiaries will expire in the following financial years:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Year of assessments				
2025	**3,090,500**	-	**1,248,200**	-
2026	**47,200**	-	**-**	-
2027	**135,400**	-	**127,300**	-
	3,273,100	-	**1,375,500**	-

11. OTHER INVESTMENT

	Group	
	2020	2019
	RM	RM
Financial assets designated at fair value through other comprehensive income ("DFVOCI")		
- Unquoted equity securities		
P.T. GAsia Pasific Indo	**115,171**	115,171

12. INVENTORIES

	Group	
	2020	2019
	RM	RM
At cost		
Raw materials	**18,300,369**	19,063,837
Finished goods	**834,082**	1,246,389
	19,134,451	20,310,226

During the financial year, inventories of the Group recognised as cost of goods sold amounted to RM50,657,749 (2019: RM55,119,714).

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Current					
Trade					
Trade receivables	(a)	**23,253,530**	18,254,174	**-**	-
Less: Allowance for impairment		**(65,556)**	-	**-**	-
		23,187,974	18,254,174	**-**	-
Non-trade					
Other receivables	(b)	**9,200,331**	8,981,230	**8,712,773**	8,783,122
Less: Allowance for impairment		**(4,990,000)**	-	**(4,990,000)**	-
GST refundable		**-**	342,983	**-**	10,408
		4,210,331	9,324,213	**3,722,773**	8,793,530
Amounts due from subsidiaries	(c)	**-**	-	**1,943,063**	1,800,263
Less: Allowance for impairment		**-**	-	**(1,798,890)**	(1,583,180)
		-	-	**144,173**	217,083
Deposits		**229,090**	184,402	**18,470**	18,270
Prepayments		**5,353,090**	3,145,824	**185,889**	101,894
		32,980,485	30,908,613	**4,071,305**	9,130,777

(a) The normal credit terms extended to customers range from 30 to 90 days (2019: 30 to 90 days).

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

During the financial year, the impairment of RM4,990,000 was made based on the fair value of two properties selected which could be taken over by the Group as settlement of the outstanding amount.

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

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14. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2020	2019
	RM	RM
Contract assets	**1,840,992**	682,317
Contract liabilties	**(6,035,180)**	(5,215,482)
	(4,194,188)	(4,533,165)

	Group	
	2020	2019
	RM	RM
At 1 January	**(4,533,165)**	-
Acquisition of subsidiary	**-**	(3,337,290)
Revenue recognised during the year	**28,955,944**	23,410,648
Billings during the year	**(28,616,967)**	(24,606,523)
At 31 December	**(4,194,188)**	(4,533,165)

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

The contract liabilities relate to advance considerations received from customers for services of which the revenue will be recognised over the remaining contract of the specific contract it relates to, ranging from 1 to 30 months (2019: 1 to 24 months).

15. SHORT TERM CASH INVESTMENT

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash management fund with investment management companies	**18,651,367**	8,066,719	**12,651,367**	8,066,719

The investment is redeemable upon 1 to 10 days (2019: 1 to 10 days) in notice.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	**14,703,661**	12,508,219	**2,580,181**	871,088
Deposits placed with licensed banks	**22,500,000**	30,108,560	**9,000,000**	18,500,000
	37,203,661	42,616,779	**11,580,181**	19,371,088
Less: Non-short term fixed deposits	**(22,500,000)**	(28,000,000)	**(9,000,000)**	(18,500,000)
	14,703,661	14,616,779	**2,580,181**	871,088

The fixed deposits of the Group and the Company bear effective interest at rates ranging from 2% to 3.9% (2019: 3.35% to 4.45%) per annum and with maturity periods of 3 to 12 months (2019: 1 to 12 months).

17. SHARE CAPITAL

	Group/Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
Ordinary shares				
At 1 January	**728,939,181**	**94,678,721**	728,939,181	94,678,721
Issuance of ordinary shares pursuant to:				
- exercise of options	**33,084,600**	**7,847,183**	-	-
- acquisition of subsidiary	**53,768,892**	**17,259,814**	-	-
At 31 December	**815,792,673**	**119,785,718**	728,939,181	94,678,721

(a) Share capital

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

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

During the financial year, the Company:

(i) Issued 33,084,600 new ordinary shares at prices ranging from RM0.14 to RM0.19 for exercise of share options by option holders.
(ii) issued 53,768,892 new ordinary shares at price of RM0.32 per ordinary share for the exercise of Call Option to acquire the remaining 40% equity interest in G-AsiaPacific Sdn. Bhd.

(b) Warrants

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

The salient features of the warrants are as follows:

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

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

	Number of Warrants				
	At 1.1.2020	Allotment	Exercised	Lapsed	At 31.12.2020
Warrants	182,234,783	-	-	-	182,234,783

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Foreign exchange reserve	**(82,550)**	(79,536)	**-**	-
Share option reserve	**1,744,008**	4,423,524	**1,744,008**	4,423,524
Retained earnings	**(6,504,135)**	15,146,072	**(1,996,584)**	4,128,264
	(4,842,677)	19,490,060	**(252,576)**	8,551,788

Foreign exchange reserve

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

Share option reserve

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

The salient features of the ESOS are as follows:

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

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

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

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

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

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

(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;

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

Share option reserve (Continued)

(f) The 8,000,000 options granted during the financial year may be exercised in the following manner:

The employees are entitled to exercise 25% of the options in year 2020, 25% of the options in year 2021 and 50% of the options in year 2022

(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:

	2020		2019	
	No.	**WAEP (RM)**	**No.**	**WAEP (RM)**
Outstanding at 1 January	**49,164,000**	**0.139**	50,094,000	0.139
- Granted	**8,000,000**	**0.190**	-	-
- Exercised	**(33,084,600)**	**0.143**	-	-
- Forfeited	**(667,200)**	**0.187**	(930,000)	-
Outstanding at 31 December	**23,412,200**	**0.152**	49,164,000	0.139
Execisable at 31 December	**19,098,700**	**0.144**	28,320,000	0.139

The options outstanding as at 31 December 2020 have exercise prices range from RM0.14 to RM0.19 (2019: from RM0.14 to RM0.17) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was approximately 1 year (2019: 2 years).

The weighted average share price at the date of the options being exercised during the financial year was RM0.36 (2019: Nil).

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

	2020	**2019**
Weighted average fair value of share option at grant date (RM)	**0.0726**	0.0895
Share price on grant date (RM)	**0.215**	0.185
Option life (years)	**2.15**	4
Risk-free rate (%)	**3.00**	3.63
Expected dividend (%)	**Nil**	Nil
Expected volatility (%)	**45.45**	60.59

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

Put option over shares held by non-controlling interest

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

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19. PAYABLES AND ACCRUALS

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Trade					
Trade payables	(a)	**23,768,368**	15,130,966	**84**	87,491
Non-trade					
Other payables		**1,147,193**	967,684	**67,771**	21,164
SST payable		**189,113**	315,596	**-**	-
Amount due to a director	(b)	**3,038**	2,354	**-**	2,351
Amount due to subsidiaries	(c)	**-**	-	**187,049**	2,867,694
Accruals		**2,889,814**	871,384	**63,012**	51,210
Deposit received		**7,441**	207,096	**7,441**	7,441
		4,236,599	2,364,114	**325,273**	2,949,860
		28,004,967	17,495,080	**325,357**	3,037,351

(a) The normal trade credit terms granted to the Group range from 30 to 90 days (2019: 30 to 90 days).

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

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

20. REVENUE

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Research, design and development of electronic end-products and sub-systems	**3,046,986**	1,144,651	**27,371**	548,995
Manufacturing of electronic end-products and sub-systems	**57,556,170**	71,996,200	**-**	-
Membership fee	**2,845**	48,593	**-**	-
Cloud computing services	**30,597,116**	23,859,481	**-**	-
	91,203,117	97,048,925	**27,371**	548,995

20. REVENUE (CONTINUED)

(a) Disaggregation of revenue

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

	Research, design, development and sales	Manufacturing	Cloud computing	Investment holding	Total
	RM	RM	RM	RM	RM
Group - 2020					
Primary geographical markets:					
Malaysia	141,895	331,613	27,928,251	2,845	28,404,604
Asia (excluding Malaysia)	189,413	9,111,742	2,297,299	-	11,598,454
Europe	2,437,482	35,123,201	369,251	-	37,929,934
Oceania	29,787	66,200	2,315	-	98,302
United States of America	248,409	12,923,414	-	-	13,171,823
	3,046,986	57,556,170	30,597,116	2,845	91,203,117
Major goods or services:					
Electronic products	-	57,556,170	-	-	57,556,170
Research, design and development	3,046,986	-	-	-	3,046,986
Membership fee	-	-	-	2,845	2,845
Cloud computing	-	-	30,597,116	-	30,597,116
	3,046,986	57,556,170	30,597,116	2,845	91,203,117
Timing of revenue recognition:					
At a point in time	3,046,986	57,556,170	1,641,172	-	62,244,328
Over time	-	-	28,955,944	2,845	28,958,789
	3,046,986	57,556,170	30,597,116	2,845	91,203,117

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20. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Research, design, development and sales RM	Manufacturing RM	Cloud computing RM	Investment holding RM	Total RM
Group - 2019					
Primary geographical markets:					
Malaysia	178,746	2,826,987	23,348,664	48,593	26,402,990
Asia (excluding Malaysia)	227,211	13,510,900	509,648	-	14,247,759
Europe	599,771	49,550,735	145	-	50,150,651
Oceania	37,292	23,266	1,024	-	61,582
Middle East	-	-	-	-	-
United States of America	101,631	6,084,312	-	-	6,185,943
	1,144,651	71,996,200	23,859,481	48,593	97,048,925
Major goods or services:					
Electronic products	-	71,996,200	-	-	71,996,200
Research, design and development	1,144,651	-	-	-	1,144,651
Membership fee	-	-	23,859,481	48,593	23,908,074
	1,144,651	71,996,200	23,859,481	48,593	97,048,925
Timing of revenue recognition:					
At a point in time	1,144,651	71,996,200	448,833	-	73,589,684
Over time	-	-	23,410,648	48,593	23,459,241
	1,144,651	71,996,200	23,859,481	48,593	97,048,925

	Research, design, development and sales RM	Total RM
Company - 2020		
Primary geographical markets:		
Europe	**27,371**	**27,371**
Major goods or services:		
Research, design and development	**27,371**	**27,371**
	27,371	**27,371**
Timing of revenue recognition:		
At a point in time	**27,371**	**27,371**
	27,371	**27,371**

20. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

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

Transaction price allocated to the remaining performance obligations

	Within 1 year RM	Between 1 to 3 years RM	Total RM
Group			
As at 31 December 2020			
Revenue expected to be recognised on:			
- Cloud computing	**5,981,167**	**54,013**	**6,035,180**
As at 31 December 2019			
Revenue expected to be recognised on:			
- Cloud computing	5,152,047	63,435	5,215,482

21. COST OF SALES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Research, design and development of electronic end-products and sub-systems	**1,266,241**	877,403	**18,502**	620,223
Cost of manufacturing of electronic end-products and sub-systems	**50,529,319**	55,107,989	**-**	-
Cloud computing services	**24,640,096**	17,301,292	**-**	-
	76,435,656	73,286,684	**18,502**	620,223

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22. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
After charging:				
Auditors' remuneration				
- current year	**164,300**	165,150	**55,000**	46,000
- prior year	**9,850**	29,600	**17,000**	9,000
- other services	**21,000**	6,000	**6,000**	6,000
Net allowance for/(reversal of) impairment losses on:				
- trade receivables	**65,556**	-	**-**	-
- other receivable	**4,990,000**	-	**4,990,000**	-
- subsidiary	**-**	-	**215,710**	(64,642)
Amortisation of computer software	**27,513**	56,785	**22,572**	47,761
Depreciation of property, plant and equipment	**2,121,100**	1,434,169	**58,567**	58,441
Directors' fees	**230,400**	228,000	**230,400**	228,000
Directors' other emoluments	**1,898,429**	1,905,600	**16,000**	24,000
Foreign currency exchange loss/(gain)				
- realised	**(46,606)**	98,370	**(371)**	7,573
- unrealised	**85,127**	91,017	**6,873**	3
Fair value movement of put option liability over shares of a subsidiary	**927,141**	120,194	**-**	-
Other intangible assets written off	**-**	29	**-**	18
Property, plant and equipment written off	**2,858**	2,858	**-**	301
Expenses relating to short-term lease	**181,463**	196,800	**-**	-
Expenses relating to low value assets	**11,508**	9,530	**4,938**	4,718
Term loan interest	**-**	14,099	**-**	-
And crediting:				
Reversal of impairment on investment in subsidiaries	**-**	-	**-**	(53,314)
Income from short term cash investment	**(157,009)**	(385,002)	**(119,323)**	(227,606)
Interest income	**(814,850)**	(1,182,132)	**(395,248)**	(1,113,678)
Fair value gain on short term cash investment	**(84,648)**	(181,841)	**(84,648)**	(181,841)
Rental income of premises	**(68,611)**	(110,416)	**(29,766)**	(29,766)

23. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Executive directors' salary and other emoluments	**2,672,479**	2,511,959	**-**	-
EPF	**1,235,877**	1,083,045	**43,602**	43,080
Salaries and bonus	**9,326,267**	9,174,290	**603,812**	347,748
SOCSO	**123,807**	111,205	**4,462**	4,617
Share option granted under ESOS	**450,860**	742,553	**-**	-
Other personnel costs	**296,439**	228,327	**-**	-
	14,105,729	13,851,379	**651,876**	395,445

24. DIRECTORS' REMUNERATION

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Executive:				
Salary and other emoluments	**1,882,429**	1,881,600	**-**	-
	1,882,429	1,881,600	**-**	-
Non-executive:				
Fees	**230,400**	228,000	**230,400**	228,000
Allowances	**16,000**	24,000	**16,000**	24,000
Total directors' remuneration	**2,128,829**	2,133,600	**246,400**	252,000

25. INCOME TAX EXPENSE/(CREDIT)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Current tax:				
Malaysian income tax:				
Current financial year	**117,454**	783,683	**-**	32,000
Under/(Over) provision inprior financial years	**22,374**	56,615	**(2,429)**	(23)
	139,828	840,298	**(2,429)**	31,977
Deferred tax (Note 11):				
Origination and reversal of temporary differences	**1,270,214**	199,109	**252,200**	-
Recognition of deferred tax assets previously not recognised	**-**	(564,000)	**-**	(288,000)
Over provision in prior financial years	**31,100**	-	**35,800**	-
	1,301,314	(364,891)	**288,000**	(288,000)
Tax expense/(credit)	**1,441,142**	475,407	**285,571**	(256,023)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
(Loss)/Profit before tax	**(6,932,055)**	8,256,738	**(5,871,947)**	20,476
Tax at the Malaysian statutory income tax rate of 24% (2018: 24%)	**(1,663,700)**	1,981,600	**(1,409,300)**	4,900
Tax effect on non-deductible expenses	**2,952,968**	724,071	**1,367,800**	129,852
Tax effect on non-taxable income	**-**	(322,170)	**-**	(102,752)
Recognition of deferred tax assets previously not recognised	**-**	(564,000)	**-**	(288,000)
Deferred tax assets not recognised	**9,400**	-	**5,700**	-
Reversal of deferred tax assets	**737,100**	-	**288,000**	-
Tax exemption on pioneer status	**(648,100)**	(1,400,709)	**-**	-
Under/(Over)provision in prior years				
- current tax	**22,374**	56,615	**(2,429)**	(23)
- deferred tax	**31,100**	-	**35,800**	-
	1,441,142	475,407	**285,571**	(256,023)

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

Income tax is calculated at the Malaysian statutory income tax rate of 24% (2019: 24%) of the estimated assessable (loss)/ profit for the financial year.

26. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic

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

	Group	
	2020	2019
	RM	RM
(Loss)/Profit for the financial year attributable to owners of the Company	**(8,784,429)**	6,104,157
Weighted average number of ordinary shares outstanding during the financial year	**758,852,213**	728,939,181
Basic (loss)/earnings per ordinary share (sen)	**(1.16)**	0.84

(b) Diluted

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

	Group	
	2020	2019
	RM	RM
(Loss)/Profit attributable to owners of the parent	**(8,784,429)**	6,104,157
Weighted average number of ordinary share in issue	**758,852,213**	728,939,181
Effect of dilution from:		
- Share options	^	18,491,946
- Warrants	^	*
Adjusted weighted average number of ordinary shares	**758,852,213**	747,431,127
Diluted (loss)/earnings per ordinary share (sen)	**(1.16)**	0.82

* *Anti-dilutive during financial year ending 31 December 2019 as the exercise price is above the average market price*
^ *The potential ordinary shares are anti-dilutive for the financial year ended 31 December 2020*

27. CORPORATE GUARANTEE

	Company	
	2020	2019
	RM	RM
Corporate guarantees for credit facilities granted to subsidiaries:		
- K-One Industry Sdn. Bhd.	**22,576,000**	22,576,000

28. 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

In addition to the transactions disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

	Group	
	2020	2019
	RM	RM
Paid or payable to certain directors of the Company		
Rental of factory	**90,000**	90,000

(c) Related party balances

Information on the outstanding balances with related parties at the end of the reporting period are disclosed in Notes 13 and 19 to the financial statements.

(d) Compensation of key management personnel

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Directors of the Company and subsidiaries				
Fees	**230,400**	228,000	**230,400**	228,000
Salaries and other emoluments	**2,395,570**	2,262,205	**16,000**	24,000
Post-employment benefits	**292,080**	273,750	**-**	-
	2,918,050	2,763,955	**246,400**	252,000

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Fair value through profit or loss ("FVPL")
(ii) Amortised cost ("AC")
(iii) Designated fair value through other comprehensive income ("DFVOCI")

	FVPL RM	AC RM	DFVOCI RM	Total RM
2020				
Group				
Financial assets				
Other investment	**-**	**-**	**115,171**	**115,171**
Receivables and deposits *	**-**	**27,627,395**	**-**	**27,627,395**
Short term cash investments	**18,651,367**	**-**	**-**	**18,651,367**
Cash and bank balances	**-**	**37,203,661**	**-**	**37,203,661**
	18,651,367	**64,831,056**	**115,171**	**83,597,594**

	FVPL RM	AC RM	DFVOCI RM	Total RM
Financial liabilities				
Payables and accruals #	**-**	**27,815,854**	**-**	**27,815,854**

	FVPL RM	AC RM	DFVOCI RM	Total RM
2019				
Group				
Financial assets				
Other investment	-	-	115,171	115,171
Receivables and deposits *	-	27,419,806	-	27,419,806
Short term cash investments	8,066,719	-	-	8,066,719
Cash and bank balances	-	42,616,779	-	42,616,779
	8,066,719	70,036,585	115,171	78,103,304

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

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

\# *Exclude SST payable.*

29. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	FVPL RM	AC RM	Total RM
2020			
Company			
Financial assets			
Receivables and deposits *	**-**	**3,885,416**	**3,885,416**
Short term cash investments	**12,651,367**	**-**	**12,651,367**
Cash and bank balances	**-**	**11,580,181**	**11,580,181**
	12,651,367	**15,465,597**	**28,116,964**

	AC RM	Total RM
Financial liabilities		
Payables and accruals	**325,357**	**325,357**

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

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

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

(b) Financial risk management

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

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

(i) Credit risk

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

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29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables

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

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

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Malaysia	**5,799,496**	5,791,899	**-**	-
Asia (excluding Malaysia)	**5,195,664**	2,911,966	**-**	-
Oceania	**39,440**	2,561	**-**	-
Europe	**10,825,120**	9,244,408	**-**	-
United States of America	**1,393,810**	303,340	**-**	-
	23,253,530	18,254,174	**-**	-

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

	Gross carrying amount	Expected credit loss allowance	Net balance
	RM	RM	RM
Group			
At 31 December 2020			
Contract assets			
Current (not past due)	**1,840,992**	**-**	**1,840,992**
Trade receivables			
Current (not past due)	**15,531,921**	**-**	**15,531,921**
1 to 30 days past due	**4,963,403**	**-**	**4,963,403**
31 to 60 days past due	**1,045,684**	**-**	**1,045,684**
61 to 90 days past due	**406,942**	**-**	**406,942**
91 to 120 days past due	**862,081**	**-**	**862,081**
More than 120 days past due	**443,499**	**(65,556)**	**377,943**
	25,094,522	**(65,556)**	**25,028,966**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Credit risk concentration profile (Continued)

	Gross carrying amount RM	Expected credit loss allowance RM	Net balance RM
Group			
At 31 December 2019			
Contract assets			
Current (not past due)	682,317	-	682,317
Trade receivables			
Current (not past due)	14,043,345	-	14,043,345
1 to 30 days past due	3,412,610	-	3,412,610
31 to 60 days past due	470,239	-	470,239
61 to 90 days past due	102,730	-	102,730
91 to 120 days past due	19,486	-	19,486
More than 120 days past due	205,764	-	205,764
	18,936,491	-	18,936,491

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

	Group 2020 RM
At 1 January	-
Additions - individually assessed	**65,556**
At 31 December	**65,556**

Other receivables and other financial assets

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

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

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

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29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Other receivables and other financial assets (Continued)

The movements in the allowance for impairment losses of other receivables and financial assets were:

	Group/Company 2020 RM
At 1 January	-
Additions - individually assessed	**4,990,000**
At 31 December	**4,990,000**

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

Amounts due from subsidiaries

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

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

	Gross carrying amount RM	Expected credit loss allowance RM	Net balance RM
Company			
2020			
Credit impaired			
- individually assessed	**1,943,063**	**(1,798,890)**	**144,173**
	1,943,063	**(1,798,890)**	**144,173**
2019			
Credit impaired			
- individually assessed	1,800,263	(1,583,180)	217,083
	1,800,263	(1,583,180)	217,083

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

	Company 2020 RM	2019 RM
At 1 January	**1,583,180**	1,647,822
Additions - individually assessed	**215,710**	-
Reversal of impairment loss	**-**	(64,642)
At 31 December	**1,798,890**	1,583,180

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Liquidity risk

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

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's financial liabilities at the reporting date either mature within one year or are repayable on demand.

(iii) Foreign currency risk

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

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

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

	Trade and other receivables RM	Cash and bank balances RM	Trade and other payables RM	Total RM
Group				
2020				
USD	**14,215,505**	**3,846,187**	**(11,393,550)**	**6,668,142**
Euro	**1,467,723**	**470,123**	**(2,006,103)**	**(68,257)**
GBP	**-**	**879**	**(18,966)**	**(18,087)**
SGD	**-**	**-**	**(2,969)**	**(2,969)**
	15,683,228	**4,317,189**	**(13,421,588)**	**6,578,829**
2019				
USD	12,033,334	4,624,576	(7,835,899)	8,822,011
Euro	961,305	466,468	(2,187,452)	(759,679)
GBP	-	4,966	-	4,966
	12,994,639	5,096,010	(10,023,351)	8,067,298

	Cash and bank balances RM	Total RM
Company		
2020		
USD	**205,654**	**205,654**
2019		
USD	56,365	56,365

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29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

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

		Increase/(Decrease) in Loss/Profit for the financial year			
		Group		**Company**	
		2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
USD/RM	- Strengthen by 5% (2019: 5%)	**(253,400)**	305,900	**7,800**	2,100
	- Weaken by 5% (2019: 5%)	**253,400**	(305,900)	**(7,800)**	(2,100)
EURO/RM	- Strengthen by 1% (2019: 1%)	**(500)**	5,800	**-**	-
	- Weaken by 1% (2019: 1%)	**500**	(5,800)	**-**	-
GBP/RM	- Strengthen by 1% (2019: 1%)	**(100)**	-	**-**	-
	- Weaken by 1% (2019: 1%)	**100**	-	**-**	-

(c) Fair value measurement

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

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

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

(ii) Short term cash investment

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

(iii) Gross obligation under put option

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

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (Continued)

Fair value hierarchy

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

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

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

	Fair Value Measurement			
	Level 1	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
Group				
Financial assets/(liabilities) at fair value				
2020				
- Other investment	-	-	115,171	115,171
- Short term cash investment	18,651,367	-	-	18,651,367
2019				
- Other investment	-	-	115,171	115,171
- Short term cash investment	8,066,719	-	-	8,066,719
- Gross obligation under put option	-	-	(16,332,672)	(16,332,672)

30. SEGMENT INFORMATION

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

30. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

	Research, design and development and sales	Manufacturing	Cloud Computing	Investment holding	Consolidated
	RM	RM	RM	RM	RM
2020					
Total external revenue	3,046,986	57,556,170	30,597,116	2,845	91,203,117
Inter-segment revenue	-	-	-	-	-
Total segment revenue	3,046,986	57,556,170	30,597,116	2,845	91,203,117
Segment profit/(loss)	834,684	(5,034,111)	2,639,695	(5,372,323)	(6,932,055)
Tax (expense)/credit	(698,569)	(615,049)	(25,438)	(102,086)	(1,441,142)
Loss for the financial year					(8,373,197)
Other information					
Segment assets	11,126,138	61,639,116	42,339,702	32,030,921	147,135,877
Unallocated corporate assets					2,137,287
Consolidated total assets					149,273,164
Segment liabilities	500,027	19,900,489	13,485,235	154,396	34,040,147
Unallocated corporate liabilities					289,976
Consolidated total liabilities					34,330,123
Capital expenditure	-	4,570,679	21,633	-	4,592,312
Amortisation of computer software	-	2,941	-	24,572	27,513
Depreciation of property, plant and equipment	-	1,981,700	57,831	81,569	2,121,100
Share options granted under ESOS	-	15,260	435,600	-	450,860

30. SEGMENT INFORMATION (CONTINUED)

	Research, design and development and sales RM	Manufacturing RM	Cloud Computing RM	Investment holding RM	Consolidated RM
2019					
Total external revenue	1,144,651	71,996,200	23,859,481	48,593	97,048,925
Inter-segment revenue	-	-	-	-	-
Segment (loss)/profit	(1,203,615)	4,346,193	4,210,924	880,393	8,233,895
Share of results of an associate, net of tax	-	-	-	22,843	22,843
Tax credit/(expense)	501,359	(635,739)	(17,990)	(323,037)	(475,407)
Profit for the financial year					7,781,331
Other information					
Segment assets	5,792,685	55,890,172	35,459,594	40,326,283	137,468,734
Unallocated corporate assets					3,414,989
Consolidated total assets					140,883,723
Segment liabilities	116,139	12,778,100	9,630,935	16,518,060	39,043,234
Unallocated corporate liabilities					981,388
Consolidated total liabilities					40,024,622
Capital expenditure	-	5,289,006	8,649	3,340	5,300,995
Amortisation of computer software	-	3,889	-	52,896	56,785
Depreciation of property, plant and equipment	-	1,289,000	63,180	81,989	1,434,169
Share options granted under ESOS	-	742,553	-	-	742,553

Geographical information

The Group's Electronic Manufacturing Service ("EMS") business is derived mainly from three geographical areas. About 99% (2019: 96%) of the business activities are derived from outside Malaysia. The Group primarily exports design and development services and finished goods of electronic end-products and sub-systems to Europe, United States of America and Asia (excluding Malaysia). The manufacturing activities are mainly conducted in Malaysia.

The operating activities of the Cloud computing segment is mainly conducted in Malaysia.

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

	Revenue		Non-Current Assets	
	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia **	**28,404,604**	26,402,990	**37,209,750**	34,768,909
Asia (excluding Malaysia)	**11,598,454**	14,247,759	**-**	-
Europe	**37,562,998**	50,150,651	**-**	-
Oceania	**465,238**	61,582	**-**	-
United States of America	**13,171,823**	6,185,943	**-**	-
	91,203,117	97,048,925	**37,209,750**	34,768,909

*** Includes RM27,928,251 (2019: RM23,859,481) from Cloud business.*

30. SEGMENT INFORMATION (CONTINUED)

Information about major customers in EMS business

The Group has 1 (2019: 2) major international customer (each with revenue equal or more than 10% of the Group revenue) from the manufacturing segment (EMS) contributing total revenue of approximately RM27,704,830 (2019: RM49,467,666).

31. 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 2020 and 2019.

The Group and the Company do not have any borrowings as at the financial years ended 31 December 2020 and 2019. 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.

32. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) COVID-19 Pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic due to its rapid spread across the globe. On 18 March 2020, the Malaysian Government imposed the Movement Control Order ("MCO") to curb the spread of COVID-19 infections in Malaysia.

When the number of daily new infections began to subside, the MCO was lifted on 12 May 2020 and was replaced with less restrictive forms of MCO. On 13 January 2021, following the start of a second wave of infections in Malaysia, the Government re-imposed the MCO which continues in softer versions to the date of issue of these financial statements.

Similarly, across the globe, many countries have also imposed lockdowns, travel restrictions and other measures to curb the spread of COVID-19 infections. The emergence of the COVID-19 outbreak in early 2020 and the resulting lockdowns imposed across the globe have brought about significant economic uncertainties in Malaysia and worldwide.

The Group and the Company have considered the impact of COVID-19 in the application of key judgements and estimates to determine amounts recognised in the financial statements, including those disclosed in Note 4 above. Although the COVID-19 vaccines have been rolled out at the beginning of 2021, the pandemic has not abated in view of the discovery of new strains of COVID-19 which could be more infectious. Nevertheless, the world is hopeful that the COVID-19 vaccines have the same efficacy against the new COVID-19 variants.

Given the fluidity of the situation, the Group and the Company will continue to monitor the impact of the pandemic and take appropriate and timely measures to minimise its impact on the Group's and the Company's operations. However. The Group anticipates its business to rebound amidst a volatile global economy which is supported by stimulus measures implemented by various major countries in the world.

(b) Proposed Acquisition of a Business

On 12 April 2021, K2 Cloud Sdn. Bhd. ("K2 Cloud"), a wholly-owned subsidiary of K-One Technology Berhad, entered into a Share Sale Agreement ("SSA") to acquire Infinity Consulting Technology Sdn. Bhd. ("ICT") in 2 tranches upon satisfying conditions precedent, with an initial 75% equity interest in Tranche 1 and the balance 25% in Tranche 2.

K2 Cloud will acquire 75% equity interest comprising of 75,000 shares of ICT within 6 months after the date of the SSA upon satisfying of Tranche 1 conditions precedent. The balance of 25% equity interest comprising of 25,000 shares of ICT will be acquired in Tranche 2 within 1 month after the date of the audited financial statements of ICT for the financial year ending 31 December 2022 and subject to satisfying the Tranche 2 conditions precedent.

STATEMENT BY DIRECTORS

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

We, **IR. LIM BENG FOOK** and **DATO' LIM SOON SENG**, being two of the directors of K-ONE TECHNOLOGY BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 39 to 100 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

....

IR. LIM BENG FOOK
Director

....

DATO' LIM SOON SENG
Director

Date: 16 April 2021

STATUTORY DECLARATION

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

I, **CHOI KENG MUN**, being the person primarily responsible for the financial management of K-ONE TECHNOLOGY BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 39 to 100 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....

CHOI KENG MUN
(MIA Membership No.: 11309)

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan on 16 April 2021.

Before me,

....

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 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 100.

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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters below to be the key audit matters to be communicated in our report.

Group

Goodwill on business combination (Notes 4.1 and 6 to the financial statements)

The Group recorded goodwill on business combination amounting to RM18,561,563 arising from the acquisition of GAP in the previous financial year. The Group is required to assess the recoverable amount of goodwill annually.

We focused on this area because the determination of the recoverable amount of goodwill requires significant judgements by the Group on the discount rate applied and the assumptions supporting the underlying cash flow projections, including forecast growth rates, operating expenses and gross profit margin.

Our response:

Our audit procedures included, among others:

- assessing the appropriateness of the valuation methodology adopted by the Group in accordance to the requirements of MFRS 136 *Impairment of Assets*;
- comparing the actual results with previous budget to assess the performance of the business;
- comparing the directors' assumptions to our assessments obtained during our audit in relation to key assumptions;
- testing the mathematical accuracy of the computation of the recoverable amount; and
- performing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount.

Company

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

INDEPENDENT AUDITORS' REPORT

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

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.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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 PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Andrew Choong Tuck Kuan
No. 03264/04/2023 J
Chartered Accountant

Kuala Lumpur

Date: 16 April 2021

LIST OF PROPERTIES
AS AT 31 DECEMBER 2020

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 31/12/2020 (RM '000)
66, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	31	6,000	4.7.2006	1,863
68, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	31	6,000	4.7.2006	1,863
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	31	45,000	9.8.2007	2,904
19, Lengkok Rishah 1 Kawasan Perindustrian Silibin 30100 Ipoh Perak	Single storey detached factory	Leasehold – 60 years expiring in 2045	31	10,721	21.8.2021	635
Lot 128249 Lengkok Rishah 1 Kawasan Perindustrian Silibin 30100 Ipoh Perak	Single storey detached factory	Leasehold – 60 years expiring in 2045	31	10,721	21.8.2021	635
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	900
Block I-7-5 Setiawalk Persiaran Wawasan Pusat Bandar Puchong 47160 Puchong Selangor	Multi-storey Retail-Office Lot	Freehold	10	2,457	9.5.2014	1,065

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2021

Issued and Fully Paid-Up Share Capital	:	RM119,785,718
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per share on a poll

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 31 MARCH 2021

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	169	1.23	7,261	0.00
100 to 1,000	1,038	7.55	666,364	0.08
1,001 to 10,000	6,019	43.77	36,945,128	4.53
10,001 to 100,000	5,679	41.30	198,684,636	24.35
100,001 to less than 5% of issued shares	845	6.14	396,833,521	48.65
5% and above of issued shares	2	0.01	182,655,763	22.39
Total	**13,752**	**100.00**	**815,792,673**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2021

	DIRECT		INDIRECT	
Name	No. of Shares	%	No. of Shares	%
Lim Beng Fook	120,172,273	14.73	-	-
Lim Soon Seng	101,418,078	12.43	-	-
Bjørn Bråten	31,492,432	3.86	-	-
Goh Chong Chuang	1,689,864	0.21	-	-
Loi Kim Fah	1,333,560	0.16	-	-
Anita Chew Cheng Im	600,000	0.07	-	-
Azlam Shah bin Alias	-	-	-	-

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 31 MARCH 2021

	DIRECT		INDIRECT	
Name	No. of Shares	%	No. of Shares	%
Lim Beng Fook	120,172,273	14.73	-	-
Lim Soon Seng	101,418,078	12.43	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2021

Cont'd

LIST OF THIRTHY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2021

No.	Names	No. of Shares	% of Issued Capital
1.	Lim Beng Fook	94,648,885	11.60
2.	Lim Soon Seng	88,006,878	10.79
3.	Bjørn Bråten	31,492,432	3.86
4.	Lim Beng Fook	25,523,388	3.13
5.	Lim Soon Seng	13,411,200	1.64
6.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Chai Beng (CEB)*	7,731,000	0.95
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Chai Beng (7001398)*	7,238,500	0.89
8.	Ooi Siew Looi	5,000,000	0.61
9.	CGS-CIMB Nominees (Asing) Sdn Bhd *Exempt an for CGS-CIMB Securities (Singapore) Pte Ltd (retail clients)*	4,117,520	0.50
10.	Lim Moi Moi	3,805,600	0.47
11.	Lam Khuan Ying	3,663,700	0.45
12.	Wong Ah Yong	3,020,000	0.37
13.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Khoon Beng (E-KLG)*	2,990,000	0.37
14.	New Jen Kok @ Nio Jen Kok	2,936,600	0.36
15.	Lim Weng Hoov	2,660,000	0.33
16.	Quek Ann Chuan	2,578,920	0.32
17.	Lam Weng Chong	2,552,000	0.31
18.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tee Kim Hew (E-KLG/BTG)*	2,342,000	0.29
19.	Ooi Leh Hong	2,307,520	0.28
20.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Gan Pee Ke'ng (MY3074)*	2,200,000	0.27
21.	Goh Hoe Zhe	2,200,000	0.27
22.	Liew Thau Sen	2,160,000	0.26
23.	Jason Ching Chou-Yi	2,090,000	0.26
24.	Lam Weng	2,010,078	0.25
25.	Eugene Ang Choon Kit	2,000,000	0.25
26.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Gan Kong Hiok (001)*	2,000,000	0.25
27.	Law Chin Chiang	1,830,700	0.22
28.	Goo Kok Khian	1,800,025	0.22
29.	Ong Ai Leng	1,800,000	0.22
30.	Tey Meng Huat	1,800,000	0.22

ANALYSIS OF WARRANTHOLDINGS
AS AT 31 MARCH 2021

ANALYSIS BY SIZE OF WARRANTHOLDINGS AS AT 31 MARCH 2021

Size of Shareholdings	No. of Warrantholders	%	No. of Warrants Held	%
Less than 100	543	18.63	126,668	0.07
100 to 1,000	604	20.72	1,754,094	0.96
1,001 to 10,000	483	16.57	4,051,365	2.22
10,001 to 100,000	1,065	36.53	37,518,829	20.59
100,001 to less than 5% of issued shares	204	7.00	55,210,557	30.30
5% and above of issued shares	16	0.55	83,573,270	45.86
Total	**2,915**	**100.00**	**182,234,783**	**100.00**

DIRECTORS' WARRANTHOLDINGS AS AT 31 MARCH 2021

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

SUBSTANTIAL WARRANTHOLDERS' SHAREHOLDINGS AS AT 31 MARCH 2021

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

ANALYSIS OF WARRANTHOLDINGS

AS AT 31 MARCH 2021

Cont'd

LIST OF THIRTHY (30) LARGEST WARRANTHOLDERS AS AT 31 MARCH 2021

No.	Names	No. of Warrants	% of Issued Capital
1.	Lim Beng Fook	23,499,896	12.90
2.	Lim Soon Seng	22,001,719	12.07
3.	Bjørn Bråten	7,873,108	4.32
4.	Lim Beng Fook	6,380,847	3.50
5.	Lee Quee Siong	3,470,000	1.90
6.	Lim Soon Seng	3,352,800	1.84
7.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB For Chow Chong Chek (PB)*	2,893,000	1.59
8.	Goo Kok Khian	2,250,000	1.23
9.	Mohd Fadil bin Abu Samah	2,046,900	1.12
10.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Parlisamy a/l Muthusamy*	1,810,000	0.99
11.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Gan Kong Hiok (001)*	1,750,000	0.96
12.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Khoon Beng (E-KLG)*	1,453,900	0.80
13.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Au Yong Yin Ling*	1,422,500	0.78
14.	Tan Gia Lung	1,200,000	0.66
15.	Yoong Sin Kuen	1,093,600	0.60
16.	Putt Yoke Wah	1,075,000	0.59
17.	Lim Mau Wah	1,000,000	0.55
18.	Maybank Nominees (Tempatan) Sdn Bhd *Mohd Termizi bin Mamat @ Muhamad*	1,000,000	0.55
19.	See Chen Yong	900,000	0.49
20.	Wong Su Chung	850,000	0.47
21.	Wong Chen Peng	750,000	0.41
22.	Zulkarnain bin Abdullah Anas @ Anas	740,000	0.41
23.	Fang Yeong Cheun	700,000	0.38
24.	Lim Tien Chye	700,000	0.38
25.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Quah Phaik Yee (E-MLB)*	700,000	0.38
26.	Neoh Hooi Sim	659,000	0.36
27.	Tee Jen Tong	650,000	0.36
28.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Lee Foon (E-IMO)*	636,100	0.35
29.	Ahmad Faizun bin Jamaludin	610,000	0.33
30.	Abdullah bin Abdul Rahman	600,000	0.33

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of the Company will be conducted fully virtual from the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur on Monday, 24 May 2021 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 2020 together with the Directors' and Audit Reports thereon. **Please refer to Explanatory Note 1**

2. To approve the payments of aggregate Directors' fees and allowances to the Non-Executive Directors of up to RM280,000 from 25 May 2021 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service. **Ordinary Resolution 1**

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

   (a) Dato' Lim Soon Seng **Ordinary Resolution 2**

   (b) Mr Goh Chong Chuang **Ordinary Resolution 3**

   (c) Ms Anita Chew Cheng Im **Ordinary Resolution 4**

4. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

SPECIAL BUSINESS

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

5. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 6**

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

6. **Authority for Mr Goh Chong Chuang to Continue in Office as Independent Non-Executive Director** **Ordinary Resolution 7**

   "**THAT** subject to the passing of Ordinary Resolution 3 and pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for Mr Goh Chong Chuang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

NOTICE OF ANNUAL GENERAL MEETING

Cont'd

7. **Authority for Mr Loi Kim Fah to Continue in Office as Independent Non-Executive Director** **Ordinary Resolution 8**

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

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

By Order of the Board
K-ONE TECHNOLOGY BERHAD

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

Kuala Lumpur

23 April 2021

NOTES:

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

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

3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney and supported by a notarially certified copy of that power or authority.

5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.

7. The duly completed Form of Proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

8. Only members whose names appear on the Record of Depositors as at 17 May 2021 ("General Meeting Record of Depositors") shall be entitled to attend, speak or vote at this meeting or appoint proxy/proxies to attend and/or vote in his/her behalf.

9. All the Ordinary Resolutions set out in this Notice will be put to vote by poll.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purpose"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) for the Purpose, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a results of the member's breach of warranty.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Item 1 of the Agenda**

   The Audited Financial Statements are for discussion only as the approval of the shareholders is not required pursuant to the provisions of Section 340(1)(a) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

2. **Ordinary Resolution 6 - Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

   The proposed Ordinary Resolution 6 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 Nineteenth Annual General Meeting held on 29 June 2020. 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 Nineteenth AGM of the Company.

3. **Ordinary Resolutions 7 and 8 - Authority to Continue in Office as Independent Non-Executive Directors of the Company Pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the Malaysian Code On Corporate Governance ("MCCG")**

   (a) Mr Goh Chong Chuang

   Mr Goh Chong Chuang was appointed as an Independent Non-Executive Director of the Company on 3 February 2005 and has therefore served for more than twelve (12) years. However, he has met the independence criteria as set out in Chapter 1 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("AMLR"). The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the MCCG, the Board will seek the approval of the shareholders through a two-tier voting process at the Twentieth Annual General Meeting of the Company. Further rationale for his retention as Independent Non-Executive Director can be found on Page 22 of this Annual Report.

   (b) Mr Loi Kim Fah

   Mr Loi Kim Fah was appointed as an Independent Non-Executive Director of the Company on 3 February 2005 and has therefore served for more than twelve (12) years. However, he has met the independence criteria as set out in Chapter 1 of the AMLR. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the MCCG, the Board will seek the approval of the shareholders through a two-tier voting process at the Twentieth Annual General Meeting of the Company. Further rationale for his retention as Independent Non-Executive Director can be found on Page 22 of this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The profiles of the Directors who are seeking re-election and/or continuing in office as Executive Director or Independent Non-Executive Directors are set out in the Profile of Directors as disclosed on pages 5 to 7 of this Annual Report.

The details of the above Directors' interest in the securities of the Company are stated on page 37 of the Annual Report.

PROXY FORM

K-ONE TECHNOLOGY BERHAD
[Registration No. 200101004001 (539757-K)]
(Incorporated in Malaysia)

I/We ____(NRIC No./Company No.)________________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

____

being a member/members of **K-ONE TECHNOLOGY BERHAD**, hereby appoint the following person(s) or failing whom, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Twentieth Annual General Meeting of the Company to be conducted fully virtual from the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur on Monday, 24 May 2021 at 9.00 a.m. and any adjournment thereof:-

Name of Proxy, NRIC No. & Address	**No. of Shares to be represented by Proxy**
1. Name: NRIC No.: Mobile No.: email: Address:	____________
2. Name: NRIC No.: Mobile No.: email: Address:	____________

NO.	RESOLUTIONS		FOR	AGAINST
1.	Approval of payments of aggregate Directors' fees and allowances to the Non-Executive Directors of up to RM280,000 from 25 May 2021 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service.	**Ordinary Resolution 1**		
2.	Re-election of Dato' Lim Soon Seng	**Ordinary Resolution 2**		
3.	Re-election of Mr Goh Chong Chuang	**Ordinary Resolution 3**		
4.	Re-election of Ms Anita Chew Cheng Im	**Ordinary Resolution 4**		
5.	Re-appointment of Messrs Baker Tilly Monteiro Heng PLT as Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 5**		
6.	Approval for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016	**Ordinary Resolution 6**		
7.	Authority for Mr Goh Chong Chuang to Continue in Office as Independent Non-Executive Director	**Ordinary Resolution 7**		
8.	Authority for Mr Loi Kim Fah to Continue in Office as Independent Non-Executive Director	**Ordinary Resolution 8**		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be casted on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

Number of shares	

CDS A/C No. **Mobile No.** **email**	

________________________ Date

________________________ Signature of Shareholder

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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.*
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K-ONE TECHNOLOGY BERHAD
[Registration No. 200101004001(539757-K)]
66 & 68 Jalan SS 22/21
Damansara Jaya
547400 Pataling Jaya
Selangor, Malaysia

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www.k-one.com

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[Registration No. 200101004001 (539757-K)]

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