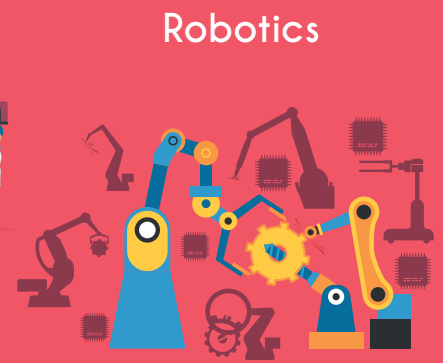
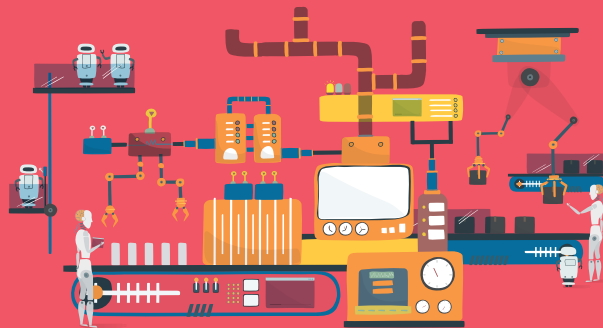
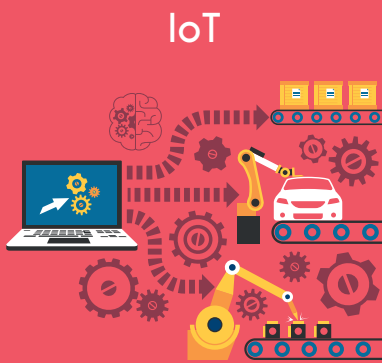


Industry 4.0 | IoT | Cloud - **Turning Disruption Into Opportunities**

Industry 4.0



Smart Manufacturing



Cloud Computing

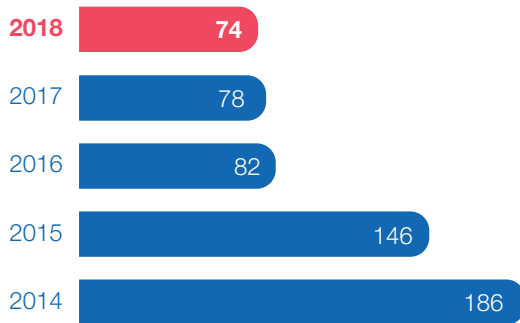
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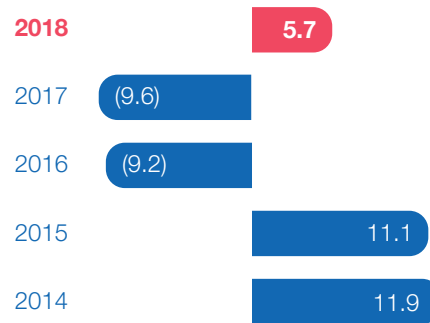


PAST FINANCIAL INFORMATION SUMMARY

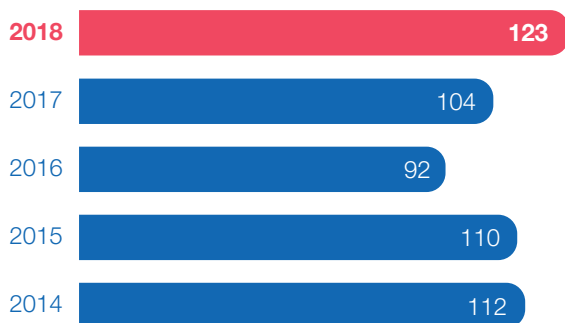
SALES (RM MILLION)



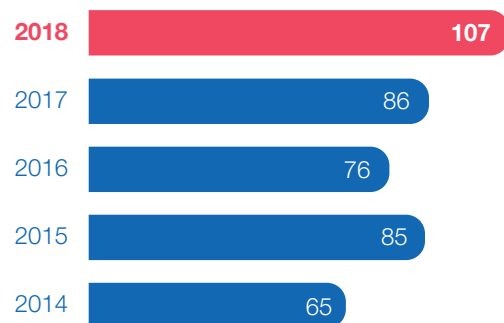
PROFIT (RM MILLION)



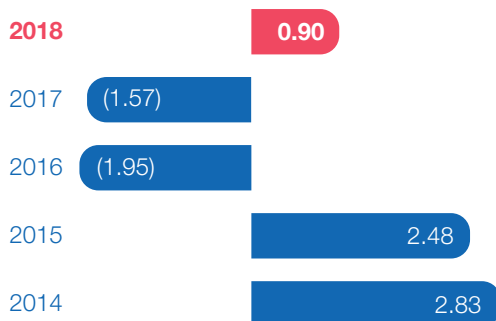
TOTAL ASSETS (RM MILLION)



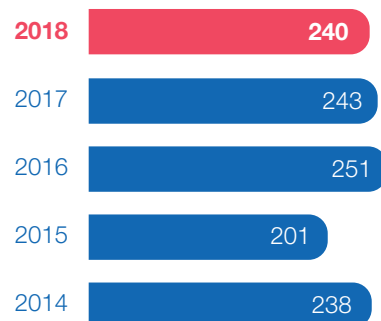
SHAREHOLDER EQUITY (RM MILLION)



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

SOLICITORS

Messrs Azman Davidson & Co
Advocates & Solicitors

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share
Registrars Sdn Bhd)

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

STOCK EXCHANGE LISTING

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

STOCK SHORT NAME & CODE

K1 (0111)

REGISTERED OFFICE

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

HEAD OFFICE

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

GROUP PRINCIPAL BANKERS

United Overseas Bank
(Malaysia) Berhad

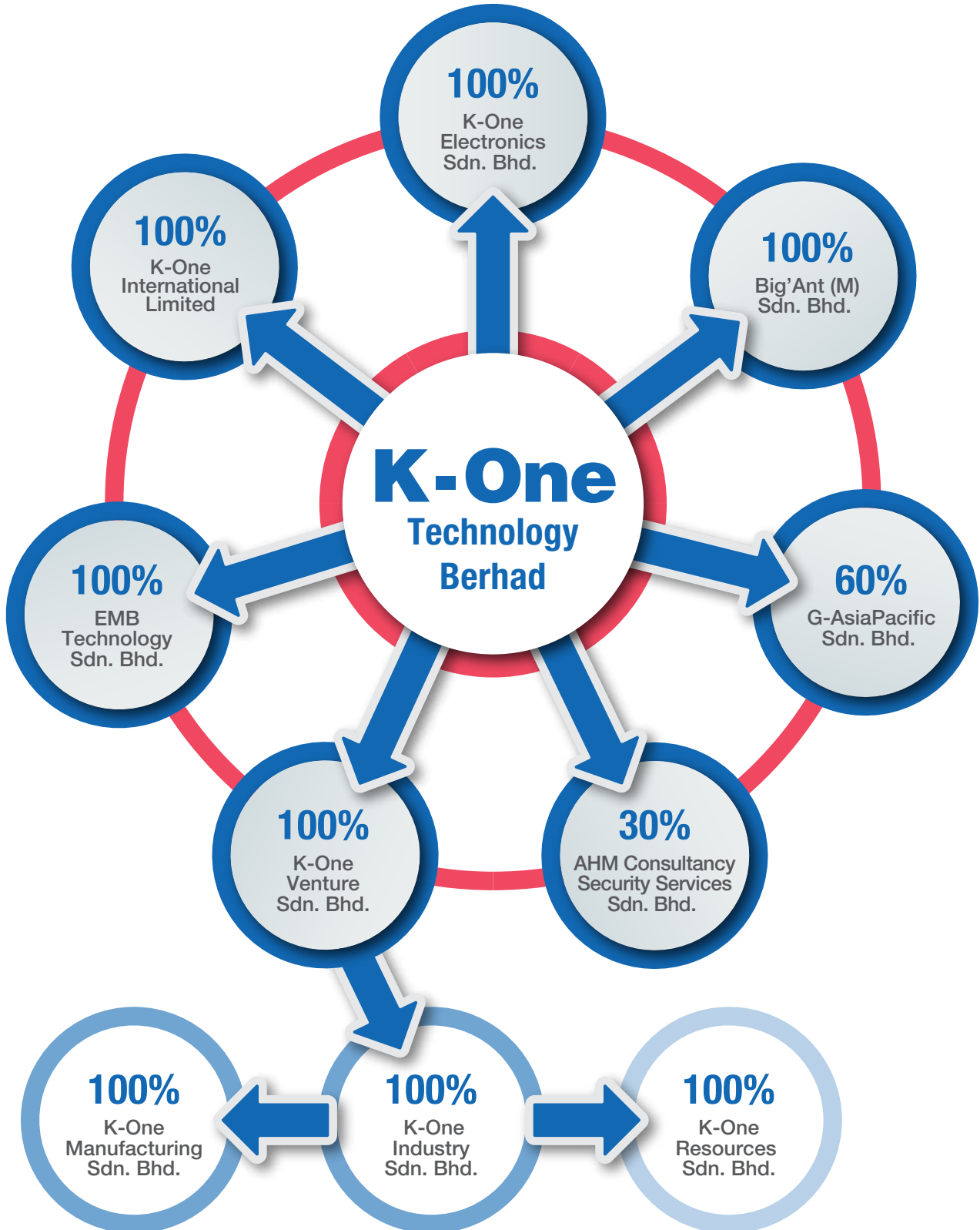
Standard Chartered Bank
Malaysia Berhad

CIMB Bank Berhad

WEBSITE

www.k-one.com

CORPORATE STRUCTURE



DIRECTORS' PROFILE

IR. EDWIN LIM BENG FOOK

*Executive Chairman
Malaysian, Age 61*

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

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

He is a member of the Remuneration Committee.

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

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

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

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

DATO' MARTIN LIM SOON SENG

*Chief Executive Officer
Malaysian, Age 56*

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

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

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

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

DIRECTORS' PROFILE

(Cont'd)

BJØRN BRÅTEN

*Non-Independent Non-Executive Director
Norwegian, Age 61*

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

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

He is a member of the Audit Committee and Nomination Committee.

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

GOH CHONG CHUANG

*Independent Non-Executive Director
Malaysian, Age 66*

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

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

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

LOI KIM FAH

*Independent Non-Executive Director
Malaysian, Age 52*

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

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

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

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

DIRECTORS' PROFILE

(Cont'd)

ANITA CHEW CHENG IM

*Independent Non-Executive Director
Malaysian, Age 52*

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

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

She is a member of the Audit Committee.

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

In 1992, she joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad (now known as Alliance Investment Bank Berhad after merging with

Amanah Bank Berhad) and was with the investment bank for approximately 5 years. Subsequently, she held the position of Director, Corporate Finance at Alliance Investment Bank Berhad from 1997 to 2003. From 2003 to 2007, she worked at HwangDBS Investment Bank Berhad as the Senior Vice President, Equity Capital Market.

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

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

DATO' AZLAM SHAH BIN ALIAS

*Independent Non-Executive Director
Malaysian, Age 58*

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

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

He is a member of the Audit Committee.

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

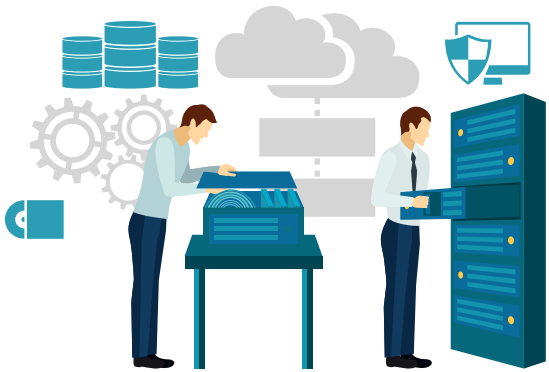
In 2001, he joined Tesco Malaysia as its Regional Property Director. As part of Tesco's business expansion strategy in Malaysia, Dato' Azlam Shah bin Alias was tasked to lead the Government and Corporate Affairs functions in 2002, to help deliver business expansion plans by developing local supply networks,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

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

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

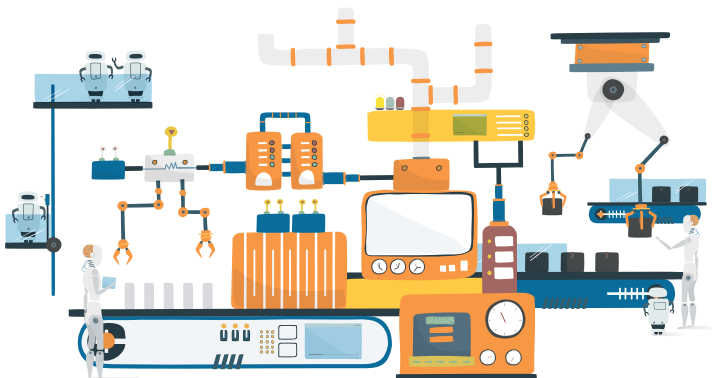
None of the Directors, except Ir. Edwin Lim Beng Fook and Dato' Martin Lim Soon Seng who are brothers, has any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. None of the Directors had any convictions for offences within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

EXECUTIVE CHAIRMAN'S STATEMENT



Dear Shareholders

“On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of K-One Technology Berhad for the financial year ended 31 December 2018.”



BUSINESS PERFORMANCE FOR 2018

The Group's sales revenue managed to hold at RM73.8 million for 2018 as compared to RM78.3 million for 2017, on the backdrop of an uncertain and volatile global business environment tainted with trade policy shifts of the 2 largest economies in the world ie US and China. The sales decline was mainly attributed to curtailed demand of electronic headlamps, floor-care products, electronic security/surveillance peripherals and consumer lifestyle gadgets. However, medical/healthcare devices and industrial products exhibited robust growth which helped to prop up sales.

The Group recorded profit attributable to equity holders of the parent company of RM5.7 million for 2018 as compared to a loss of RM9.6 million in 2017, mainly driven by margin improvement from 20% in 2017 to 25% in 2018. It would be fair to note that the Group made an operating profit of RM3.2 million in 2017, if the ESOS provision of RM12.8 million had been discounted.

PROSPECTIVE BUSINESS OUTLOOK



The Ringgit Malaysia (RM) appreciated to about RM3.90 to USD 1.00 in 1Q'18 and unexpectedly weakened to about RM4.20 by 3Q'18. This was a blessing in disguise for the K-One Group as it was predicted to strengthen in the course of 2018. Moving forward in 2019, I expect RM to stabilize at the RM4.05-4.15 range which will provide comfort to the Group in conducting orderly business as more than 90% of our almost 100% export sales are denominated in USD.

EXECUTIVE CHAIRMAN'S STATEMENT

(Cont'd)

The global economy is envisaged to persist with volatility and uncertainty in 2019 fueled by a messy Brexit outcome, potential China slowdown and the looming unsettled US-China trade war. Amidst the headwinds, the Group is poised to take advantage of new opportunities arising from its focus over the last couple of years on "sunrise" industries which includes IoT (Internet of Things) devices, medical/healthcare products, electronic security/surveillance solutions, electronic wearables and automotive aggregates as they yield higher margins and have longer product life cycles. The Group is seeing traction in these "sunrise" industries and expects them to pick up momentum in 2019.



The Group will also intensify its targeting of US based customers which are now more open to diversify their manufacturing bases in China to South-East Asia. In this respect, the Group has made much headway as it is one of the early birds to participate in US exhibitions to woo them over. The response in these exhibitions has been overwhelming.

On another front, I am delighted to report that we have successfully acquired G-AsiaPacific Sdn. Bhd. (GAP) which is a market leader in cloud computing in Malaysia. This is an exciting space to be in as it has vast untapped potential with low hanging fruits, both in Malaysia and ASEAN. The Group is excited to work with the co-founders of GAP to unlock these potentials as quick as we can.

The Group will not pay any dividend for 2018 as it prefers to conserve its cash to grow its business which is expected to take-off this year after several years of consolidation. Further, the surplus cash would come in handy to take on additional synergistic M&A candidates as we move forward in 2019 and beyond.

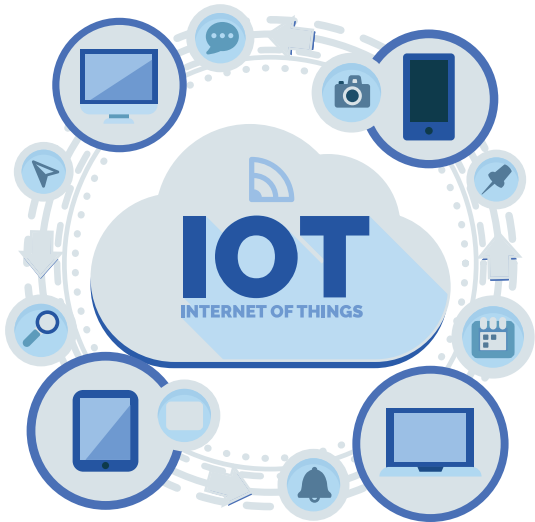
ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my deepest appreciation to all our customers, business associates, financiers and shareholders for their continued support and confidence in the Group. I also wish to express my sincere appreciation to the Management and staff for their dedication and contribution in 2018.

Ir. Edwin Lim Beng Fook
Executive Chairman



CEO'S OPERATIONS REVIEW



Dear Shareholders

"I would like to take this opportunity to report key aspects and performance of our operations for the financial year ended 31 December 2018."

SALES AND FINANCIALS

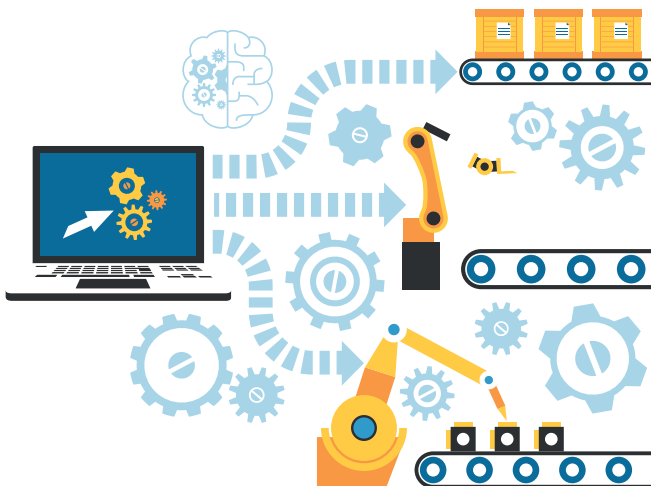
The Group registered sales revenue of RM73.8 million in 2018 as compared to RM78.3 million in the previous year in the face of a volatile and lackluster global market. Sales of electronic headlamps, floor-care products, electronic security/surveillance peripherals and consumer electronic lifestyle products retracted but were fortunately propped up by significant sales growth in medical/healthcare devices and industrial products.



The Group recorded profit attributable to equity holders of the parent company of RM5.7 million in 2018 as compared to a loss of RM9.6 million in 2017, largely due to the ESOS provision of RM12.8 million. Excluding the provision, the Group made an operating profit of RM3.2 million in 2017. Nevertheless, the turnaround and profit jump was mainly attributed to increased gross margin of 25 % in 2018 vs 20% in 2017, substantiated by higher margin business in the likes of medical/healthcare gadgets and industrial products.

DESIGN AND DEVELOPMENT

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



CEO'S OPERATIONS REVIEW

(Cont'd)

Besides the above, the Group's R&D engineers have expanded the product portfolio of its OBM (Own Brand Manufacturing) products. It currently has available more than half a dozen OBM products, comprising of consumer electronic lifestyle products and mobile phone accessories marketed under its own brand name. These OBM products are being marketed both locally and overseas through online channels such as Amazon, Lazada, 11street, etc.

MANUFACTURING



In the manufacturing front, the Group achieved a major milestone in being registered with FDA (US Food & Drug Administration) end of 2018. This would provide the key for the Group to manufacture medical/healthcare products which require FDA registrations which are aplenty. However, manufacturing facilities with FDA registrations in Malaysia are limited, hence, it is a prized item to possess.

The Group continues to stay updated with the latest technology in manufacturing by initiating activities to work towards Industry 4.0. In 2018, the Group is proud to be able to develop its own in-house hardware/software to automate specific manufacturing processes with the aim of improving efficiency and productivity. This is only the beginning of the journey in the attainment of Industry 4.0 which we are determined to achieve.



HUMAN RESOURCE

It cannot be denied that employees are our most prized assets, particularly in the technology arena which we are in. During the course of the year, the Group stepped up its efforts to review the organization and took steps to address the shortfall in talents in specific areas, which are primarily technical and business or rather sales in nature. It managed to hire certain key positions but it is still seeking out to get the right talents to fill various technical and sales positions which are still available. The Group has resorted to innovative ways to find the right people and we are confident that we will get there.

CORPORATE DEVELOPMENT

The Group undertook the following Corporate Development initiatives announced on 27 August 2018 with details as follows:

- a) Multiple proposals which included:
 - i) Proposed acquisition of 60% equity interest in G-AsiaPacific Sdn. Bhd.;
 - ii) Proposed call/put options;
 - iii) Proposed diversification;
 - iv) Proposed bonus issue of shares and
 - v) Proposed free warrant issue.
- b) The bonus issue of shares on the basis of 1 bonus share for every 5 existing shares was completed following the listing of 121,489,859 bonus shares on 27 December 2018 while the free warrants allocated on the basis of 1 warrant for every 4 existing shares was completed following the quotation and listing of 182,234,783 warrants on 8 January 2019.
- c) The acquisition of G-AsiaPacific Sdn. Bhd. in conjunction with the call/put options and diversification were approved by shareholders at the EGM held on 27 February 2019, following which the acquisition was completed on 15 March 2019.

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 2018 which was challenging but exciting.

Dato' Martin Lim Soon Seng
CEO

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



1. BUSINESS OBJECTIVES AND STRATEGIES

The Group is principally engaged in the research, design, development and manufacture of IoT gadgets, healthcare/medical devices, automotive aggregates, electronic security/surveillance devices, computer peripherals, electronic headlamps, consumer electronic lifestyle gadgets, floor-care and industrial products. The Group's business is export driven, on average with more than 90% of its business each year since its inception in 2001, exported primarily to Europe, US and various countries in Asia. Its clients comprise mainly of multinationals or technology conglomerates.

The key driving force and differentiating factor of the Group, amongst others, is its design, innovation and development capabilities of electronic, mechatronic or technology based products. This is complemented by its strength in manufacturing precision and high quality complete end products or occasionally sub-systems to meet the stringent requirements of global customers.

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 to the attainment of Industry 4.0 is imminent as the Group's primary EMS (electronic manufacturing services) business had witnessed an increasing shift towards products which are IoT enabled over the last couple of years. At the backend, the Group has been transforming its manufacturing hub towards smart manufacturing as part of its Industry 4.0 attainment, so that it can maintain its competitiveness by automating processes to reduce costs and improve productivity.

On 15 March 2019, the Group completed its acquisition of 60% equity interest in G-AsiaPacific Sdn Bhd (GAP), which is principally involved in the business of provision of cloud computing solutions and development of mobile applications. Such activities will complement the Group's existing principal activities in the value chain and ecosystem under the auspices of Industry 4.0.

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

(Cont'd)



2. FINANCIAL REVIEW

Financial Performance

Sales revenue for 2018 managed to stand at RM73.8 million as compared to the preceding year's sales of RM 78.3 million, a marginal decline of 6% due to the soft and volatile global markets caused primarily by the prevailing trade war between US and China. Sales of electronic headlamps, floor-care products, electronic security/surveillance peripherals and consumer electronic lifestyle gadgets were dampened. On a positive note, industrial products and medical/healthcare devices recorded significant sales gains.

The Group recorded profit attributable to equity holders of RM 5.7 million for 2018 as compared to a loss of RM 9.6 million in 2017, spurred by improved profit margin (2018:25%; 2017:20%) resulting from the deepening push into higher margin businesses and concerted efforts on supply chain materials cost down. The loss registered in 2017 was primarily due to recognition of ESOS expense of RM12.8 million.

Liquidity and Capital Investment

Cash and cash equivalents in the form of time deposits and short-term cash funds of the Group which stood at RM64.6 million as at end 2018 registered an increase of 27% from RM51.0 million as of the previous year end. The increase was mainly attributed to the exercise of 88.3 million ESOS options by directors and eligible employees which raised a total of RM14.6 million cash, but was partially offset by the payment of deposit amounting to RM2.0 million related to the acquisition of 60% equity interest in GAP. With the payment of RM18.4 million to the vendors on 15 March 2019 for the balance purchase consideration of the said acquisition, the Group would still be sitting on a healthy cash position of RM46.2 million as at end 1Q 2019.

Net cash from operating activities of RM0.3 million in 2018 was largely contributed by healthy gross profit margin registered in the year, which was partially offset by speedier payments to trade creditors to support supply chain materials cost down.

The Group has invested in a surface mount technology (SMT) assembly line which cost RM1.3 million during the year to shorten production lead times which is essential to boost business growth whilst at the same time upgrading its SMT machine to keep abreast with technology advancements.

Gearing

The Group does not have any borrowings as at end 2018.

Dividend

No dividend would be paid or declared for the year (2018) as the Group needs to preserve cash to fuel future business growth.

Bonus and Free Warrants Issues

On 27 August 2018, the Company proposed a Bonus Issue on the basis of one (1) Bonus Share for every five (5) existing Shares held by the shareholders on an entitlement date ("Entitlement Date") and a Free Warrants Issue on the basis of one (1) Warrant for every four (4) existing Shares held by the shareholders on an Entitlement Date. Both the Issues were completed following the listing of 121,489,859 Bonus Shares and 182,234,783 Warrants on the ACE Market of Bursa Securities on 27 December 2018 and 8 January 2019 respectively.

3. OPERATIONAL AND FINANCIAL RISKS

Economic and Market Environment

The Group is operating in a fast, rapidly changing and volatile global business environment. Any slowdown or escalation in product demand due to shifting business regulations such as the prevailing US-China trade war will have a negative or positive impact on the Group's business depending on the outcome of trade policy changes. Direct and full mitigation of such macro risks is near impossible and beyond the Group's control. However, the Group has embarked on product diversification into "sunrise" markets in the likes of IoT gadgets, healthcare/medical devices, industrial products, electronic security/surveillance solutions and automotive aggregates and they are gaining traction. Besides, the Group's diversification into the cloud computing business through the acquisition of GAP, which is complementary to its existing principal activities will provide another stream of income.

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

(Cont'd)



Technology Disruption

The Group operates in a space which is subject to rapid technological changes. The Group acknowledges the significant impact of this risk to the wellbeing of its business. Therefore, it has and is focussed on continuous manufacturing technology upgrade, currently working towards smart manufacturing as part of its Industry 4.0 attainment. The Group is confident that it can sustain its business performance in view of its good business reputation, 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 and other personnel. To reduce the risk of losing key personnel, the Group has in place a people strategy, which includes competitive compensation packages, conducive working conditions and provision of training and development programmes for all supporting employees in all key functions. It has also continuously strived to strategically develop a dynamic and strong management team and grooming potential personnel in "shadowing" senior key staff to manage crucial activities.

Foreign Currency Exchange Fluctuation

The Group is exposed to foreign currency exchange losses or gains arising from appreciation or

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

4. BUSINESS & MARKET OUTLOOK

We envisage that global uncertainty and instability to remain high in 2019, owing to the heightened global protectionism, impending Brexit and deteriorating global growth outlook. Despite external headwinds, the Group remains broadly optimistic on its prospects, underpinned by a few key factors. Firstly, the Group's continuous diversification efforts and expansion into "sunrise" markets are starting to yield results. Secondly, the US-China trade impasse had opened up further opportunities for the Group as potential US customers seek to shift or diversify their manufacturing bases to Southeast Asia, in particular Malaysia and Vietnam being preferred choices. Manufacturing companies based and owned by the Chinese in China are also looking out to move their production to "safe" destinations to shelter themselves from the US tariff hike. This is another area of opportunity which the Group is constantly exploring. Thirdly, the Group is in the process of transforming into an Industry 4.0 enabled corporation which will allow it to stay relevant, competitive and sustainable for long term growth. Fourthly, the diversification into the cloud computing business through the acquisition of GAP is anticipated to generate impactful business and financial results to the Group in the long term as the cloud computing business is envisaged to hold vast untapped potential. Last but not least, the Group will continue to improve business efficiency by inculcating a cost-conscious mindset across all business units to enhance profit margin.

SUSTAINABILITY STATEMENT

INTRODUCTION

This Sustainability Statement is a document detailing the management of the Group's business impacts on Economic, Environmental and Social issues. This is the first year that the Group is reporting its sustainability efforts in its totality as in the past it was covered under the auspices of corporate social responsibility.

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



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

STAKEHOLDERS ENGAGEMENT

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

Stakeholder	Engagement Approach	Sustainability Concern
Shareholders	<ul style="list-style-type: none"> Annual and extraordinary general meetings Financial and corporate announcements 	<ul style="list-style-type: none"> Dividend Return on investment Financial performance Share performance
Board	<ul style="list-style-type: none"> Board meetings Annual and extraordinary general meetings Corporate organised events 	<ul style="list-style-type: none"> Corporate governance Company strategy Continuous business and operational improvements Risk management and compliance with laws and regulations Financial results Interests of stakeholders and shareholders

SUSTAINABILITY STATEMENT

(Cont'd)

Stakeholder	Engagement Approach	Sustainability Concern
Employees	<ul style="list-style-type: none"> Quarterly forums Employee performance appraisal Group organised events 	<ul style="list-style-type: none"> Occupational safety and health Fair remuneration Fair employment practices Career development opportunities
Customers	<ul style="list-style-type: none"> Ad-hoc meetings 	<ul style="list-style-type: none"> Manufacturing quality Manufacturing capacity Research and development Equitable business operations
Suppliers	<ul style="list-style-type: none"> Supplier audits Ad-hoc meetings 	<ul style="list-style-type: none"> Fair tender practices Competitive prices Business continuity
Government/ Regulatory Authorities	<ul style="list-style-type: none"> Ongoing interaction Formal and informal meetings Participation in government programmes and initiatives 	<ul style="list-style-type: none"> Manufacturing issues and policies Compliance with applicable laws Economic, environmental and social impacts Collaborative programmes related to national agenda
Non-Governmental Organisations	<ul style="list-style-type: none"> Public events Face-to-face interaction 	<ul style="list-style-type: none"> Working conditions Labour rights

ECONOMIC, ENVIRONMENT AND SOCIAL SUSTAINABLE PRACTICES

A. Economic

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

The Group is committed to ensure that sustainable supply chain management and procurement practices are practised and embedded into its culture. This would be achieved through the guidance of the principles and standards set out in the Group's Code of Conduct and 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/regulations and maintain a high standard of personal conduct while dealing with various stakeholders. Proper channel is established to instil confidence in employees and third parties to raise concerns about any irregular behaviour or practice and to mitigate risks and losses through the early discovery of such activities.

B. Environment

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

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

SUSTAINABILITY STATEMENT

(Cont'd)

C. Social

The Group supports charitable causes and local cultural activities that seek to improve the well-being of our community, promote cultural diversities and contribute to the enhancement in quality of life. During the year under review, the Group conducted three meaningful communal activities as described below.

Caring for our Community

As part of its efforts to create a clean environment, on a fine day in May 2018, the Group with the support of E-Idaman Sdn Bhd organized a gotong royong event in the vicinity of its plants in Ipoh, Perak. The gotong royong was aimed at cleaning up the neighborhood of our plants so that the workplace vicinity looks clean and tidy for all to enjoy. Volunteers from K-One and E-Idaman turned up early on that day to help clear rubbish and litter along the walkway, cut grass by the road side and unclog drains in the neighborhood of the plants. It is important that the surroundings of the plants are maintained speck clean as part of measures taken to reduce potential breeding grounds for Aedes mosquito, apart from creating a more scenic environment.

In line with our business focus in generating and driving creativity and innovation in the industry and ecosystem alike, the Group has taken the opportunity to appraise and sponsor prizes for the winners of projects submitted by undergraduates from the Faculty of Engineering and Computing of First City University College (FCUC) in conjunction with their Innovation Day held on 5 June 2018.



The Innovation Day serves as a platform for graduating students of FCUC to present their final year degree projects. It also acts as a channel for the graduating students to connect with the industry to enhance their learning experience.

Besides our innovation driven mission, it has always been our belief in caring for the community and contributing to community development through a wide range of sustainability activities. Through this collaboration with FCUC and sponsorship of prizes for winners of outstanding engineering and computing projects, the K-One Group hopes to motivate the millennials in developing a passion for engineering, computing, creativity and innovation. The best three projects in the Engineering and Computing categories respectively were awarded RM500, RM300 and RM200 each under the K-One Special Awards. The winners were selected through a professional assessment process by our senior engineers based on their commercial value, technical excellence, creativity and presentation skill.

On 1 November 2018, the K-One Group launched MyJanji, a sustainability program to help the needy, underprivileged and disadvantaged individuals and families. This program supports applicants nationwide but due consideration would be given to applicants from the neighborhoods where the Group predominantly operates.



SUSTAINABILITY STATEMENT

(Cont'd)

The MyJanji Committee was established to manage this program in a professional and fair manner. The Committee which comprises of staff from various backgrounds is responsible in assessing suitable and deserving applicants eligible for the sponsorship of RM300 per month over one year based on a number of set requirements which includes financial capability, family support, health condition, age and dependents. Regular visits would be made throughout the duration of the program to foster a closer relationship with the beneficiaries and to ensure the sponsorship provided is able to alleviate the financial burden of beneficiaries.

To-date, the Committee has successfully identified and sponsored various deserving individuals. It is working towards sponsoring more beneficiaries from time to time. The Group hopes to contribute towards improving the quality of life for the broader community and hope that this program can contribute in a little way to ease the burden of the unfortunate, in particular the neglected old folks.

Caring for our Staff

Acquiring, developing and retaining high quality talent is important to the Group. As a result, continuous staff improvement is embedded in its corporate culture. Through various programmes and strategies, such as Key Performance Indicators ("KPI") and quarterly forums, the Group is able to engage with its employees openly to nurture their skills and potentials.

The Group stresses the importance of treating all fairly without discrimination regardless of age, gender, race, ethnicity and national origin. This is to establish a well-balanced workforce whose performance is aligned with the Group's strategic corporate objectives to achieve long term sustainable growth.

The Group is committed to cultivating a safe, healthy and productive work environment. Employees' safety is always the Group's priority. It strictly adheres to Occupational Health & Safety (OHS) management principles to safeguard employees and prevent the occurrence of occupational accidents. The Group's environment, safety and health management systems are OHSAS 18001 certified. There was no reported accident in 2018.

In appreciation of the hardwork, contributions and support from the staff, the Group brought all employees together to celebrate a successful 2018 at its Annual Dinner held on 15 February 2019 at the Grand Ballroom of the Royal Perak Golf Club in Ipoh, Perak. It was an evening of merriment and catching up on small talks with staff based in different locations congregating at the same venue. What a great opportunity to catch up and build the bonding on a personal basis rather than thru' WhatsApp!



The Group is proud that it has within its ranks talented singers who can be potential winners in the Asia's Got Talent contest to serenade the audience. Almost everyone walked away with some goodies during the lucky draws to make the evening a memorable one.

SUSTAINABILITY STATEMENT

(Cont'd)



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Set out below is an overview of the corporate governance practices of the Group during the financial year ended 31 December 2018. 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 2018 of the Company (“CG Report”) which is available on the Company’s website: <https://www.k-one.com/investors/corporate-governance/>.

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 2018.

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

2. Board Composition

Size and Composition of the Board

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. Board Composition (Continued)

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 Company 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 helps 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 five (5) years.

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 18th 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. Board Composition (Continued)

Review of Board Performance (Continued)

Assessments and evaluations were conducted for 2018 and the Board was satisfied with the overall performance of its Directors and the respective Committees.

Re-election of Directors

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

3. Remuneration

The Board has established a formal and transparent process for approving the remuneration of the Board and the Senior Management. The remuneration policy is 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 including the Non-Executive Directors (“NEDs”)’ fiduciary duties, time commitments expected of them and the Group’s 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 2018 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	870	-	-	-	870
Dato' Martin Lim Soon Seng	870	-	-	-	870
Non-Executive Directors					
Bjørn Bråten	-	-	-	-	-
Goh Chong Chuang	-	54	6	-	60
Loi Kim Fah	-	54	6	-	60
Anita Chew Cheng Im	-	54	6	-	60
Dato' Azlam Shah bin Alias	-	54	5	-	59
Total	1,740	216	23	-	1,979

Notes:

* Salaries and other emoluments comprise basic salary and EPF.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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").

The composition of the Board Committees and the attendance of members at Board Committees meeting held in 2018 are as follows:

Director	Board	ARMC	NC	RC
Mr. Edwin Lim Beng Fook (Executive Chairman)	5/5*			4/4
Dato' Martin Lim Soon Seng (Chief Executive Officer)	5/5			
Bjørn Bråten (Non-Independent Non-Executive Director)	5/5	4/4	4/4	
Goh Chong Chuang (Independent Non-Executive Director)	5/5	4/4	4/4*	4/4*
Loi Kim Fah (Independent Non-Executive Director)	5/5	4/4*	4/4	4/4
Anita Chew Cheng Im (Independent Non-Executive Director)	5/5	4/4		
Dato' Azlam Shah bin Alias (Independent Non-Executive Director)	5/5	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 2018, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

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 and 30 of the Annual Report 2018.

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 17th AGM of the Company held on 28 May 2018, all members of the Board were present to respond to questions raised by the shareholders or proxies. The voting at the 17th 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 and 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

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

3. Professional Development of Directors (Continued)

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

Date of Training	Programme	Organised by	Attended by
13.4.18	Digital & Analytics – Smart Factory	Ernst & Young Malaysia	Ir. Edwin Lim Beng Fook
22.11.18	National Tax Seminar	Inland Revenue Board	Loi Kim Fah
4.12.18	Companies Of The Future – The Role Of Boards	Bursa Malaysia	i. Ir. Edwin Lim Beng Fook ii. Dato' Martin Lim Soon Seng
19-21.12.18	Transition To MPSAS: Assets And Impairment	Malaysian Institute of Accountants	Loi Kim Fah

This Corporate Governance Overview Statement was approved by the Board of Directors on 27 February 2019.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Company established an Audit Committee on 3 February 2005 and 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 2018. The details of the attendance of each member of the Audit Committee are as follows:

		TOTAL MEETINGS ATTENDED BY COMMITTEE MEMBERS	PERCENTAGE OF ATTENDANCE
Loi 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;

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(Cont'd)

SUMMARY OF WORK (CONTINUED)

(a) Financial Reporting (Continued)

- 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.

(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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(Cont'd)

SUMMARY OF WORK (CONTINUED)

(d) Others

- Verified the allocation of Options pursuant to the Employees' Share Option Scheme (ESOS) of the Company is in accordance with the criteria for allocation established under the scheme;
- 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 2018; 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.

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

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD RESPONSIBILITIES

The Board affirms its responsibility in maintaining the Group's system of internal controls and risk management and in seeking regular assurance on the adequacy and integrity of the internal controls and risk management systems and processes to safeguard shareholders' value and the Group's assets. However, the associate company has not been dealt with as part of the group for the purposes of preparing this statement.

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.

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

v. Quality Control

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

vi. Internal Audit

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

vii. Audit & Risk Management Committee

The Audit & Risk Management Committee was set up with the view to assist and provide the Board with added focus in discharging its duties. For 2018, 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 deliberation and recommendation 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 Audit 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 27 February 2019.

OTHER INFORMATION

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

REVALUATION OF LANDED PROPERTIES

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

FINANCIAL STATEMENTS

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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 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are in research, design and development of electronic end-products and sub-systems for the healthcare, medical, Internet of Things ("IoT"), automotive, industrial, communication, computer and consumer electronics industries. The principal activities of its subsidiaries are set out in Note 8 to the financial statements.

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

RESULTS

	Group	Company
	RM	RM
Profit for the financial year	5,658,793	2,956,045
Profit attributable to:		
Owners of the Company	5,658,793	2,956,045

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 2018.

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.

DIRECTORS' REPORT

(Cont'd)

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

DIRECTORS' REPORT

(Cont'd)

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	88,305,000	Cash	Exercise of options by option holders
Ordinary share	121,489,859	Non-cash	Bonus issue of 1 new ordinary share for every 5 existing ordinary shares

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

No debentures were issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

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

The salient features and other details of the ESOS are disclosed in Note 16 to the financial statements.

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

Grant date	Exercise price before bonus issue	Exercise price after bonus issue	Number of option over ordinary shares					Effect of bonus issue	At 31.12.2018
			At 1.1.2018	Granted	Exercised	Forfeited			
13.3.2017	RM0.165	RM0.140	128,800,000	-	(87,525,000)	(1,850,000)	7,885,000	47,310,000	
25.7.2017	RM0.200	RM0.170	500,000	-	-	-	100,000	600,000	
10.7.2018	RM0.190	RM0.160	-	3,000,000	(780,000)	(400,000)	364,000	2,184,000	

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

DIRECTORS' REPORT

(Cont'd)

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:

	Number of Ordinary Shares			
	At 1.1.2018	ESOS exercised/ Bonus issue/ Bought	Sold	At 31.12.2018
Direct interest				
Ir. Lim Beng Fook	87,102,478	32,420,495	-	119,522,973
Dato' Lim Soon Seng	77,515,065	23,903,013	-	101,418,078
Bjørn Bråten	45,243,694	6,248,738	(20,000,000)	31,492,432
Goh Chong Chuang	408,220	1,281,644	-	1,689,864
Loi Kim Fah	111,300	1,222,260	-	1,333,560
Anita Chew Cheng Im	-	600,000	-	600,000

Name	Number of ESOS				
	Balance as at 1.1.2018	Granted	Exercised	Effect of bonus issue	Balance as at 31.12.2018
Ir. Lim Beng Fook	13,000,000	-	(7,500,000)	1,100,000	6,600,000
Dato' Lim Soon Seng	13,000,000	-	(7,000,000)	1,200,000	7,200,000
Bjørn Bråten	1,000,000	-	(1,000,000)	-	-
Goh Chong Chuang	1,000,000	-	(1,000,000)	-	-
Loi Kim Fah	1,000,000	-	(1,000,000)	-	-
Anita Chew Cheng Im	500,000	-	(500,000)	-	-
Dato' Azlam Shah bin Alias	500,000	-	-	100,000	600,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any deemed benefits which may arise from transactions entered into in the ordinary course of business as disclosed in Note 26 to the financial statements.

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.

DIRECTORS' REPORT

(Cont'd)

INDEMNITY TO DIRECTORS AND OFFICERS

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

SUBSIDIARIES

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 31 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

INDEMNITY TO AUDITORS

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

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

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

.....
IR. LIM BENG FOOK

Director

.....
DATO' LIM SOON SENG

Director

Date: 10 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	10,174,297	8,730,557	3,844,578	3,903,022
Prepaid land lease	6	938,911	1,020,407	-	-
Other intangible assets	7	81,899	171,171	70,351	140,447
Investment in subsidiaries	8	-	-	41,164,336	35,659,240
Investment in an associate	9	9,201,014	-	8,700,000	-
Deferred tax assets	10	1,035,700	276,600	-	-
Total non-current assets		21,431,821	10,198,735	53,779,265	39,702,709
Current assets					
Inventories	11	15,486,841	15,674,940	-	-
Receivables, deposits and prepayments	12	20,353,680	25,719,595	2,723,637	9,773,837
Tax assets		716,478	1,356,307	-	-
Short term cash investment	13	28,242,823	32,374,420	28,242,823	32,374,420
Cash and bank balances	14	36,355,614	18,615,056	30,171,260	14,007,062
Total current assets		101,155,436	93,740,318	61,137,720	56,155,319
TOTAL ASSETS		122,587,257	103,939,053	114,916,985	95,858,028
EQUITY AND LIABILITIES					
Share capital	15	94,678,721	69,659,347	94,678,721	69,659,347
Reserves	16	12,710,263	16,033,824	7,532,736	13,561,863
Total equity		107,388,984	85,693,171	102,211,457	83,221,210
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	10	231,252	1,000	-	-
Total non-current liabilities		231,252	1,000	-	-
Current liabilities					
Payables and accruals	17	14,901,006	18,151,397	12,660,956	12,556,014
Tax payables		66,015	93,485	44,572	80,804
Total current liabilities		14,967,021	18,244,882	12,705,528	12,636,818
Total liabilities		15,198,273	18,245,882	12,705,528	12,636,818
TOTAL EQUITY AND LIABILITIES		122,587,257	103,939,053	114,916,985	95,858,028

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	18	73,782,086	78,267,804	1,780,456	1,751,032
Cost of sales	19	(55,353,054)	(62,669,736)	(653,479)	(160,106)
Gross profit		18,429,032	15,598,068	1,126,977	1,590,926
Other income		1,963,935	1,982,238	3,486,800	1,764,367
Administrative expenses		(12,170,715)	(12,354,162)	(1,409,722)	(964,598)
Sales and distribution costs		(756,504)	(966,132)	(85,127)	(57,635)
Other operating expenses		(1,448,994)	(12,840,338)	(182,621)	(2,414,711)
Share of results of an associate, net of tax		501,014	-	-	-
		(13,875,199)	(26,160,632)	(1,677,470)	(3,436,944)
Profit/(Loss) before tax	20	6,517,768	(8,580,326)	2,936,307	(81,651)
Income tax (expense)/credit	23	(858,975)	(1,023,426)	19,738	(224,456)
Profit/(Loss) for the financial year		5,658,793	(9,603,752)	2,956,045	(306,107)
Other comprehensive loss, net of tax income/(loss), net of tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation		2,818	(17,972)	-	-
Total comprehensive income/(loss) for the financial year		5,661,611	(9,621,724)	2,956,045	(306,107)
Profit/(Loss) attributable to:					
Owners of the Company		5,658,793	(9,603,752)	2,956,045	(306,107)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		5,661,611	(9,621,724)	2,956,045	(306,107)
Earnings/(Loss) per share attributable to owners of the Company					
Basic (sen)	24	0.90	(1.57)		
Diluted (sen)	24	0.89	(1.57)		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

Group	← Attributable to Owners of the Company →					
	Share Capital	Share Premium	Share Option Reserve	Foreign Exchange Reserve	Retained Earnings	Total Equity
	RM	RM	RM	RM	RM	RM
At 1 January 2017	47,265,534	15,885,356	-	2,531	12,812,679	75,966,100
Total comprehensive loss for the financial year						
Loss for the financial year	-	-	-	-	(9,603,752)	(9,603,752)
Other comprehensive loss						
Foreign currency translation difference	-	-	-	(17,972)	-	(17,972)
Total comprehensive loss	-	-	-	(17,972)	(9,603,752)	(9,621,724)
Transactions with owners						
Transition to no-par value regime	15,885,356	(15,885,356)	-	-	-	-
Issuance of ordinary shares	6,508,457	-	-	-	-	6,508,457
ESOS granted	-	-	12,840,338	-	-	12,840,338
Total transactions with owners	22,393,813	(15,885,356)	12,840,338	-	-	19,348,795
At 31 December 2017	69,659,347	-	12,840,338	(15,441)	3,208,927	85,693,171
Total comprehensive income for the financial year						
Profit for the financial year	-	-	-	-	5,658,793	5,658,793
Other comprehensive income						
Foreign currency translation difference	-	-	-	2,818	-	2,818
Total comprehensive income	-	-	-	2,818	5,658,793	5,661,611
Transactions with owners						
Issuance of ordinary shares	25,019,374	-	(10,429,550)	-	-	14,589,824
ESOS granted	-	-	1,444,378	-	-	1,444,378
ESOS forfeiture	-	-	(174,195)	-	174,195	-
Total transactions with owners	25,019,374	-	(9,159,367)	-	174,195	16,034,202
At 31 December 2018	94,678,721	-	3,680,971	(12,623)	9,041,915	107,388,984

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2018
(Cont'd)

Company	← Attributable to Owners of the Company →				
	Share Capital RM	Share Premium RM	Share Option Reserve RM	Retained Earnings RM	Total Equity RM
At 1 January 2017	47,265,534	15,885,356	-	1,027,632	64,178,522
Total comprehensive loss for the financial year					
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(306,107)	(306,107)
Transactions with owners					
Transition to no-par value regime	15,885,356	(15,885,356)	-	-	-
Issuance of ordinary shares	6,508,457	-	-	-	6,508,457
ESOS granted	-	-	12,840,338	-	12,840,338
Total transactions with owners	22,393,813	(15,885,356)	12,840,338	-	19,348,795
At 31 December 2017	69,659,347	-	12,840,338	721,525	83,221,210
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	2,956,045	2,956,045
Transactions with owners					
Issuance of ordinary shares	25,019,374	-	(10,429,550)	-	14,589,824
ESOS granted	-	-	1,444,378	-	1,444,378
ESOS forfeiture	-	-	(174,195)	174,195	-
Total transactions with owners	25,019,374	-	(9,159,367)	174,195	16,034,202
At 31 December 2018	94,678,721	-	3,680,971	3,851,765	102,211,457

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash Flows from Operating Activities				
Profit/(Loss) before tax	6,517,768	(8,580,326)	2,936,307	(81,651)
Adjustments for:				
Impairment on investment in subsidiaries	-	-	-	1,706,100
Reversal of impairment on investment in subsidiaries	-	-	(1,903,066)	-
Impairment on amount due from subsidiaries	-	-	182,621	231,761
Reversal of impairment on amount due from subsidiaries	-	-	-	(1,246)
Amortisation of intangible assets	94,272	125,901	70,096	70,113
Depreciation of property, plant and equipment	800,602	576,002	58,444	58,868
Amortisation of prepaid land lease	26,015	-	-	-
Interest income	(674,206)	(746,216)	(586,992)	(626,033)
Income from short term cash investment	(584,432)	(609,168)	(584,432)	(609,168)
Fair value gain on short term cash investment	(372,499)	(374,420)	(372,499)	(374,420)
Share options granted under ESOS	1,444,378	12,840,338	-	476,850
Net unrealised (gain)/loss on foreign exchange	(163,757)	708,702	(9,985)	37,442
Share of results of an associate, net of tax	(501,014)	-	-	-
Operating profit/(loss) before working capital changes	6,587,127	3,940,813	(209,506)	888,616
Inventories	188,099	(6,172,998)	-	-
Receivables	(3,179,073)	2,634,998	(1,657,682)	(30,692)
Payables	(3,225,188)	1,853,640	(50,278)	80,262
Cash generated from/(used in) operations	370,965	2,256,453	(1,917,466)	938,186
Interest received	674,206	746,216	586,992	626,033
Tax paid	(885,845)	(1,456,843)	(110,502)	(204,734)
Tax refunded	110,381	26,491	94,008	-
Net cash from/(used in) operating activities	269,707	1,572,317	(1,346,968)	1,359,485

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018
(Cont'd)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment		(2,244,342)	(576,645)	-	-
Purchase of prepaid land lease		-	(1,020,407)	-	-
Purchase of intangible assets		(5,000)	(8,000)	-	-
Purchase of shares in associate company		-	(8,700,000)	-	(8,700,000)
Income from short term cash investment		584,432	609,168	584,432	609,168
Advances to subsidiaries		-	-	(2,327,461)	(7,851,047)
Placement of deposits with licensed banks		(10,500,000)	(7,500,000)	(10,500,000)	(7,500,000)
Redemption/(Placement) of short term cash investment		4,504,096	(9,000,000)	4,504,096	(9,000,000)
Net cash used in investing activities		(7,660,814)	(26,195,884)	(7,738,933)	(32,441,879)
Cash Flows from Financing Activities					
Proceeds from issuance of shares		14,589,824	6,508,457	14,589,824	6,508,457
Advances from subsidiaries		-	-	155,338	10,452,146
Net cash from financing activities		14,589,824	6,508,457	14,745,162	16,960,603
Net increase/(decrease) in cash and cash equivalents		7,198,717	(18,115,110)	5,659,261	(14,121,791)
Effect of exchange rate fluctuations on cash and cash equivalents		41,841	(420,696)	4,937	(37,445)
Cash and cash equivalents at beginning of financial year		5,115,056	23,650,862	507,062	14,666,298
Cash and cash equivalents at end of financial year	14	12,355,614	5,115,056	6,171,260	507,062

(a) Reconciliation of liabilities arising from financing activities

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

K-One Technology Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 66 & 68, Jalan SS 22/21, Damansara Jaya, 47400 Petaling Jaya, Selangor.

The Company is principally engaged in research, design and development of electronic end-products and sub-systems for the healthcare, medical, Internet of Things (“IoT”), automotive, industrial, communication, computer and consumer electronics industries. The principal activities of the subsidiaries are set out in Note 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 10 April 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration
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The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group’s and the Company’s existing accounting policies other than as disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

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

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables including refundable deposits and cash and bank balances previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.
- Short term cash investment previously classified as Fair Value through Profit or Loss Held for Trading under MFRS 139 are classified and measured mandatorily as Fair Value through Profit or Loss beginning 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

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

MFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassifications as at 1 January 2018:

MFRS 139 measurement category	MFRS 9 measurement category		
	RM	Fair value through profit or loss RM	Amortised cost RM
Financial assets			
Group			
<i>Loans and receivables</i>			
Receivables and deposits	15,946,574	-	15,946,574
Short term cash investments	32,374,420	32,374,420	-
Cash and bank balances	18,615,056	-	18,615,056
	<u>66,936,050</u>	<u>32,374,420</u>	<u>34,561,630</u>
Company			
<i>Loans and receivables</i>			
Receivables and deposits	1,064,238	-	1,064,238
Short term cash investments	32,374,420	32,374,420	-
Cash and bank balances	14,007,062	-	14,007,062
	<u>47,445,720</u>	<u>32,374,420</u>	<u>15,071,300</u>
Financial liabilities			
Group			
Other financial liabilities			
Payable and accruals	18,151,397	-	18,151,397
Company			
Other financial liabilities			
Payable and accruals	12,556,014	-	12,556,014

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

The Group and the Company have applied MFRS 15 using the full retrospective method of adoption.

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year. The adoption of this standard does not have any material effect on the financial performance and financial position of the Group and the Company.

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation (“IC Int”) and amendments to IC Int that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First time adoption of Malaysian Financial Reporting Standards	1 January 2021 [#]
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

		Effective for financial periods beginning on or after
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021*
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

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

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

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

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

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

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

Amendments to MFRS 112 Income Taxes

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

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

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

- (i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- (ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised *Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

The Group is currently performing an analysis to determine the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

(a) Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

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

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

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

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

(b) Accounting for business combinations

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

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

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date 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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Accounting for business combinations (Continued)

Acquisition 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(c) Non-controlling interests (Continued)

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.

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.

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

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

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

3.3 Intangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments

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

Accounting policies applied from 1 January 2018

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

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

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

(a) Subsequent measurement

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

(i) Financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(a) Subsequent measurement (Continued)

(i) Financial assets (Continued)

Debt instruments

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.
- **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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(a) Subsequent measurement (Continued)

(i) Financial assets (Continued)

Equity instruments (Continued)

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.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(c) 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.

(d) Derecognition

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(e) 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.

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

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 and the host contract is not categorised 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) Subsequent measurement

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

(i) Financial assets

Financial assets at fair value through profit or loss

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

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured and measured at costs.

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.5(a). Gains and losses are recognised in profit or loss through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(a) Subsequent measurement (Continued)

(i) Financial assets (Continued)

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.5(a). Gains and losses are recognised in profit or loss through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

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

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.5(a).

(ii) Financial liabilities

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 derivative (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.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measure are measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(a) Subsequent measurement (Continued)

- (ii) Financial liabilities (Continued)

Other financial liabilities

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

(b) 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.

(c) 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 a financial asset is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

- (i) the recognition of an asset to be revised 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.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income 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.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets

(a) Impairment of financial assets and contract assets

Accounting policies applied from 1 January 2018

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:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

- the borrower 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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets (Continued)

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

Accounting policies applied from 1 January 2018 (Continued)

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 borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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.

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets (Continued)

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

Accounting policies applied until 31 December 2017 (Continued)

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a written off is later recovered, the recovery is credited to profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after recognition of the impairment loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of assets (Continued)

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

Accounting policies applied until 31 December 2017 (Continued)

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets) 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 makes an estimate of the asset's recoverable amount for the purpose of impairment testing. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other 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 of 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 exceeds 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 that for previously revalued assets, any impairment loss is first recognised in other comprehensive income, but only up to the extent of any revaluation gains that were previously recognised in other comprehensive income.

Impairment loss 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Inventories

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

3.7 Cash and cash equivalents

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

3.8 Share capital and share issuance expenses

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

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

3.9 Leases

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

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

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalizes the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

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

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

Any upfront lease payments are classified as prepaid land lease.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(b) Lessor accounting

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

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

3.10 Foreign currency

(a) Foreign currency transactions

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

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

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

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

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

- (i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- (ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (iii) All resulting exchange differences are taken to other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Foreign currency (Continued)

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

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 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 goods and service tax and 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. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

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.

(a) Sale of manufactured electronic end-products and subsystem

The Group manufactures and sells a range of electrical 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 customers' premises (local sales) or on board the vessel (export sales).

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition (Continued)

Financing components (Continued)

(a) Sale of manufactured electronic end-products and subsystem (Continued)

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 manufactured goods, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of manufactured goods to the customer.

(b) Research, design and development services

Revenue from services are recognised as the services are rendered upon acceptance by customers.

(c) Membership fee

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

(d) Interest income

Interest income is recognised on effective interest method.

(e) 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.

(f) Income from short term cash investment

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

3.12 Taxes

(a) Current tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Taxes (Continued)

(b) Deferred tax

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

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

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

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

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

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

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

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

(c) Goods and services tax

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

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

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

The GST in Malaysia was abolished and replaced by the sales and services tax effective from 1 September 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Taxes (Continued)

(d) 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.

3.13 Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

3.14 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 16.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief operation decision maker of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.16 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.

3.17 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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

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 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance and taxable profits of the subsidiaries.

The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 10.

4.2 Share-based payments

The Group and the Company grant share options to directors and employees who have met the specified conditions. The share options granted are measured at fair value at grant date using a binomial option pricing model. The key assumptions or inputs used in the binomial option pricing model include: (a) the current share price, (b) the exercise price, (c) the risk-free rate, (d) the volatility of the share price, (e) the dividend yield and (f) the time period to maturity. As the volatility of the share price is estimated based on past price movements, the actual volatility may not coincide with the estimates made. This difference may affect the fair value measurement of the options granted but they are not adjusted retrospectively because the equity component of the options granted is not remeasured to fair value subsequent to their initial recognition. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The carrying amount of share option reserve and assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Furniture and fittings, office equipment and renovation RM	Plant and machinery and testing equipment RM	Capital work in progress RM	Total RM
Cost							
At 1 January 2017	1,433,333	1,680,000	5,090,881	7,724,112	3,577,693	130,371	19,636,390
Additions	-	-	-	540,998	-	35,647	576,645
Reclassification	-	-	-	166,018	-	(166,018)	-
Effect of movement in exchange rates	-	-	-	(3,579)	-	-	(3,579)
At 31 December 2017	1,433,333	1,680,000	5,090,881	8,427,549	3,577,693	-	20,209,456
Accumulated depreciation							
At 1 January 2017	-	288,000	654,835	6,415,984	3,547,657	-	10,906,476
Charge for financial year	-	48,000	107,185	408,179	12,638	-	576,002
Effect of movement in exchange rates	-	-	-	(3,579)	-	-	(3,579)
At 31 December 2017	-	336,000	762,020	6,820,584	3,560,295	-	11,478,899
Net carrying amount							
At 31 December 2017	1,433,333	1,344,000	4,328,861	1,606,965	17,398	-	8,730,557

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

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
2018					
Cost					
At 1 January/31 December	1,433,333	2,866,667	2,131,859	601,092	7,032,951
Accumulated depreciation					
At 1 January	-	401,331	2,127,585	601,013	3,129,929
Charge for the financial year	-	57,336	1,108	-	58,444
At 31 December	-	458,667	2,128,693	601,013	3,188,373
Net carrying amount					
At 31 December	1,433,333	2,408,000	3,166	79	3,844,578
2017					
Cost					
At 1 January/31 December	1,433,333	2,866,667	2,131,859	601,092	7,032,951
Accumulated depreciation					
At 1 January	-	343,998	2,126,050	601,013	3,071,061
Charge for the financial year	-	57,333	1,535	-	58,868
At 31 December	-	401,331	2,127,585	601,013	3,129,929
Net carrying amount					
At 31 December	1,433,333	2,465,336	4,274	79	3,903,022

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	
	2018	2017
	RM	RM
Freehold land	1,433,333	1,433,333
Office buildings	2,408,000	2,465,336
	3,841,333	3,898,669

- (b) Capital work in progress

These were in respect of renovation of buildings.

6. PREPAID LAND LEASE

	Group	
	2018	2017
	RM	RM
Cost		
At 1 January	1,020,407	-
(Reversal)/Additions	(55,481)	1,020,407
At 31 December	964,926	1,020,407
Accumulated amortisation		
At 1 January	-	-
Charge for the financial year	26,015	-
At 31 December	26,015	-
Net carrying amount		
At 31 December	938,911	1,020,407

The prepaid land lease has remaining unexpired lease period of 33 years (2017: 34 years).

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

7. OTHER INTANGIBLE ASSETS

	Group		Company	
	2018	2017	2018	2017
Computer software	RM	RM	RM	RM
Cost				
At 1 January	1,173,831	1,165,831	865,795	865,795
Additions	5,000	8,000	-	-
At 31 December	1,178,831	1,173,831	865,795	865,795
Accumulated amortisation				
At 1 January	1,002,660	876,759	725,348	655,235
Charge for financial year	94,272	125,901	70,096	70,113
At 31 December	1,096,932	1,002,660	795,444	725,348
Net carrying amount	81,899	171,171	70,351	140,447

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

8. INVESTMENT IN SUBSIDIARIES

	Note	Company	
		2018 RM	2017 RM
Unquoted shares, at cost			
In Malaysia			
At 1 January		9,554,844	9,554,844
Disposal		(100,000)	-
At 31 December		9,454,844	9,554,844
Outside Malaysia		1	1
		9,454,845	9,554,845
ESOS granted to employees of subsidiaries		13,807,866	12,363,488
		23,262,711	21,918,333
Less: Accumulated impairment			
At 1 January		(4,683,912)	(4,683,912)
Disposal		100,000	-
Reversal of impairment loss	(a)	196,966	-
At 31 December		(4,386,946)	(4,683,912)
		18,875,765	17,234,421
Quasi loans	(b)	22,288,571	20,130,919
Less: Accumulated impairment			
At 1 January		(1,706,100)	-
Impairment loss		-	(1,706,100)
Reversal of impairment loss		1,706,100	-
At 31 December		-	(1,706,100)
		22,288,571	18,424,819
		41,164,336	35,659,240

(a) The reversal of impairment loss on investment in subsidiaries amounting to RM196,966 (2017: RM Nil) has been recognised during the financial year based on recoverable amount.

(b) Quasi loans represent advances and payments made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. These amounts are, in substance, a part of the Company's net investment in the subsidiaries. The quasi loans are stated at cost less accumulated impairment losses, if any. The reversal of impairment loss on quasi loans amounting to RM1,706,100 (2017: RM Nil) has been recognised during the financial year based on recoverable amount as the subsidiary has scaled up its operations and is profitable.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

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	
			2018	2017
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	100%	100%
K-One Resources Sdn. Bhd. ^	Malaysia	Development and manufacturing of electronic end-products and sub-systems	-	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%
Subsidiary of EMB Technology Sdn. Bhd.				
K-One Industry Sdn. Bhd.	Malaysia	Design and development of manufacturing process/tools and manufacturing of electronics end-products and sub-systems	100%	100%
Subsidiary of K-One Industry Sdn. Bhd.				
K-One Manufacturing Sdn. Bhd.	Malaysia	Development and manufacturing of electronic products and sub-systems	100%	100%
K-One Resources Sdn. Bhd. ^	Malaysia	Development and manufacturing of electronic end-products and sub-systems	100%	-

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

^ During the financial year, the Company transferred its entire shareholding in K-One Resources Sdn. Bhd. to K-One Industry Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

9. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Share at cost	8,700,000	-	8,700,000	-
Share of post-acquisition reserves	501,014	-	-	-
	9,201,014	-	8,700,000	-

Details of the associate is as follows:

Name of Company	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest/voting right	
			2018	2017
AHM Consultancy & Security Services Sdn. Bhd.	Malaysia	Provision of security consultancy and services	30%	-

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

9. INVESTMENT IN AN ASSOCIATE (CONTINUED)

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

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

There are no contingent liabilities relating to the Group's interest in the associate.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

10. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	As at 1 January 2018	Recognised in profit or loss	As at 31 December 2018
Group			
Deferred tax assets			
Property, plant and equipment	(88,000)	65,000	(23,000)
Deductible temporary differences in respect of expense	170,000	(155,600)	14,400
Taxable temporary differences in respect of income	(6,400)	6,400	-
Unutilised capital allowance	-	312,000	312,000
Unabsorbed tax losses	201,000	531,300	732,300
	276,600	759,100	1,035,700
Deferred tax liabilities			
Property, plant and equipment	(1,000)	(161,252)	(162,252)
Taxable temporary differences in respect of income	-	(69,000)	(69,000)
	(1,000)	(230,252)	(231,252)
	275,600	528,848	804,448
	As at 1 January 2017	Recognised in profit or loss	As at 31 December 2017
Group			
Deferred tax assets			
Property, plant and equipment	(133,781)	45,781	(88,000)
Deductible temporary differences in respect of expense	-	170,000	170,000
Taxable temporary differences in respect of income	(76,242)	69,842	(6,400)
Unutilised capital allowance	536,165	(536,165)	-
Unabsorbed tax losses	3,658	197,342	201,000
	329,800	(53,200)	276,600
Deferred tax liabilities			
Property, plant and equipment	(300)	(700)	(1,000)
	329,500	(53,900)	275,600

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

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

Presented after appropriate offsetting as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Deferred tax assets	1,035,700	276,600	-	-
Deferred tax liabilities	(231,252)	(1,000)	-	-
	804,448	275,600	-	-

With effect from year of assessment 2019, unutilised tax losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment. Accumulated unutilised tax loss brought forward from year of assessment 2018 can be utilised for another 7 years of assessment and will be disregarded in year of assessment 2026.

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other deductible temporary differences	50,000	-	50,000	-
Unutilised capital allowance	21,000	1,481,300	-	18,700
Unabsorbed tax losses	2,370,600	5,136,200	1,215,900	1,459,400
	2,441,600	6,617,500	1,265,900	1,478,100

11. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost		
Raw materials	13,765,723	14,097,733
Work-in-progress	-	16,392
Finished goods	1,721,118	1,560,815
	15,486,841	15,674,940

During the financial year, inventories of the Group recognised as cost of goods sold amounted to RM55,353,054 (2017: RM62,669,736).

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Current					
Trade					
Trade receivables	(a)	16,554,520	15,503,421	345,696	529,264
Non-trade					
Other receivables		199,122	347,403	67,751	278,743
Advances to suppliers		707,652	10,000	-	-
GST refundable		578,387	777,036	10,408	6,930
		1,485,161	1,134,439	78,159	285,673
Amounts due from subsidiaries	(b)	-	-	1,875,461	1,705,652
Less: Allowance for impairment		-	-	(1,647,822)	(1,465,201)
		-	-	227,639	240,451
Deposits	(c)	2,147,518	8,795,750	2,060,531	8,715,780
Prepayments		166,481	285,985	11,612	2,669
		20,353,680	25,719,595	2,723,637	9,773,837

(a) Trade receivables

The normal credit terms extended to customers range from 30 to 90 days (2017: 30 to 90 days).

(b) Amounts due from subsidiaries

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.

(c) Included in deposits of the Group and of the Company is an amount of RM Nil (2017: RM8,700,000) placed with a stakeholder pursuant to the purchase of shares in AHM Consultancy & Security Services Sdn. Bhd..

(d) Included in deposits of the Group and of the Company is an amount of RM2,040,000 (2017: RM Nil) placed with a stakeholder pursuant to the purchase of shares in G-Asia Pacific Sdn. Bhd. as mentioned in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

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13. SHORT TERM CASH INVESTMENT

	Group/Company	
	2018	2017
	RM	RM
Cash management fund with investment management companies	28,242,823	32,374,420

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

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances	7,855,614	4,815,056	1,671,260	507,062
Deposits placed with licensed banks	28,500,000	13,800,000	28,500,000	13,500,000
	36,355,614	18,615,056	30,171,260	14,007,062
Less: Non-short term fixed deposits	(24,000,000)	(13,500,000)	(24,000,000)	(13,500,000)
	12,355,614	5,115,056	6,171,260	507,062

The fixed deposits of the Group and the Company bear effective interest at rates ranging from 3.40% to 4.45% (2017: 3.20% to 4.03%) per annum and with maturity periods of 1 to 12 months (2017: 1 to 12 months).

15. SHARE CAPITAL

	Group/Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
Ordinary shares				
At 1 January	519,144,322	69,659,347	472,655,342	47,265,534
Issuance of ordinary shares pursuant to:				
- exercise of options	88,305,000	25,019,374	-	-
- bonus issue	121,489,859	-	-	-
- private placement	-	-	46,488,980	6,508,457
Transition to no-par value regime	-	-	-	15,885,356
At 31 December	728,939,181	94,678,721	519,144,322	69,659,347

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

15. SHARE CAPITAL (CONTINUED)

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM15,885,356 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM15,885,356 for purposes as set out in Sections 618(3). During the financial year, share premium of RM12,148,986 was utilised for bonus issue.

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's issued and paid-up share capital increased by way of issuance of 121,489,859 bonus shares on the basis of 1 bonus share for every 5 existing shares via utilisation of share premium of RM12,148,986 and the exercise of 88,305,000 share options at exercise prices ranging from RM0.165 to RM0.190.

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

16. RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Foreign exchange reserve	(12,623)	(15,441)	-	-
Share option reserve	3,680,971	12,840,338	3,680,971	12,840,338
Retained earnings	9,041,915	3,208,927	3,851,765	721,525
	12,710,263	16,033,824	7,532,736	13,561,863

Foreign exchange reserve

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

Share option reserve

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

16. RESERVES (CONTINUED)

Share option reserve (Continued)

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;
- (f) The options granted may be exercised in the following manner:
 - (i) For options below 3,000,000, the employees are entitled to exercise 30% of the total options in 2017; 20% of the total options in 2018; 20% of the total options in 2019 and 30% of the total options in 2020; and
 - (ii) For options of 3,000,000 and above and options granted to directors, the directors or employees are entitled to exercise all the options immediately; and
- (g) The new shares to be allotted and issued upon the exercise of options will, upon issue and allotment, rank pari passu in all respects with the existing issued and paid-up shares of the Company, except that the new shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the said shares.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

16. RESERVES (CONTINUED)

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:

	2018		2017	
	No.	WAEP (RM)	No.	WAEP (RM)
Outstanding at 1 January	129,300,000	0.165	-	-
- Granted	3,000,000	0.190	130,500,000	0.165
- Bonus issue	8,349,000	-	-	-
- Exercised	(88,305,000)	0.165	-	-
- Forfeited	(2,250,000)	-	(1,200,000)	-
Outstanding at 31 December	50,094,000	0.139	129,300,000	0.165
Execisable at 31 December	14,760,000	0.139	89,155,000	0.165

The options outstanding as at 31 December 2018 have exercise prices range from RM0.138 to RM0.167 (2017: from RM0.165 to RM0.20) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was approximately 3 years (2017: 4 years).

The weighted average share price at the date of the options being exercised during the financial year was RM0.305 (2017:RM Nil).

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

	2018	2017
Weighted average fair value of share option at grant date (RM)	0.0895	0.1182
Share price on grant date (RM)	0.185	0.190
Option life (years)	4	5
Risk-free rate (%)	3.63	3.88
Expected dividends (%)	Nil	Nil
Expected volatility (%)	60.59	64.93

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

17. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Trade					
Trade payables	(a)	13,707,769	15,871,241	99,604	126,236
Non-trade					
Other payables	(b)	407,733	1,471,425	47,791	83,435
Amount due to a director	(c)	2,354	2,354	2,351	2,351
Amount due to subsidiaries	(d)	-	-	12,444,058	12,288,720
Accruals		774,290	795,323	58,292	46,412
Deposit received		8,860	11,054	8,860	8,860
		1,193,237	2,280,156	12,561,352	12,429,778
		14,901,006	18,151,397	12,660,956	12,556,014

(a) Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2017: 30 to 90 days).

(b) Other payables

Included in other payables in the previous financial year was an amount of RM929,307 in respect of purchase of a piece of leasehold land.

(c) Amount due to a director

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

(d) Amount due to subsidiaries

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.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

18. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Research, design and development of electronic end-products and sub-systems	1,780,456	1,751,032	1,780,456	1,751,032
Manufacturing of electronic end-products and sub-systems	71,991,430	76,510,371	-	-
Membership fee	10,200	6,401	-	-
	73,782,086	78,267,804	1,780,456	1,751,032

(a) Disaggregation of revenue

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

18. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Research, design, development and sales RM	Manufacturing RM	Investment holding RM	Total RM
Group - 2017				
Primary geographical markets:				
Malaysia	370,251	533,186	6,401	909,838
Asia (excluding Malaysia)	-	7,511,608	-	7,511,608
Europe	563,495	61,450,414	-	62,013,909
Oceania	-	25,330	-	25,330
Middle East	-	43,162	-	43,162
United States of America	817,286	6,946,671	-	7,763,957
	1,751,032	76,510,371	6,401	78,267,804
Major goods or services:				
Electronic products	-	76,510,371	-	76,510,371
Research, design and development	1,751,032	-	-	1,751,032
Membership fee	-	-	6,401	6,401
	1,751,032	76,510,371	6,401	78,267,804
Timing of revenue recognition:				
At a point in time	1,751,032	76,510,371	-	78,261,403
Over time	-	-	6,401	6,401
	1,751,032	76,510,371	6,401	78,267,804

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

18. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Research, design, development and sales RM	Total RM
Company - 2018		
Primary geographical markets:		
Malaysia	346,059	346,059
Asia (excluding Malaysia)	4,972	4,972
Europe	905,592	905,592
United States of America	523,833	523,833
	1,780,456	1,780,456
Major goods or services:		
Research, design and development	1,780,456	1,780,456
	1,780,456	1,780,456
Timing of revenue recognition:		
At a point in time	1,780,456	1,780,456
	1,780,456	1,780,456
Company - 2017		
Primary geographical markets:		
Malaysia	370,251	370,251
Europe	563,495	563,495
United States of America	817,286	817,286
	1,751,032	1,751,032
Major goods or services:		
Research, design and development	1,751,032	1,751,032
	1,751,032	1,751,032
Timing of revenue recognition:		
At a point in time	1,751,032	1,751,032
	1,751,032	1,751,032

Transaction price allocated to the remaining performance obligations

The contracts with customers of the Group are satisfied within an original duration of one year. Accordingly, the Group does not disclose information about any remaining performance obligations at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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19. COST OF SALES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Research, design and development of electronic end-products and sub-systems	653,479	160,106	653,479	160,106
Cost of manufacturing of electronic end-products and sub-systems	54,699,575	62,509,630	-	-
	55,353,054	62,669,736	653,479	160,106

20. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
After charging:				
Auditors' remuneration				
- current year	130,822	128,500	48,000	48,000
- other services	14,000	9,000	14,000	9,000
Impairment on investment in subsidiary	-	-	-	1,706,100
Impairment on amount due from subsidiaries	-	-	182,621	231,761
Amortisation of intangible assets	94,272	125,901	70,096	70,113
Depreciation of property, plant and equipment	800,602	576,002	58,444	58,868
Amortisation of prepaid land lease	26,015	-	-	-
Directors' fees	214,000	188,000	214,000	188,000
Directors' other emoluments	1,763,480	1,973,320	23,000	23,000
Foreign currency exchange loss/(gain)				
- realised	78,462	336,902	10,121	(54)
- unrealised	(163,757)	708,702	(9,985)	37,442
Rental of equipment	6,139	6,731	6,139	5,436
Rental of office	-	472	-	-
Staff premises rental	60,000	60,000	-	-
Factory rental	123,250	99,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

20. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
And crediting:				
Reversal of impairment on investment in subsidiaries	-	-	(1,903,066)	-
Reversal of impairment on amount due from subsidiary	-	-	-	(1,246)
Income from short term cash investment	(584,432)	(609,168)	(584,432)	(609,168)
Interest income	(674,206)	(746,216)	(586,992)	(626,033)
Fair value gain on short term cash investment	(372,499)	(374,420)	(372,499)	(374,420)
Rental income of premises	(65,826)	(71,441)	(29,826)	(29,040)

21. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Executive directors' salary and other emoluments	1,740,480	1,950,320	-	-
EPF	914,106	875,668	36,623	-
Salaries and bonus	7,710,980	7,549,782	294,393	-
SOCSSO	91,601	85,308	4,113	-
Share option granted under ESOS	1,444,378	12,840,338	-	476,850
Other personnel costs	16,597	320,023	-	2,500
	11,918,142	23,621,439	335,129	479,350

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

22. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive:				
Salary and other emoluments	1,740,480	1,950,320	-	-
Share options granted under ESOS	-	3,081,000	-	-
Benefits-in-kind	-	15,151	-	15,151
	1,740,480	5,046,471	-	15,151
Non-executive:				
Fees	214,000	188,000	214,000	188,000
Allowances	23,000	23,000	23,000	23,000
Share options granted under ESOS	-	476,850	-	476,850
Total directors' remuneration	1,977,480	5,734,321	237,000	703,001

23. INCOME TAX (EXPENSE)/CREDIT

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax:				
Malaysian income tax:				
Current financial year	1,511,301	894,700	140,900	150,200
(Over)/Under provision in prior financial years	(123,478)	74,826	(160,638)	74,256
	1,387,823	969,526	(19,738)	224,456
Deferred tax (Note 10) :				
Origination and reversal of temporary differences	465,489	67,900	-	-
Recognition of deferred tax assets previously not recognised	(980,000)	(210,000)	-	-
Under/(Over) provision in prior financial years	(14,337)	196,000	-	-
	(528,848)	53,900	-	-
Tax expense/(credit)	858,975	1,023,426	(19,738)	224,456

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

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

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	6,517,768	(8,580,326)	2,936,307	(81,651)
Tax at the Malaysian statutory income tax rate of 24% (2017: 24%)	1,564,300	(2,059,300)	704,700	(19,600)
Tax effect on non-deductible expenses	666,998	3,656,600	175,900	689,000
Tax effect on non-taxable income	(232,300)	(464,300)	(688,800)	(146,500)
Recognition of deferred tax assets previously not recognised	(980,000)	(210,000)	-	-
Utilisation of deferred tax assets previously not recognised	(50,900)	(372,700)	(50,900)	(372,700)
Deferred tax assets not recognised	28,692	202,300	-	-
(Over)/Under provision in prior years				
- current tax	(123,478)	74,826	(160,638)	74,256
- deferred tax	(14,337)	196,000	-	-
	858,975	1,023,426	(19,738)	224,456

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

24. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic

Basic earnings/(loss) per ordinary share is based on the profit/(loss) 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	
	2018 RM	2017 RM
Profit/(Loss) for the financial year attributable to owners of the Company	5,658,793	(9,603,752)
Weighted average number of ordinary shares outstanding during the financial year	629,744,963	611,815,831
Basic earnings/(loss) per ordinary share (sen)	0.90	(1.57)

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

24. EARNINGS/(LOSS) PER ORDINARY SHARE (CONTINUED)

(a) Basic (Continued)

The previous year's basic earnings per share has been restated based on the weighted average number of shares of 611,815,831 ordinary shares in issue after taking into consideration the bonus issue of 121,489,859 ordinary shares during the financial year.

(b) Diluted

Diluted earnings/(loss) per share are based on the profit/(loss) 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	
	2018	2017
	RM	RM
Profit/(Loss) attributable to owners of the parent	5,658,793	(9,603,752)
Weighted average number of ordinary share in issue	629,744,963	611,815,831
Adjustments for share options	4,437,499	Not applicable
Adjusted weighted average number of ordinary shares	634,182,462	611,815,831
Diluted earnings/(loss) per ordinary share (sen)	0.89	(1.57)

The previous year's diluted earnings per share has been restated based on the weighted average number of shares of 611,815,831 ordinary shares in issue after taking into consideration the bonus issue of 121,489,859 ordinary shares during the financial year.

The diluted earnings/(loss) per share of the Company is the same as the basic earnings/(loss) per ordinary share of the Company as the potential ordinary shares are anti-dilutive for the financial year ended 31 December 2017.

Subsequent to the financial year end, the Company issued 182,224,783 warrants on the basis of 1 warrant for every 4 existing ordinary shares held. Other than the issue of warrants, there have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the authorisation of these financial statements.

25. CORPORATE GUARANTEE

	Company	
	2018	2017
	RM	RM
Corporate guarantees for credit facilities granted to subsidiaries:		
- K-One Industry Sdn. Bhd.	22,576,000	22,576,000

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

26. RELATED PARTY DISCLOSURES

(a) Identification of related parties

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

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

(b) Related party transactions

	Group	
	2018	2017
	RM	RM
Paid or payable to directors of the Company		
Rental of factory	82,500	60,000

(c) Related party balances

Information on the outstanding balances with related parties at the end of the reporting period are disclosed in Notes 12 and 17 to the financial statements.

(d) Compensation of key management personnel

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Directors of the Company				
Fees	214,000	188,000	214,000	188,000
Salaries and other emoluments	1,577,000	1,779,671	23,000	38,151
Share options granted under ESOS	-	3,557,850	-	476,850
Post-employment benefits	186,480	208,800	-	-
	1,977,480	5,734,321	237,000	703,001

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. 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:

From 1 January 2018:

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

On or before 31 December 2017:

- (i) Loan and receivables ("L&R")
- (ii) Fair value through profit or loss ("FVPL")
- (iii) Other financial liabilities ("FL")

2018 Group	FVPL RM	AC RM	Total RM
Financial assets			
Receivables and deposits #	-	17,568,812	17,568,812
Short term cash investments	28,242,823	-	28,242,823
Cash and bank balances	-	36,355,614	36,355,614
	28,242,823	53,924,426	82,167,249

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

2017 Group	FVPL RM	L&R RM	Total RM
Financial assets			
Receivables and deposits #	-	15,946,574	15,946,574
Short term cash investments	32,374,420	-	32,374,420
Cash and bank balances	-	18,615,056	18,615,056
	32,374,420	34,561,630	66,936,050

	FL RM	Total RM
Financial liabilities		
Payables and accruals	18,151,397	18,151,397

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

2018 Company	FVPL RM	AC RM	Total RM
Financial assets			
Receivables and deposits #	-	661,617	661,617
Short term cash investments	28,242,823	-	28,242,823
Cash and bank balances	-	30,171,260	30,171,260
	28,242,823	30,832,877	59,075,700
		AC RM	Total RM
Financial liabilities			
Payables and accruals		12,660,956	12,660,956
2017			
Company	FVPL RM	L&R RM	Total RM
Financial assets			
Receivables and deposits #	-	1,064,238	1,064,238
Short term cash investments	32,374,420	-	32,374,420
Cash and bank balances	-	14,007,062	14,007,062
	32,374,420	15,071,300	47,445,720
		FL RM	Total RM
Financial liabilities			
Payables and accruals		12,556,014	12,556,014

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 interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

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 & 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 financing activities, including investment securities and cash and bank balances. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

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

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

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	343,538	119,443	-	-
Asia (excluding Malaysia)	2,363,796	1,163,075	-	-
Oceania	-	24,777	-	-
Europe	10,453,182	11,141,560	254,335	115,946
United States of America	3,394,004	3,054,566	91,361	413,318
	16,554,520	15,503,421	345,696	529,264

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Credit risk concentration profile (Continued)

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

The information about the credit risk exposure on the Group's and the Company's trade receivables as at 31 December 2018 are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Comparative information under MFRS 139 Financial Instruments: Recognition and Measurement

As at 31 December 2017, the ageing analysis of the Group's and the Company's trade receivables were as follows:

	Group	Company
	31.12.2017	31.12.2017
	RM	RM
Neither past due nor impaired	12,720,294	444,429
1 to 30 days past due not impaired	2,739,457	63,931
31 to 60 days past due not impaired	37,718	20,904
More than 121 days past due not impaired	5,952	-
	<u>2,783,127</u>	<u>84,835</u>
	<u>15,503,421</u>	<u>529,264</u>

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

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

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. These other receivables and other financial assets of the Group as at 31 December 2018 are considered to have low credit risk. Accordingly, the Group did not recognise any loss allowance for impairment for other receivables and other financial assets.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Other receivables and other financial assets (Continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

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. The advances are generally considered to have low credit risk. When a subsidiary's financial position deteriorates significantly, the Company assesses credit risk of the intercompany balance has increased significantly. 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 borrower 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 31 December 2018:

	Gross carrying amount	Expected credit loss allowance	Net balance
	RM	RM	RM
Company			
2018			
Low credit risk	-	-	-
Significant increase in credit risk	-	-	-
Credit impaired			
- individually assessed	1,875,461	(1,647,822)	227,639
	1,875,461	(1,647,822)	227,639

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

	Company	
	2018	2017
	RM	RM
At 1 January	1,465,201	1,234,686
Additions - individually assessed	182,621	231,761
Reversal of impairment loss	-	(1,246)
At 31 December	1,647,822	1,465,201

In 2017, the above receivables are individually determined to be impaired as the subsidiaries are in significant financial difficulty to settle the amount due.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Liquidity risk

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

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

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

(iii) Foreign currency risk

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

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

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

Group	Trade and other receivables RM	Cash and bank balances RM	Trade and other payables RM	Total RM
2018				
USD	14,924,138	2,387,840	(4,254,405)	13,057,573
Euro	2,090,150	412,901	(1,939,734)	563,317
GBP	13,346	131,076	(127,153)	17,269
	17,027,634	2,931,817	(6,321,292)	13,638,159
2017				
USD	11,508,201	1,187,042	(5,318,211)	7,377,032
Euro	2,860,009	37,217	(2,109,532)	787,694
GBP	1,015,789	361,548	(100,297)	1,277,040
	15,383,999	1,585,807	(7,528,040)	9,441,766

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Foreign currency risk (Continued)

Company	Trade and other receivables RM	Cash and bank balances RM	Trade and other payables RM	Total RM
2018				
USD	345,696	513,326	(2,598)	856,424
2017				
USD	529,264	131,211	(5,378)	655,097

Sensitivity analysis for foreign currency risk

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

		Group		Company	
		2018	2017	2018	2017
		RM	RM	RM	RM
USD/RM	- Strengthen by 5% (2017: 5%)	496,200	(280,300)	32,500	(24,900)
	- Weaken by 5% (2017: 5%)	(496,200)	280,300	(32,500)	24,900
EURO/RM	- Strengthen by 1% (2017: 1%)	4,300	(6,000)	-	-
	- Weaken by 1% (2017: 1%)	(4,300)	6,000	-	-
GBP/RM	- Strengthen by 1% (2017: 1%)	100	(9,700)	-	-
	- Weaken by 1% (2017: 1%)	(100)	9,700	-	-

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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

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:

Group	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
	RM	RM	RM	RM
Financial assets at fair value through profit or loss				
2018				
- Short term cash investment	28,242,823	-	-	28,242,823
2017				
- Short term cash investment	32,374,420	-	-	32,374,420

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

28. SEGMENT INFORMATION

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

Research, design, development and sales	Research, design and development of electronic end products and sub-systems for the healthcare, medical, Internet of Things, automotive, industrial, communication, computer and consumer electronics industries and service sales.
Manufacturing	Manufacturing of electronic end products, sub-systems, wire-harness and electronic related accessories.
Investment holding	Investment holding and dormant companies.

Performance is measured based on segment profit/(loss) before tax and interest, as included in the internal management reports that are reviewed by the Company's chief operation decision maker. Segment profit is used to measure performance as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment revenue and results

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

28. SEGMENT INFORMATION (CONTINUED)

Segment capital expenditure (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

28. SEGMENT INFORMATION (CONTINUED)

Segment capital expenditure (Continued)

	Research, design and development and sales	Manufacturing	Investment holding	Consolidated
	RM	RM	RM	RM
2017				
Total external revenue	1,751,032	76,510,371	-	78,261,403
Inter-segment revenue	-	-	-	-
Total segment revenue	1,751,032	76,510,371	-	78,261,403
Segment result	(11,816,865)	3,347,586	(111,047)	(8,580,326)
Finance costs				-
Tax expense				(1,023,426)
Loss for the financial year				(9,603,752)
Other information				
Segment assets	59,958,337	42,001,290	346,519	102,306,146
Unallocated corporate assets				1,632,907
Consolidated total assets				103,939,053
Segment liabilities	264,943	17,846,912	37,188	18,149,043
Unallocated corporate liability				96,839
Consolidated total liabilities				18,245,882
Capital expenditure	-	1,545,695	59,357	1,605,052
Amortisation of computer software	70,113	55,788	-	125,901
Depreciation of property, plant and equipment	58,868	511,176	5,958	576,002
Share options granted under ESOS	-	12,363,488	476,850	12,840,338

Geographical information

The Group's business is derived mainly from three geographical areas. About 97% (2017: 99%) of the business activities are derived from outside Malaysia. The Group primarily exports design and development services and finished goods of electronic end-products and sub-systems to Europe, USA and Asia (excluding Malaysia). The manufacturing activities are mainly conducted in Malaysia.

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

28. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

	Revenue		Non-Current Assets	
	2018	2017	2018	2017
	RM	RM	RM	RM
Malaysia	2,281,230	909,839	20,396,121	9,922,135
Asia (excluding Malaysia)	12,835,161	7,511,609	-	-
Europe	50,493,736	62,013,909	-	-
Oceania	4,647	25,330	-	-
Middle East	21,922	43,161	-	-
United States of America	8,145,390	7,763,956	-	-
	73,782,086	78,267,804	20,396,121	9,922,135

Information about major customers

The Group has 3 (2017: 2) major international customers (each with revenue equal or more than 10% of the Group revenue) from the manufacturing segment contributing total revenue of approximately RM56,360,973 (2017: RM49,767,583).

29. CAPITAL MANAGEMENT

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

The Group and the Company manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 2017.

The Group and the Company do not have any borrowings as at the financial years ended 31 December 2018 and 2017. As such, no disclosure of the gearing ratio is shown as it is not meaningful.

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

30. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 15 January 2018, the Company completed the acquisition of 4,500,000 ordinary shares in AHM Consultancy & Security Services Sdn. Bhd. ("AHM"), representing 30% of the issued and paid up capital for a purchase consideration of RM8,700,000.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

31. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 27 August 2018, the Company entered into a conditional share sale agreement with the vendors to acquire 600,000 ordinary shares in G-Asia Pacific Sdn. Bhd. ("GAP"), representing 60% equity interest for a cash consideration of RM20,400,000 ("Acquisition"). The Vendors have granted a call option for the Company to acquire all the remaining equity interest in GAP and the Company has also granted a put option for the Vendors to sell the remaining equity interest in GAP after the acquisition for a period of 3 months from the filing of the audited financial statements of GAP for the financial year ending 31 December 2019 with the Companies Commission of Malaysia. The Acquisition was completed on 15 March 2019. Consequently, GAP became a subsidiary of the Company. The initial accounting for the acquisition of GAP in the consolidated financial statements of the Company is incomplete at the date of authorisation of these financial statements as the Acquisition was only recently completed. As such, the information on the effect arising from the Acquisition is not disclosed.

STATEMENT BY DIRECTORS

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

We, IR. LIM BENG FOOK and DATO' LIM SOON SENG, being two of the directors of K-ONE TECHNOLOGY BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 38 to 113 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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: 10 April 2019

STATUTORY DECLARATION

(Pursuant to Section 251(1) of the Companies Act 2016)

I, CHOI KENG MUN, being the person primarily responsible for the financial management of K-ONE TECHNOLOGY BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 38 to 113 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

.....
CHOI KENG MUN
MIA NO.: 11309

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan on 10 April 2019

Before me,

.....
WONG CHOY YIN (B508)

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of K-One Technology Berhad (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K-One Technology Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 113.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Key Audit Matters

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

Group

Deferred tax assets (Notes 4.1 and 10 to the financial statements)

Risk:

As at 31 December 2018, the Group has recognised deferred tax assets for unabsorbed tax losses, unutilised capital allowances and deductible temporary differences that it believes are recoverable. The recoverability of recognised deferred tax assets is dependent on the Group's ability to generate future taxable profits sufficient to be utilised against unabsorbed tax losses, unutilised capital allowances and the deductible temporary differences.

We focused on this area because the realisation of these deferred tax assets is often dependent on future taxable profits and there are inherent uncertainties involved in projecting the amount and the likely timing made by the directors.

Our audit response:

Our audit procedures included, among others:

- comparing the Group's key assumptions to our understanding obtained during our audit;
- testing the mathematical accuracy of the profit projection calculation; and
- performing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the future taxable profits.

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.

INDEPENDENT AUDITORS' REPORT

to the members of K-One Technology Berhad (Incorporated in Malaysia)
(Cont'd)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matters

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

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

Lee Kong Weng
02967/07/2019 J
Chartered Accountant

Kuala Lumpur

Date: 10 April 2019

LIST OF PROPERTIES

As at 31 December 2018

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 31/12/2018 (RM '000)
66, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	29	6,000	4.7.2006	1,921
68, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	29	6,000	4.7.2006	1,921
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	29	45,000	9.8.2007	2,843
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	938

ANALYSIS OF SHAREHOLDINGS

As at 29 March 2019

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

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 29 MARCH 2019

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	76	1.96	3,520	0.00
100 to 1,000	163	4.21	58,875	0.01
1,001 to 10,000	832	21.49	4,499,753	0.61
10,001 to 100,000	2,144	55.37	75,493,173	10.35
100,001 to less than 5% of issued shares	655	16.92	427,942,809	58.72
5% and above of issued shares	2	0.05	220,941,051	30.31
Total	3,872	100.00	728,939,181	100.00

DIRECTORS' SHAREHOLDINGS AS AT 29 MARCH 2019

Name	DIRECT		INDIRECT	
	No. of Shares	%	No. of Shares	%
Lim Beng Fook	119,522,973	16.40	-	-
Lim Soon Seng	101,418,078	13.91	-	-
Bjørn Bråten	31,492,432	4.32	-	-
Goh Chong Chuang	1,689,864	0.23	-	-
Loi Kim Fah	1,333,560	0.18	-	-
Anita Chew Cheng Im	600,000	0.08	-	-
Azlam Shah bin Alias	-	-	-	-

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 29 MARCH 2019

Name	DIRECT		INDIRECT	
	No. of Shares	%	No. of Shares	%
Lim Beng Fook	119,522,973	16.40	-	-
Lim Soon Seng	101,418,078	13.91	-	-

ANALYSIS OF SHAREHOLDINGS

As at 29 March 2019
(Cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 MARCH 2019

No.	Names	No. of Shares	% of Issued Capital
1.	Lim Beng Fook	93,999,585	12.90
2.	Lim Soon Seng	88,006,878	12.07
3.	Bjørn Bråten	31,492,432	4.32
4.	Lim Beng Fook	25,523,388	3.50
5.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For Citibank New York (Norges Bank 14)</i>	20,020,000	2.75
6.	Lee Quee Siong	15,862,920	2.18
7.	UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)</i>	14,162,800	1.94
8.	Lim Soon Seng	13,411,200	1.84
9.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Goo Kok Khian</i>	10,800,000	1.48
10.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for New Jen Kok @ Nio Jen Kok</i>	9,150,000	1.26
11.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Eugene Ang Choon Kit</i>	8,700,000	1.19
12.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Goh Hoe Zhe</i>	7,680,000	1.05
13.	Lim Moi Moi	7,605,600	1.04
14.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (PHEIM)</i>	6,364,500	0.87
15.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Ong Ai Leng</i>	6,310,000	0.87
16.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Quek Ann Chuan</i>	6,000,000	0.82
17.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ling Yoke Tek (10MG00001)</i>	5,400,000	0.74
18.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Lim Eng Eng</i>	4,500,000	0.62
19.	Lam Khuan Ying	4,389,000	0.60
20.	Teh Siok Keng	4,200,000	0.58
21.	Law Chin Chiang	3,882,800	0.53
22.	Lam Weng	3,540,078	0.49
23.	Goo Khoon Eng	3,198,720	0.44
24.	Lim Weng Hoov	3,072,000	0.42
25.	Goo Kok Khian	3,055,825	0.42
26.	CIMSEC Nominees (Asing) Sdn Bhd <i>Exempt An For CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)</i>	3,053,520	0.42

ANALYSIS OF SHAREHOLDINGS

As at 29 March 2019
(Cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 MARCH 2019 (CONTINUED)

No.	Names	No. of Shares	% of Issued Capital
27.	Chen Fook Wah	3,000,000	0.41
28.	Lars Peter Vennstrom	3,000,000	0.41
29.	Ooi Leh Hong	2,720,320	0.37
30.	AMSEC Nominees (Tempatan) Sdn Bhd <i>AMBank (M) Berhad For Wong Say Fun (9670-1101)</i>	2,714,000	0.37

ANALYSIS OF WARRANTHOLDINGS

As at 29 March 2019

ANALYSIS BY SIZE OF WARRANTHOLDINGS AS AT 29 MARCH 2019

Size of Shareholdings	No. of Warrantheolders	%	No. of Warrants Held	%
Less than 100	207	7.10	9,027	0.00
100 to 1,000	331	11.36	187,020	0.10
1,001 to 10,000	1,348	46.26	6,095,863	3.34
10,001 to 100,000	827	28.38	25,075,850	13.76
100,001 to less than 5% of issued shares	199	6.83	95,631,761	52.49
5% and above of issued shares	2	0.07	55,235,262	30.31
Total	2,914	100.00	182,234,783	100.00

DIRECTORS' WARRANTHOLDINGS AS AT 29 MARCH 2019

Name	DIRECT		INDIRECT	
	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 29 MARCH 2019

Name	DIRECT		INDIRECT	
	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 29 March 2019
(Cont'd)

LIST OF THIRTY (30) LARGEST WARRANTHOLDERS AS AT 29 MARCH 2019

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	3,965,730	2.18
6.	Kok Chang Chee	3,770,000	2.07
7.	UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)</i>	3,418,200	1.88
8.	Lim Soon Seng	3,352,800	1.84
9.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Goo Kok Khian</i>	2,700,000	1.48
10.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for New Jen Kok @ Nio Jen Kok</i>	2,287,500	1.26
11.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Eugene Ang Choon Kit</i>	2,175,000	1.19
12.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Goh Hoe Zhe</i>	1,920,000	1.05
13.	Lim Moi Moi	1,901,400	1.04
14.	Chow Chan Foon	1,753,000	0.96
15.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Quek Ann Chuan</i>	1,500,000	0.82
16.	Lars Peter Vennstrom	1,287,500	0.71
17.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ling Yoke Tek (10MG00001)</i>	1,200,000	0.66
18.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tay Moy Koh (Segamat-CL)</i>	1,195,630	0.66
19.	Lam Khuan Ying	1,183,620	0.65
20.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Ong Ai Leng</i>	1,140,000	0.63
21.	TASEC Nominees (Tempatan) Sdn Bhd <i>TA Capital Sdn Bhd for Lim Eng Eng</i>	1,125,000	0.62
22.	Poon Soi Tai	1,100,000	0.60
23.	Lam Weng	1,058,019	0.58
24.	Teh Siok Keng	1,050,000	0.58
25.	Lim Weng Hoov	1,000,000	0.55
26.	Law Chin Chiang	995,700	0.55
27.	Maybank Nominees (Tempatan) Sdn Bhd <i>Cheng Chee Wai</i>	931,600	0.51

ANALYSIS OF WARRANTHOLDINGS

As at 29 March 2019
(Cont'd)

LIST OF THIRTY (30) LARGEST WARRANTHOLDERS AS AT 29 MARCH 2019 (CONTINUED)

No.	Names	No. of Warrants	% of Issued Capital
28.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Poon Soi Tai</i>	900,000	0.49
29.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Yoong Sin Kuen (MY1568)</i>	838,300	0.46
30.	Wong Ah Yong	810,000	0.44

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be held at Mutiara Room, Ground Floor, Block 1, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150, Shah Alam, Selangor on Thursday, 30 May 2019 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 2018 together with the Directors' and Audit Reports thereon. | Please refer to
Note B on this Agenda |
| 2. | To approve the payments of aggregate Directors' fees and allowances to the Non-Executive Directors of up to RM270,000 from 31 May 2019 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 Article 104 of the Company's Constitution:- | |
| | (a) Mr Loi Kim Fah | Ordinary Resolution 2 |
| | (b) Mr Bjørn Bråten | Ordinary Resolution 3 |
| 4. | To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4 |

SPECIAL BUSINESS

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

- | | | |
|----|---|------------------------------|
| 5. | Authority to Issue and Allot Shares Pursuant to Section 76 of the Companies Act 2016 | Ordinary Resolution 5 |
| | <p>"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 Section 76 of the Companies Act 2016, to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad ("Bursa Securities") AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."</p> | |
| 6. | Authority for Mr Goh Chong Chuang to Continue in Office as Independent Non-Executive Director | Ordinary Resolution 6 |
| | <p>"THAT pursuant to Practice Note 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for Mr Goh Chong Chuang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.</p> | |

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 7**

“THAT subject to the passing of Ordinary Resolution 2 and pursuant to Practice Note 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for Mr Loi Kim Fah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(Cont'd)

9. **Proposed Adoption of New Constitution of the Company (“Proposed Adoption of New Constitution”)** **Special Resolution**

“**THAT** the existing Constitution of the Company be deleted in its entirety and that the new Constitution as set out in Appendix I, be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities.”

10. 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

Company Secretary

Kuala Lumpur

29 April 2019

NOTES:

A. Proxy

1. A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.
2. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.
7. The duly completed Form of Proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
8. **General Meeting Record of Depositors**

For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 60(1) of the Company’s Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 May 2019. Only a depositor whose name appears on the Record of Depositors as at 23 May 2019 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

NOTICE OF ANNUAL GENERAL MEETING

(Cont'd)

B. Audited Financial Statement for the Financial Year Ended 31 December 2018

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.

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

The proposed Ordinary Resolution 5 under Item 5 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

This general mandate is a renewal of the mandate that was approved by the Shareholders at the Seventeenth Annual General Meeting held on 28 May 2018. 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 Seventeenth AGM of the Company.

2. Ordinary Resolutions 6 and 7 - Authority to Continue in Office as Independent Non-Executive Directors of the Company Pursuant to the Malaysian Code On Corporate Governance ("MCCG")

(a) Mr Goh Chong Chuang

Mr Goh Chong Chuang was appointed as an Independent Non-Executive Director of the Company on 3 February 2005 and has therefore served for more than twelve (12) years. However, he has met the independence criteria as set out in Chapter 1 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("AMLR"). The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Practice Note 4.2 of the MCCG, the Board will seek the approval of the shareholders through a two-tier voting process at the Eighteenth Annual General Meeting of the Company. Further rationale for his retention as Independent Non-Executive Director can be found on Page 21 of this Annual Report.

(b) Mr Loi Kim Fah

Mr Loi Kim Fah was appointed as an Independent Non-Executive Director of the Company on 3 February 2005 and has therefore served for more than twelve (12) years. However, he has met the independence criteria as set out in Chapter 1 of the AMLR. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Practice Note 4.2 of the MCCG, the Board will seek the approval of the shareholders through a two-tier voting process at the Eighteenth Annual General Meeting of the Company. Further rationale for his retention as Independent Non-Executive Director can be found on Page 21 of this Annual Report.

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

The proposed Ordinary Resolution 8 under Item 8 above is to seek the authority for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company on Bursa Securities. For further information on the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, please refer to the Statement to Shareholders which is included in the Company's Annual Report 2018.

4. Special Resolution – Proposed Adoption of New Constitution

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016 and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The proposed new Constitution is set out in Appendix 1, a copy of which is dispatched together with the Company's Annual Report 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are seeking re-election and/or continuing in office as Independent Non-Executive Directors at the Eighteenth Annual General Meeting of the Company are:-
 - (a) Mr Loi Kim Fah (Article 104 and Practice Note 4.2 of MCGG)
 - (b) Mr Bjørn Bråten (Article 104)
 - (c) Mr Goh Chong Chuang (Practice Note 4.2 of MCGG)

The profiles of the above Directors who are seeking re-election and/or continuing in office as Non-Independent Non-Executive Director or Independent Non-Executive Directors are set out in the Profile of Directors as disclosed on page 6 of this Annual Report.

The details of the above Directors' interest in the securities of the Company are stated on page 36 of the Annual Report.

PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY (“PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK”)

Definitions

Act	:	The Companies Act, 2016
AGM	:	Annual General Meeting
Board	:	The Board of Directors of K-One Technology Berhad
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Chief Executive Officer	:	The principal executive officer of the corporation for the time being, by whatever name called, and whether or not he is a director
Code	:	Malaysian Code on Take-Overs and Mergers, 2010
Director	:	Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Director of K-One Tech, its subsidiary or holding company or a Chief Executive Officer of K-One Tech, its subsidiary or holding company.
EPS	:	Earnings Per Share
“K-One Tech” or “the Company”	:	K-One Technology Berhad (539757-K)
“K-One Group” or “the Group”	:	K-One Tech and its subsidiaries
“K-One Shares” or the “Shares”	:	Ordinary Shares in K-One Tech
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
Major Shareholder	:	A person who has an interest or interests in one (1) or more voting shares in the company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is:- <ul style="list-style-type: none"> (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the company; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company. <p>For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act. A Major Shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company or any other corporation which is its subsidiary or holding company.</p>
NA	:	Net Assets

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY (“PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK”) (Cont’d)

- Person Connected** : In relation to a Director or a Major Shareholder, means such person who falls under any one of the following categories:
- a member of the Director's or Major Shareholder's family;
 - a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, Major Shareholder or a member of the Director's or Major Shareholder's family is the sole beneficiary;
 - a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder;
 - a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
 - a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;
 - a body corporate or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
 - a body corporate or its Directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;
 - a body corporate in which the Director, Major Shareholder and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
 - a body corporate which is a related corporation.
- “Proposed Renewal of Authority for Share Buy-Back”** : Proposal of the Company to grant its Directors a general mandate to exercise the authority to carry out a share buy-back of its own shares up to a maximum of 10% of its Issued and Paid-up Share Capital (excluding treasury shares)
- Purchased Shares** : Shares purchased pursuant to the Proposed Share Buy-Back
- RM or Sen** : Ringgit Malaysia and sen respectively
- Treasury Shares** : The K-One Shares purchased by the Company that can be retained, distributed as dividend or resold and/or subsequently cancelled

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporation, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Statement shall be a reference to Malaysian time, unless otherwise stated.

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY (“PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK”)

(Cont'd)

1. Introduction

K-One Tech had on 3 April 2019 announced its intention to seek shareholders' approval of the “Proposed Renewal of Authority for Share Buy-Back” at the forthcoming Eighteenth Annual General Meeting (“18th AGM”) of the Company.

The purpose of this Statement is to provide you with the relevant information on the “Proposed Renewal of Authority for Share Buy-Back” and to seek your approval of the ordinary resolution to be tabled at the forthcoming 18th AGM of the Company.

The authority from the shareholders for the proposed purchase would be effective immediately upon the passing of the ordinary resolution for the “Proposed Renewal of Authority for Share Buy-Back” until the conclusion of the next AGM of K-One Tech unless earlier revoked or varied by ordinary resolution of shareholders of K-One Tech at a general meeting.

2. Rationale for renewal of authority from the shareholders of the Company to enable the Company to purchase and/or hold up to ten percent (10%) of its issued and paid-up share capital pursuant to Section 127 of the Act (“Proposed Renewal of Authority for Share Buy-Back”)

The “Proposed Renewal of Authority for Share Buy-Back”, if exercised, is expected to potentially benefit the Company and its shareholders in the following manners:-

- (a) The earnings per share of the Group may be enhanced (in the case where the shares so purchased are cancelled) and thereby long term investors are expected to enjoy a corresponding increase in the value of their investments in the Company;
- (b) If the purchased shares are kept as treasury shares, the treasury shares may be realised with potential gain without affecting the total issued and paid-up share capital of the Company. Alternatively, the purchased shares can be distributed as share dividends to reward the shareholders of the Company; and
- (c) The Company may be able to stabilize the supply and demand of its shares in the open market, thereby supporting its fundamental value.

3. Retained Profits

Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2018, the retained profits of the Company and the Group stood at RM3,851,765 and RM9,041,915 respectively.

4. Funding

The maximum amount of funds to be allocated for the “Proposed Renewal of Authority for Share Buy-Back” will be limited to the amount of retained profits of the Company. The amount allocated for the share buy-back, if implemented, will be financed by internally generated funds.

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

Save for the inadvertent proportionate increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a consequence of the share buy-back, none of the Directors and/or substantial shareholders nor persons connected with the Directors and/or substantial shareholders of the Company have any interest, direct or indirect, in the “Proposed Renewal of Authority for Share Buy-Back” and the proposed resale of treasury shares, if any.

As such, none of the Directors and/or substantial shareholders nor persons connected with them need to abstain from voting in respect of their direct and indirect shareholdings on the ordinary resolution approving the “Proposed Renewal of Authority for Share Buy-Back”.

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY (“PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK”) (Cont’d)

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

The effects of the proposed share buy-back on the shareholdings of the Directors and substantial shareholders based on the Record of Depositors of the Company as at 29 March 2019 are set out below based on the following assumptions:-

- The proposed share buy-back is implemented in full, i.e. up to 10% of the enlarged issued and paid-up share capital of 72,893,918 of the Company’s shares are purchased; and
- The shares so purchased are from shareholders other than the substantial shareholders and Directors of the Company.

Directors	As At 29 March 2019 (I)				After the Proposed Share Buy-Back (II)				After (II) and assuming all Warrants C and outstanding ESOS Options are exercised			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Beng Fook	119,522,973	16.40	-	-	119,522,973	18.22	-	-	156,003,716	17.56	-	-
Lim Soon Seng	101,418,078	13.91	-	-	101,418,078	15.46	-	-	133,972,597	15.08	-	-
Bjørn Bråten	31,492,432	4.32	-	-	31,492,432	4.80	-	-	39,365,540	4.43	-	-
Goh Chong Chuang	1,689,864	0.23	-	-	1,689,864	0.26	-	-	2,112,330	0.24	-	-
Loi Kim Fah	1,333,560	0.18	-	-	1,333,560	0.20	-	-	1,666,950	0.19	-	-
Anita Chew Cheng Im	600,000	0.08	-	-	600,000	0.09	-	-	750,000	0.08	-	-
Azlam Shah bin Alias	-	-	-	-	-	-	-	-	600,000	0.07	-	-
Substantial Shareholders												
Lim Beng Fook	119,522,973	16.40	-	-	119,522,973	18.22	-	-	156,003,716	17.56	-	-
Lim Soon Seng	101,418,078	13.91	-	-	101,418,078	15.46	-	-	133,972,597	15.08	-	-
Bjørn Bråten	31,492,432	4.32	-	-	31,492,432	4.80	-	-	39,365,540	4.43	-	-

6. Potential Advantages and Disadvantages of the “Proposed Renewal of Authority for Share Buy-Back”

The potential advantages of the “Proposed Renewal of Authority for Share Buy-Back” to the Company and its shareholders are stated in Item 2 above.

The potential disadvantages of the “Proposed Renewal of Authority for Share Buy-Back” to the Company and its shareholders are as follows:-

- As the “Proposed Renewal of Authority for Share Buy-Back” can only be made out of the retained profits of the Company, it may result in the reduction of financial resources available for distribution to the shareholders in the immediate future; and
- The amount of financial resources of the Company will decline upon exercising the share buy-back which may result in the Group having to forego feasible investment opportunities that may emerge in the future.

In any event, the Directors will be mindful of the interests of the Company and its shareholders in implementing the share buy-back.

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY (“PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK”) (Cont'd)

7. Financial Effects of the “Proposed Renewal of Authority for Share Buy-Back”

On the assumption that the share buy-back is carried out in full, the effects of the “Proposed Renewal of Authority for Share Buy-Back” on the share capital, NA per share, working capital and EPS of the Company are set out below:-

(a) Share Capital

The effect of the share buy-back on the share capital of the Company will depend on the intention of the Board with regard to the purchased shares. As at 31 December 2018, the issued and paid-up share capital of the Company is RM94,678,721 comprising 728,939,181 shares.

However, the “Proposed Renewal of Authority for Share Buy-Back” will have no effect on the issued and paid-up share capital if all Purchased Shares are to be retained as treasury shares but the rights attached to the treasury shares in relation to voting, dividends and participation in any other distributions or otherwise are suspended. While these shares remain as treasury shares, the Act prohibits the taking into account of such shares in calculating the number of percentage of shares in the Company for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

(b) NA

The effect of the “Proposed Renewal of Authority for Share Buy-Back” on the NA per share of the Company is dependent on the number of shares purchased, purchase price of the shares, the funding cost, if any, and the subsequent treatment of the shares so purchased.

If all the shares purchased are cancelled, the proposed share buy-back is likely to reduce the NA per share of the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase and conversely, will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

For shares so purchased, which are kept as treasury shares, upon its resale, the NA of the Group may be affected depending on the actual selling price of the treasury shares and the actual number of treasury shares resold.

(c) Working Capital

The “Proposed Renewal of Authority for Share Buy-Back” will reduce the working capital of the Group, the quantum of which depends on, amongst others, the number of shares eventually purchased and the purchase price of the shares.

(d) EPS

Depending on the number of shares purchased, purchase price of shares and the effective cost as well as the opportunity cost of funding the shares, the proposed share buy-back may increase the EPS of the Group.

Any cancellation of shares so purchased is expected to give rise to increased EPS to the Company and the Group due to the reduced number of shares in issue.

(e) Dividends

Assuming the “Proposed Renewal of Authority for Share Buy-Back” is implemented in full, it will have the effect of increasing the dividend rate of the Company as a result of the reduction in the issued and paid-up share capital of the Company.

(f) Shareholdings

The effect of the “Proposed Renewal of Authority for Share Buy-Back” on the percentage of shareholdings of the Directors and substantial shareholders of the Company would depend on the timing of the purchase, the number of shares purchased and their actual shareholdings at the time of such purchase.

PROPOSED RENEWAL OF AUTHORITY

FOR SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY (“PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK”) (Cont’d)

7. Financial Effects of the “Proposed Renewal of Authority for Share Buy-Back” (Continued)

(f) Shareholdings (Continued)

Please refer to Item 5 above for further details on the shareholding structure of the Directors and substantial shareholders of the Company.

8. Implication Under the Code

Under the Code, a director and any person acting in concert with him or a relevant shareholder will be required to make a mandatory general offer for the remaining ordinary shares of the Company not already owned by him/them if his/their stake in the Company is increased beyond thirty-three percent (33%) or if his/their existing shareholding is between thirty-three percent (33%) and fifty percent (50%) and exceeds by another two percent (2%) in any six (6) months period.

Assuming that the “Proposed Renewal of Authority for Share Buy-Back” is carried out in full and the shareholdings of the directors and parties acting in concert will be increased beyond thirty-three percent (33%) as a result of the share buy-back and pursuant to the Code, the directors and parties acting in concert are required to make a mandatory general offer.

Should such circumstances arise and if required, the directors and parties acting in concert are expected to submit an application to the Securities Commission for a waiver from implementing a mandatory general offer under the Code.

The Company takes cognizance of the Code and intends to implement the share buy-back in a manner that it will not result any of the shareholders having to undertake a mandatory offer pursuant to the Code.

9. Purchase, Resale and Cancellation of shares made in the previous twelve (12) months

In the previous twelve (12) months, the Company has not made any purchase of ordinary shares in the Company.

10. Public Shareholding Spread

Based on the Record of Depositors of the Company as at 29 March 2019, the public shareholding spread of the Company was 64.9%.

11. Directors’ Statement

This Statement has been seen and approved by the Board on 3 April 2019 and they individually and collectively accept full responsibility for the accuracy of the information given in this Statement and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts or omission of which would make any statement herein misleading.

Having considered all aspects of the “Proposed Renewal of Authority for Share Buy-Back”, the Board is of the opinion that the preceding is fair, reasonable and in the best interest of the Company.

12. Directors’ Recommendation

The Board recommends that you vote in favour of the ordinary resolution for the “Proposed Renewal of Authority for Share Buy-Back” to be tabled at the Eighteenth Annual General Meeting.

PROXY FORM

K-ONE TECHNOLOGY BERHAD

(Company No. 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 Eighteenth Annual General Meeting of the Company to be held at Mutiara Room, Ground Floor, Block 1, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150, Shah Alam, Selangor on Thursday, 30 May 2019 at 9.00 a.m. and any adjournment thereof:-

Name of Proxy, NRIC No. & Address	No. of Shares to be represented by Proxy
1. Name : NRIC No. : Address :	_____
2. Name : NRIC No. : Address :	_____

NO.	RESOLUTIONS		FOR	AGAINST
1.	Approval of payments of aggregate Directors' fees and allowances to the Non-Executive Directors of up to RM270,000 from 31 May 2019 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 Mr Loi Kim Fah	Ordinary Resolution 2		
3.	Re-election of Mr Bjørn Bråten	Ordinary Resolution 3		
4.	Re-appointment of Messrs Baker Tilly Monteiro Heng PLT as Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 4		
5.	Approval for Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016	Ordinary Resolution 5		
6.	Authority for Mr Goh Chong Chuang to Continue in Office as Independent Non-Executive Director	Ordinary Resolution 6		
7.	Authority for Mr Loi Kim Fah to Continue in Office as Independent Non-Executive Director	Ordinary Resolution 7		
8.	Proposed Renewal of Shareholders' Mandate for Share Buy-Back	Ordinary Resolution 8		
9.	Proposed Adoption of New Constitution	Special Resolution		

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

Number of shares

CDS A/C No.

Date

Signature of Shareholder

Fold this flap for sealing

NOTES:

1. A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.
2. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.
7. The duly completed Form of Proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
8. **General Meeting Record of Depositors**
For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 60(1) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 May 2019. Only a depositor whose name appears on the Record of Depositors as at 23 May 2019 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

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AFFIX
STAMP
HERE

K-ONE TECHNOLOGY BERHAD (Company No. 539757-K)
Level 2, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur
Malaysia

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