

Acquisition of 30% equity interest of AHM Consultancy & Security Services Sdn Bhd (AHM) for cash consideration of RM8.7 million (Acquisition)

Amended Announcements

Please refer to the earlier announcement reference number: GA1-22032017-00018

K-ONE TECHNOLOGY BERHAD

Type	Reply to Query
Reply to Bursa Malaysia's Query Letter - Reference ID	IQL-21032017-00002
Subject	Acquisition of 30% equity interest of AHM Consultancy & Security Services Sdn Bhd (AHM) for cash consideration of RM8.7 million (Acquisition)
Description	K-One Technology Berhad("K-One Tech" Or "The Company") Acquisition Of 30% Equity Interest Of AHM Consultancy & Security Services Sdn. Bhd. ("AHM") For Cash Consideration Of RM8.7 Million ("Proposal")
Query Letter Contents	<p>We refer to your Company's announcement dated 17 March 2017 in respect of the aforesaid matter.</p> <p>In this connection, kindly furnish Bursa Securities with the following additional information for public release:-</p> <ol style="list-style-type: none">1. The basis of arriving at the purchase consideration, other than on a "willing buyer willing seller" basis. If it was based on net assets, the year the net assets were taken into consideration, quantifying the net assets and stating whether it was based on audited financial statements.2. The net profits and net assets of AHM based on its latest audited accounts.3. K-One Technology Berhad ("K1")'s right of recourse in the event the profit guarantee is not met.4. Particulars of all liabilities, including contingent liabilities and guarantees to be assumed by K1 arising from the Acquisition.5. The time and place where the Share Sale Agreement may be inspected.6. The prospects of AHM.7. The risks in relation to the Acquisition. <p>Please furnish Bursa Securities with your reply within one (1) market day from the date hereof.</p> <p>Yours faithfully</p> <p>TAN YEW ENG Vice President, Issuers Listing, Regulation</p> <p>TYE/NMA</p> <p>Cc : Market Surveillance Dept., Securities Commission (via fax)</p>

We refer to our Company's announcement dated 17 March 2017 and Bursa Securities' letter dated 21 March 2017 seeking additional information for public release.

With regard to the above, the Board of Directors wishes to add the following:

1)Basis & Justification For The Purchase Consideration

The purchase consideration for the proposal was arrived at on a willing buyer-willing seller basis after taking into consideration the following:

- a)the audited net assets of AHM as at 31 December 2015 of RM17.58 million;
- b)the audited net profit of AHM as at 31 December 2015 of RM0.52 million; and
- c)the profit guarantee of RM14 million over two (2) years commencing from 1 January 2017 to 31 December 2018.

2) Net Profit And Net Assets Of AHM

The net profit and net assets of AHM based on the latest audited financial statements as at 31 December 2015 are RM0.52 million and RM17.58 million respectively.

3)Profit Guarantee Recourse In The Event Of Non-Fulfillment

If the Vendors fail to meet the profit guarantee, they will be required to

either:

- a) pay K-One Tech the shortfall amount within thirty(30) days from the submission of the audited accounts in the event where the actual aggregate profit after tax is less than the profit guarantee and provided that the audited accounts are submitted within six (6) months from the relevant financial year end; or
- b)buy back the sale shares from K-One Tech within thirty (30) days upon notice wherein, the buy-back will be calculated based on K-One Tech's purchase consideration of RM8.7 million + Dividend of minimum of 3% per annum over the guaranteed period + Twenty (20%) of the Profit Guarantee in the event that the aggregate profit after tax is less than the profit guarantee or for the avoidance of doubt, in the event of a loss and the audited accounts are submitted after six (6) months from the relevant financial year end.

4)Liabilities To Be Assumed

K-One Tech will not assume any liabilities, including contingent liabilities and/or guarantees from the 30% proposed acquisition of AHM.

5)Documents For Inspection

The SSA is available for inspection at the registered office of K-One Tech at Unit 07-02, Level 7, Persoft Tower, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor during normal office hours (9 am to 5 pm) from Monday to Friday(except public holidays) for a period of three (3) months from the date of this announcement.

6)Prospects Of AHM

AHM's business is expected to be robust in the foreseeable future as its major customers comprise mainly of government agencies and GLCs which are of impeccable standing. It has a well-established business relationship with them over many years. Moving forward, it expects to grow its business with these existing customers by supplementing the provision of physical security guarding with the packaging of technology hardware and software systems to enhance the security service proposition to meet current market demands. The technology aspect of security service provision provides ample new opportunities which AHM intends to tap into.

AHM also plans to diversify the provision of its integrated security service solutions into the private sector such as serving the banking industry and key multinationals. Being a forward looking company which incorporates technology into its security service provision, it expects to pose strong competition to competitors and take market share in the private sector.

With its foray into the private sector and enhancing its supply of technology devices and solutions beyond physical guarding to meet current market demands, we expect AHM's business to be vibrant in the immediate future.

7)Risks Factors

Since K-One Tech is paying the proposed acquisition in cash, there is no funding risk involved.

The completion of the acquisition is subject to the due diligence exercise in respect to the operations, financial and legal affairs being satisfactory to K-One Tech. In the event that the due diligence exercise yields unsatisfactory results, the SSA ("Sale Shares Agreement") may be terminated. Nevertheless, K-One Tech will take all reasonable and necessary steps to ensure completion of the SSA but at the same time take precautionary measures to safeguard the interest of the Company.

The proposed acquisition is subject to satisfaction of the parties of their respective obligations, duties and compliance with the relevant authorities as may be required as set out in the SSA. Any breach of material obligations is an event of default and may entitle the non-breaching party to terminate the SSA. As such, there is no assurance that K-One Tech will realize anticipated returns from the proposed acquisition and/or to recover all costs or losses incurred arising from the termination.

This announcement is dated 22 March 2017.

Company Name	K-ONE TECHNOLOGY BERHAD
Stock Name	K1
Date Announced	22 Mar 2017
Category	General Announcement for PLC
Reference Number	GA1-22032017-00084