K-One
innovate

Annual Report **2021**

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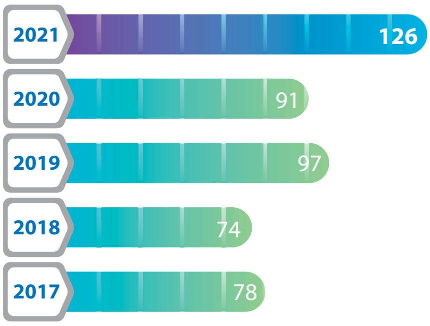
PAST FINANCIAL INFORMATION SUMMARY

SALES
(RM MILLION)



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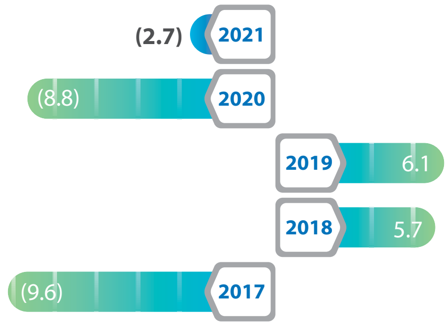
(RM MILLION)



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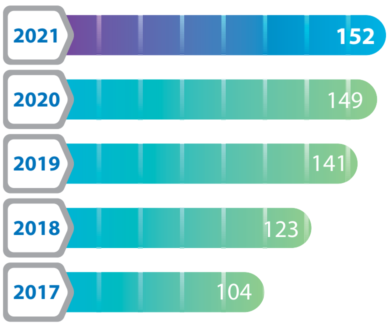

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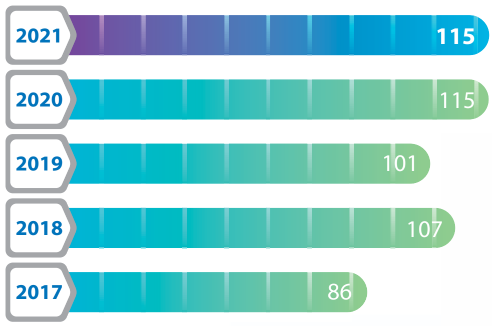

EARNINGS PER SHARE
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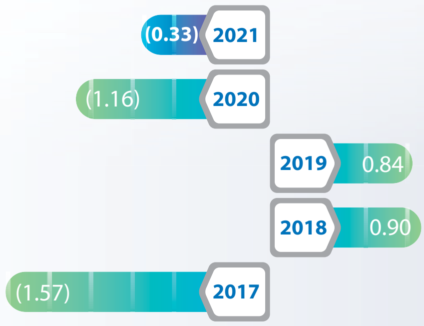
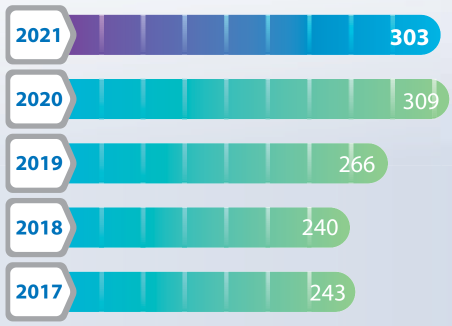


HUMAN RESOURCES
(NO. OF EMPLOYEES)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Ir. Edwin Lim Beng Fook
(Executive Chairman)

Dato' Martin Lim Soon Seng
(Chief Executive Officer)

Loi Kim Fah
(Independent Non-Executive Director)

Bjørn Bråten
(Non-Independent Non-Executive Director)

Anita Chew Cheng Im
(Independent Non-Executive Director)

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

Goh Chong Chuang
(Independent Non-Executive Director)

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)

AUDITORS

Messrs Baker Tilly Monteiro Heng PLT
Chartered Accountants

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

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

STOCK SHORT NAME & CODE

K1 (0111)

REGISTERED OFFICE

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

HEAD OFFICE

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

GROUP PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
CIMB Bank Berhad

WEBSITE

www.k-one.com

CORPORATE STRUCTURE

K-One Technology Berhad

- **100%** K-One International Limited
- **100%** K-One Venture Sdn. Bhd.
- **100%** K2 Cloud Sdn. Bhd. *(fka EMB Technology Sdn. Bhd.)*
  - **100%** K-One Industry Sdn. Bhd.
    - **100%** K-One Manufacturing Sdn. Bhd.
    - **100%** K-One MediTech Sdn. Bhd.
  - **100%** G-AsiaPacific Sdn. Bhd.
    - **100%** G-AsiaPacific (S) Pte. Ltd.
    - **15%** P.T. GAsiaPasific Indo.
- **100%** Big'Ant (M) Sdn. Bhd.
- **100%** K-One Electronics Sdn. Bhd.

DIRECTORS' PROFILE

IR. EDWIN LIM BENG FOOK

Executive Chairman
Malaysian • Age 64

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.

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

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

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

His directorships in other companies in the K-One Group are K2 Cloud Sdn Bhd, K-One Industry Sdn Bhd, Big'Ant (M) Sdn Bhd, K-One MediTech Sdn Bhd, K-One Manufacturing Sdn Bhd, K-One Electronics Sdn Bhd, K-One Venture Sdn Bhd and G-AsiaPacific Sdn Bhd.

DATO' MARTIN LIM SOON SENG

Chief Executive Officer
Malaysian • Age 59

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 is a member of the Remuneration Committee.

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

His directorships in other companies in the K-One Group are K2 Cloud Sdn Bhd, K-One Industry Sdn Bhd, Big'Ant (M) Sdn Bhd, K-One MediTech Sdn Bhd, K-One Manufacturing Sdn Bhd, K-One Venture Sdn Bhd, K-One Electronics Sdn Bhd, K-One International Ltd and G-AsiaPacific Sdn Bhd.

BJØRN BRÅTEN

Non-Independent
Non-Executive Director
Norwegian • Age 64

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

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

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

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

DIRECTORS' PROFILE
Cont'd

GOH CHONG CHUANG
Independent Non-Executive Director
Malaysian • Age 69

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

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

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

LOI KIM FAH
Independent Non-Executive Director
Malaysian • Age 55

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

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

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

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

ANITA CHEW CHENG IM
Independent Non-Executive Director
Malaysian • Age 55

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

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

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

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

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

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

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

DIRECTORS' PROFILE
Cont'd

DATO' AZLAM SHAH BIN ALIAS

Independent Non-Executive Director
Malaysian • Age 61

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

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

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

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

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

He is currently the Chairman of MR DIY Berhad.

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

He was previously actively involved in industry advocacy work representing the Malaysian International Chambers of Commerce and Industry (MICCI), British-Malaysia Chambers of Commerce and Malaysian Retailers Association (MRA) in various dialogues with the authorities. He was on the Boards of the European Union-Malaysia Chambers of Commerce and Industry (EU-MCCI) and MRA.

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

EXECUTIVE CHAIRMAN'S STATEMENT

BUSINESS PERFORMANCE FOR 2021

The Group's sales revenue increased to RM125.5 million in 2021 from RM91.2 million in 2020, representing a jump of 38%.

EMS Business

The EMS business registered sales of RM74.3 million in 2021 vs RM60.6 million in 2020, denoting an increase of 23%. The medical/healthcare devices, electronic headlamps, industrial equipment and IoT gadgets were riding on the positive but uneven growth path of the global economic recovery following the mass rollout of COVID-19 vaccination programs in major economies in the world since early 2021. The sales rise could have been stronger but was impeded by intermittent Movement Control Order (MCO) and its variations imposed during the course of the year which adversely affected manufacturing outputs due to compliance to labour capacity restrictions. The situation was made worse by material supply disruptions and production labour shortages.

Cloud Business

The Cloud business generated sales of RM51.2 million in 2021 vs RM30.6 million, marking a sales surge of 67%. The Cloud business remained robust despite the imposition of variations of Movement Control Order (MCO) such as Full Movement Control (FMCO) and/or National Recovery Plan (NRP) at different timelines in 2021. Cloud's resilience was no surprise as businesses and consumers at large resorted to work from home (WFH) and adopted new behavioural habits of online buying, all of which spurred Cloud usage.

EXECUTIVE CHAIRMAN'S STATEMENT
Cont'd

The Group recorded loss attributable to equity holders of the parent company of RM2.7 million in 2021 as compared to the loss of RM8.8 million in 2020. The shrinking loss was mainly attributed to improved sales and reduction in one-off provision of doubtful debt with respect to receivables relating to the disposal of equity of an associate back to the former vendors.

EMS Earnings

The EMS business registered an operational loss of RM 4.0 million in 2021 against RM4.2 million in 2020 with the loss reduction attributed mainly to improved sales.

Cloud Earnings

The Cloud business made a profit of RM2.1 million in 2021 as compared to RM2.6 million in 2020, representing a decrease of 19% due mainly to margin compression in the fight to retain customers and fending off competition to secure new customers.

PROSPECTIVE BUSINESS OUTLOOK

Although 2021 started off with the mass rollout of COVID-19 vaccinations at the beginning of the year, alluding optimism, it was unfortunately not the golden bullet to end the pandemic which continued to wreak havoc in the global economic recovery process. Nevertheless, the K-One Group is hoping that 2022 will see better light in the tunnel towards a more consistent global recovery process. It seems that the Omicron variant is paving the way to endemicity whereby lockdowns and other social restrictions are put behind us.

For the EMS business, the Group believes that the diversion of US business out of China to continue as the Biden administration is maintaining the same stance towards China as Trump. Hence, it is stepping up its efforts to make itself the EMS of choice for such potential manufacturing relocations.

The Group is intensifying its focus in the medical/healthcare space, be it OEM/ODM or OBM in its business transformation journey since exiting from the mobile phone accessories's arena in 2016. In the OBM front for medical devices, which includes the developing and manufacturing of medical aids such as 3D printed nasal/oral swabs and ventilators, the Group trusts that these are sustainable and long term investments. With the RM12.3m matching grant from MIDA, the Group is geared to take the ventilator for enhancements and relevant MDA, CE and FDA certifications as appropriate whilst marketing it under its own brand name – Medkaire. In the long run, these OBM products with more to come are expected to generate significant business contribution. On the same token, the Group is carrying COVID-19 Antigen self-test kits and LDV syringes for vaccine inoculation as Authorized Representatives for Malaysia. These medical devices have been gaining traction and the Omicron variant is spurring brisk sales of its COVID-19 Antigen self-test kits at the break of 2022.

As for the non-medical/healthcare segment of the EMS business, it foresees it riding on the global economic upturn which is expected to be more consistent this time around. The anticipated easing of materials (electronic chips) and production labour shortages will facilitate the clearing of order backlogs and meeting of escalating market demand as the world moves towards the endemic phase.

On the Cloud business, it is expected to follow through with positive contributions in both the top and bottom lines in 2022. Cloud, being the fuel for digital transformation which is accelerated by the government's MyDigital initiative, coupled with the change in work pattern to work from home (WFH) phenomena and significant growth in online buying, the Group is envisaged to benefit from the sturdy growth in Cloud usage. The coming widespread launch of 5G in many countries, increasing adoption of IoT (Internet of Things) and AI (Artificial Intelligence) which enable more data and new types of data to be streamed from the Cloud will boost Cloud usage to the benefit of the Group. Therefore, the Cloud business has tremendous growth potential in Malaysia and ASEAN. The Group's footprints in Indonesia and Singapore, its Premier ranking partnership with Google and specific Public Partner badge with Amazon (AWS) puts it in good position to take advantage of the fast expanding ASEAN market in 2022 and beyond.

All being said, the Group is cautiously optimistic of its business outlook in the horizon as it is operating in a volatile business environment with unpredictable COVID-19 endemicity, economic and geopolitical headwinds.

The Group will not pay any dividend for 2021 as it prefers to conserve its cash to grow its business which is expected to turnaround this year after going through a challenging 2 pandemic infested years in 2020-1. Further, the surplus cash would come in handy to take on additional synergistic M&A candidates as we move forward in 2022 and beyond.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my deepest appreciation to all our customers, business associates, financiers and shareholders for their continued support, understanding and confidence in the Group. I also wish to express my sincere appreciation to the Management and staff for their endurance, dedication and contribution in 2021 in helping the Group weather the unprecedented prolonged storm.

Ir. Edwin Lim Beng Fook
Executive Chairman

CEO'S OPERATIONS REVIEW

> ***"I would like to take this opportunity to report key aspects and performance of our operations for the financial year ended 31 December 2021."***

SALES AND FINANCIALS

The Group registered sales revenue of RM125.5 million in 2021 as compared to RM91.2 million in 2020, representing a hike of 38% against the backdrop of a prolonged COVID-19 pandemic in its second year running.

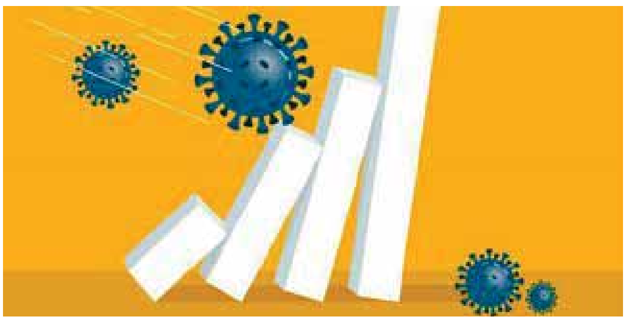
EMS Business

EMS's sales scaled to RM74.3 million in 2021 from RM60.6 million a year ago and it slightly surpassed the pre-pandemic sales of RM73.1 million in 2019. The increase was mainly attributed to the sturdy demand of medical/healthcare devices, electronic headlamps, industrial equipment and IoT gadgets riding on the uneven global economic recovery but curtailed by the Movement Control Order (MCO) and its variations throughout 2021.

Cloud Business

Cloud clocked in sales revenue of RM51.2 million in 2021 as compared to RM30.6 million in 2020, staging a notable increase of 67%. This reaffirmed that Cloud is a beneficiary of the COVID-19 pandemic as with the medical/healthcare segment of the EMS business.

The Group recorded loss attributable to equity holders of the parent company of RM2.7 million in 2021 vs RM8.8 million loss in 2020. The narrowing loss was due mainly to higher sales leading to lower loss and reduction in non-cash charges.



EMS Earnings

The EMS business registered an operational loss of RM4.0 million in 2021 against RM4.2 million loss in 2020, principally supported by improved sales.

Cloud Earnings

The Cloud business chalked up a profit of RM2.1 million in 2021 vs RM2.6 million in 2020. The decline in profit of 19% was mainly caused by its attempt to defend market share and fend off competition.

DESIGN AND DEVELOPMENT

The Group's R&D engineers continued to spend relentless efforts and time in testing and industrializing the NASA-JPL designed ventilator licensed to the Group for manufacturing. Being categorized as a Class C medical device (with high moderate risks), considered as semi-invasive in use, it is required to undergo stringent clinical tests before it can be approved by the health authorities. In Malaysia, the approving authority is the Medical Device Authority (MDA) under the Ministry of Health, Malaysia. The Group is collaborating with university hospitals/laboratories on clinical testing to produce the required clinical test reports for submission to MDA for their evaluation and approval. Safety is of utmost importance in the application of medical devices and the Group will not compromise in this respect. As such, it has taken longer than expected in the approval process for launching the said NASA-JPL licensed ventilator branded as Medkaire in the local market. Furthermore, the Group is taking the Medkaire ventilator through the full approval process which is more stringent and comprehensive and not under the emergency use authorization (EUA) route that is simpler. It is worth it to undergo the full approval process for strategic reasons as the Group is viewing this as a sustainable long term business.

It has been a rich learning process for the Group's R&D engineers in the development and manufacturing of own brand medical devices, especially those categorized under Class C and above. The approval process by the health authorities is thorough and time consuming but understandable, for safety reasons. Nonetheless, the R&D team is committed with the development of medical/healthcare devices as the Group believes its future lies with the medical/healthcare industry which promises high growth, long product life cycle and attractive margins.

FDA U.S. FOOD & DRUG ADMINISTRATION

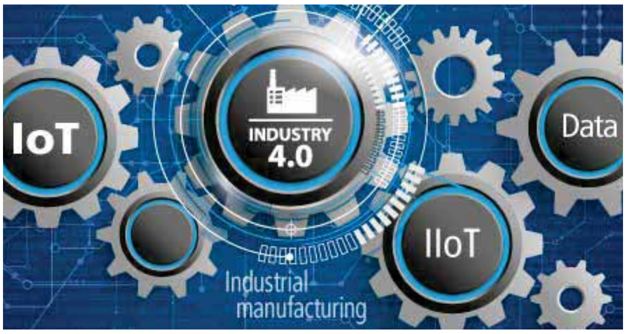
CEO'S OPERATIONS REVIEW
Cont'd

MANUFACTURING

The Group's manufacturing activities related to its EMS business were intermittently interrupted by the re-imposition of versions of the enhanced Movement Control Order (MCO) which constrained its labour capacity to 60% or 80% during different periods of the enhanced MCOs. Additionally, production was occasionally curtailed by material (electronic chips) shortages, supply chain disruptions and logistic issues. As such, production yields were compromised throughout the year. It was indeed a challenging year in maximizing production efficiency.

Much progress was made in promoting and advancing Industry 4.0 on the shopfloors. The implementation of automation and Industry 4.0 is taking traction slowly but surely. Specific customers are also pushing for the acceleration of automation and robotics implementation.

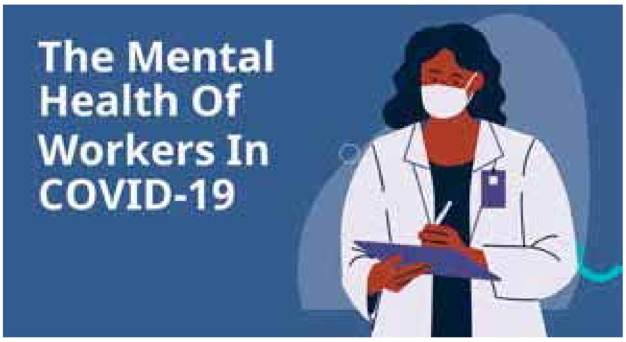
The refurbishment of the plant purchased in January 2021 was delayed in view of the prolonged COVID-19 pandemic which hampered the progress of commercial activities. It will be undertaken in 2022 so as to expand manufacturing capacity to cater to the anticipated business growth in both the medical/healthcare and the non-medical/healthcare segments.



HUMAN RESOURCE

With the COVID-19 pandemic on its second year running, the Group nevertheless managed to grow its top line to maintain its headcount. In fact, it increased its headcount in the Cloud business in line with its sterling sales growth. In the EMS front, it maintained about the same headcount but supporting higher sales as it was facing challenges in maintaining let alone hire production employees as there was a shortage in the market.

The Group is proud that its entire workforce consists of locals, be it production or office staff. Therefore, it is able to mitigate the forced labour and other ESG (Environmental Social and Governance) issues associated with the hiring and keeping of foreign production employees. During the year, when the manufacturing industry started to ramp up, there was a scramble for production operators who were fully vaccinated. The situation was further aggravated by a shortage of foreign labour which was a key driver for most of the manufacturing industries. This led to production staff pinching which the Group tried hard to defend its turf in its own ways. It foresees the production labour market to be tight in 2022. In this regard, the Group will have to resort to recruiting production operators further away from its plant locations and at the same time stepping up its automation plans to reduce manual labour. Moving forward, the impending government's minimum wage imposition of RM1,500 per month will be an added challenge for the manufacturing operation.



The Group spent much time, efforts and money to ensure the safety and health of its employees last year to mitigate the risks posed by the COVID-19 pandemic. Its employees were and are regularly COVID-19 tested using its own MDA approved COVID-19 Antigen self-test kits and each staff were also provided with an oximeter each for self-checking of oxygen level in the blood which may be used as an alert for further tests for COVID-19 infection.

The COVID-19 has taken a toll on the mental health of most people. To ensure that its employees's mental health are positive, the Group engaged an external consultant to reinvigorate the mindset of its staff.

CORPORATE DEVELOPMENT

The K-One Group's wholly-owned subsidiary, K2 Cloud Sdn. Bhd. (fka: EMB Technology Sdn. Bhd.) had on 12 April 2021 entered into a Share Sale Agreement ("SSA") with the existing shareholders ("Vendors") to acquire Infinity Consulting Technology Sdn. Bhd. ("ICT") in 2 tranches upon satisfying conditions precedent, with an initial 75% equity interest in Tranche 1 and the balance 25% in Tranche 2 ("Proposed Acquisition") within 1 month after the date of the audited financial statements of ICT for FYE 2022.

However, the Group and the Vendors on 13 August 2021 decided to mutually terminate the proposed acquisition after taking into consideration the uncertainties and disruption in the Malaysian business environment caused by the re-imposition of versions of enhanced Movement Control Order (MCO) by the government to combat COVID-19 infections.

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 2021 which was another year ravaged by the Covid-19 pandemic.

Dato' Martin Lim Soon Seng
CEO

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

1. OVERVIEW

The Group's sales revenue of 2021 increased to RM125.5 million from RM91.2 million in 2020, recording an upturn of 38% on strong sales growth in both the EMS and Cloud Computing (Cloud) businesses. The EMS business registered sales of RM74.3 million in 2021 as compared to RM60.6 million in the preceding year, representing a 23% increase. The sales rise was driven by the robust medical/healthcare segment and demand recovery in the non-medical/healthcare segment (consumer electronics/IoT/industrial). The Cloud business generated sales revenue of RM51.2 million in 2021 as compared with RM30.6 million a year earlier, representing a stellar leap of 67% on sturdy performance in recurring sales revenue from existing customers in key markets, namely; Malaysia, Singapore and Indonesia and streaming of new customers.

The EMS business registered a loss of RM4.0 million while the Cloud business contributed a profit of RM2.1 million resulting in a net loss for the Group of RM1.9 million. However, the provision for doubtful debt of RM0.8 million on the remaining outstanding receivable pursuant to the disposal of equity of an associate back to the former vendors increased the Group's loss attributable to equity holders of the parent company to RM2.7 million as compared to a net loss of RM8.8 million for the previous year.

The operating loss in the EMS business was mainly attributed to sliding gross profit margin from 16% in 2020 to 12% in 2021 on multiple headwinds from rising materials (electronic chips), logistic and labour costs amid the global supply chain chaos and incurring of extra COVID-19 SOP (Standard Operating Procedure) incidental expenses. The lower Cloud development/implementation orders with more generous margins curbed Cloud earnings, otherwise would have scored better profits to offset the EMS loss. Nevertheless, the sturdy organic sales growth from both the EMS and Cloud businesses narrowed the Group's loss as compared to last year.

The Group continued to be debt free and with cash surplus of RM46.4 million as at end 2021.

The key business achievements in 2021 include: 1) sales of EMS exceeded pre-pandemic level, denoting that it had staged a recovery from the COVID-19 pandemic induced slump; while Cloud sales continued to surge throughout the pandemic 2) the Malaysian Investment Development Authority (MIDA) awarded a matching grant not exceeding RM12.3 million to the Group for further development and manufacture of the NASA-JPL ventilator to be branded under its own brand name - MedKaire. It is an endorsement that the NASA-JPL licensed ventilator is a viable business and the Group is on the right track to build the local medical device eco-system 3) successfully launched in the local market its MDA approved COVID-19 Antigen saliva self-test kits. The product is gaining traction amid vigorous competition signalling that the Group is a force to be reckoned with in the local healthcare industry 4) G-AsiaPacific Sdn Bhd (GAP) was promoted as a Google Premier Partner (highest level of partnership in the Google partnership ecosystem) which GAP earned by achieving the stringent criteria set and 5) Last but not least, GAP was named 2021 Amazon Web Services (AWS) Consulting Partner of the Year (Malaysia), which is an endorsement by AWS that GAP is a market leader in terms of sales and technical know-how in the Cloud space in Malaysia and ASEAN. These business achievements, transformation and expansion were in part the catalytic results of the COVID-19 pandemic, uneven global economic recovery and acceleration of global digital transformation and growth.

2. BUSINESS OBJECTIVES AND STRATEGIES

Since inception in 2001, the K-One Group has traditionally focused on being an OEM/ODM to multinationals and technology conglomerates worldwide. It specializes in providing both design/development and electronic manufacturing services (EMS) to the medical/healthcare, IoT, industrial and consumer electronics industries. Although its forte lies in design/development, its sales revenue is largely generated from its EMS activities.

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

The onslaught of the COVID-19 pandemic in early 2020 accelerated the Group's diversification into the medical/healthcare industry which it had been pursuing in the last few years to fill the void created following its exit from the mobile phone accessories's market in its EMS business. Spurred by the COVID-19 pandemic, it took the opportunity to invest into developing and manufacturing its own brand medical devices or act as authorized representative, which encompassed nasal/oral swabs, ventilators, LDV syringes and COVID-19 Antigen saliva self-test kits to fulfil the hyper-demand caused by the pandemic. At this point in time, the OEM/ODM sales derived from both the medical/healthcare devices and non-medical/healthcare products (consumer electronics/IoT/industrial) remains the bedrock of the EMS business while its own brand and authorized representative for medical devices take traction and in the long term are expected to counterbalance the EMS business, which shall be medical/healthcare bias over time.

Since March 2019, the K-One Group has diversified into cloud computing (Cloud) via the acquisition of G-AsiaPacific Sdn Bhd (GAP) as a wholly-owned subsidiary. The Cloud business is principally involved in the provision of advanced Cloud technology which comprises infrastructure as a service (IAAS), platform as a service (PAAS), software and mobile application development and consultancy as well as cloud management related services.

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

3. BUSINESS AND FINANCIAL REVIEW

Business Performance

Group Business

The Group's revenue increased to RM125.5 million in 2021 from RM91.2 million in 2020, recording a notable increase of 38% on strong sales growth in both the EMS and Cloud businesses.

EMS Business

EMS's sales jumped to RM74.3 million as compared with RM60.6 million in the preceding year, representing an increase of 23%, driven by production ramp up for key medical/healthcare customers and improved demand of electronic headlamps, industrial equipment, floorcare products and IoT gadgets in line with the global economic recovery following the rollout of mass COVID-19 immunization programmes by the developed countries since the beginning of 2021. Incidentally, the sales recorded in 2021 outpaced the pre-pandemic sales level in 2019 by 2%, denoting that it had staged a recovery from the COVID-19 pandemic induced pain.

The sales increase could have achieved a higher trajectory but was impeded by multiple headwinds from supply chain and logistic disruptions and production labour shortages. The labour capacity restriction compliance during the Full Movement Order Control (FMCO)/National Recovery Plan (NRP) further compounded the labour shortage issue. The material shortages were exacerbated in 3Q'21, not just limiting to electronic chips but extending to include plastic parts as a couple of the Group's local key suppliers halted production intermittently during the said quarter following an insurgence of COVID-19 cases among their workers in the wake of the worst COVID-19 infection surge in Malaysia since the start of the pandemic in early 2020.

While EMS with a medical and healthcare bias remained the core, green shoots have emerged in the OBM (Own Brand Manufacturing) and authorized representative business of medical devices and consumables, which encompasses nasal/oral swabs, ventilators, LDV syringes and the COVID-19 Antigen saliva self-test kits. The Malaysian Investment Development Authority (MIDA) had, on 6 September 2021, awarded a matching grant not exceeding RM12.3 million to the Group for the purpose of further developing and manufacturing the ventilator licensed by NASA-JPL. The progress of enhancing the said ventilator, which is to be branded under its own brand name – MedKaire, is making progress towards certifications by the local and foreign health authorities. This medical device is strategic to the Group as it is needed as a critical hospital equipment even on the abatement of the COVID-19 pandemic. It is a testament that domestic manufacturers in the medical device supply chain are being supported and recognised. On 26 October 2021, the Group received conditional approval from the Medical Device Authority ("MDA") under the Ministry of Health, Malaysia for the import and distribution of COVID-19 Antigen saliva self-test kit manufactured by Labnovation Technologies Inc. (Labnovation Tech) in China. Sales of these self-test kits since its launch in the local market in October 2021 is encouraging despite vigorous price competition.

In view of the restrictions in overseas travelling, the Group continued resorting to participating in e-exhibitions and leveraging on other electronic means to reach out to target customers, especially those located in the US as it intends to divert US manufacturing from China to Malaysia during the New Normal against the backdrop of Sino-American great-power confrontation.

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

Cloud Business

Cloud business generated sales revenue of RM51.2 million in 2021 as compared with RM30.6 million in the previous year, representing a surge of 67% on sturdy performance in recurring sales revenue from existing customers in key markets, namely; Malaysia, Singapore and Indonesia and streaming of new customers. The Cloud business remained upbeat despite FMCO/NRP restrictions as Cloud has become one of the key drivers of digital transformation. With escalating interest of enterprises pursuing a Cloud-First policy to adapt to the changing human behaviour of work-from-home (WFH), online learning and online buying in the pandemic-driven New Normal, Cloud usage continues to surge in tandem with businesses requiring additional capacity for their cloud-based applications in meeting online usage growth.

Google's promotion of GAP in July 2021 as a Premier Partner (highest level of partnership in the Google partnership ecosystem) which GAP earned by achieving the stringent criteria set will provide the distinct differentiation over competition. Concurrently, GAP was named 2021 Amazon Web Services (AWS) Consulting Partner of the Year (Malaysia) at the AWS Partner Summit which was held in July 2021. It is an endorsement by AWS that GAP is a market leader in terms of sales and technical know-how in the cloud space in Malaysia and ASEAN. With these "badges" from Google and AWS respectively, GAP will leverage on these endorsements to win large customers in Malaysia and ASEAN moving forward.

Financial Performance

Group Earnings

The Group recorded loss attributable to equity holders of RM 2.7 million for 2021 as compared to a loss of RM8.8 million in 2020. The indicated loss was entirely attributed to the EMS business which was set back further by the provision for doubtful debts of RM0.8 million on the remaining outstanding receivable pursuant to the disposal of equity of an associate back to the former vendors. On the contrary and as expected, the Cloud business was profitable but it was only sufficient to partially offset the preceding incurred losses.

EMS Earnings

The EMS business's loss narrowed to RM4.0 million in 2021 from RM4.2 million a year earlier on improved sales. However, sliding gross profit margin from 16% in 2020 to 12% in 2021 on cost pressure from soaring prices of materials, steep rise in logistic costs, increase in overtime payment to make up for production labour shortages, increased productivity loss and lower manufacturing yield as a result of high production labour turnover curbed the earnings turnaround. In addition, increasing initial investments on prototypes making to bid for new business and submissions for product certifications exerted undue pressure on the earnings performance of the EMS business in 2021.

Cloud Earnings

On the Cloud business, profit declined from RM2.6 million in 2020 to RM2.1 million in the reporting year on declining margin dragged by sluggish Cloud solutions development/implementation orders which usually commanded premium margins, jump in provision for operating expense and higher corporate tax expense due to the expiry of pioneer status in March'21.

Capital Resources and Liquidity

Despite the challenging economic environment, the Group remained on a firm financial footing as total assets increased to RM152.3 million as at end 2021 from RM149.3 million in the preceding year and it continued to be debt free in 2021.

Inventory rose 45% to RM27.7 million from RM19.1 million year-over-year (YoY) to counter the worsening global supply chain disruptions. Material shortages were exacerbated since 3Q'21, with the electronic chips shortage extended to include plastic parts as a couple of the Group's key local suppliers halted production intermittently in 3Q'21 following an insurgence of COVID-19 cases among their workers in the wake of the worst COVID-19 infection surge in Malaysia since the start of the pandemic in early 2020.

Cash and cash equivalents in the form of time deposits and short-term cash funds of the Group which stood at RM46.4 million as at end 2021 registered a decrease of 17% from RM55.9 million as of the preceding year end. The decrease was due mainly to the use of internal funds to finance the additional inventory to buffer the prevailing material shortages in the market and speeding up settlement to EMS's trade creditors (balance at end 2021: RM14.9 million vs 2020: RM17.4 million) to induce them to deliver goods swiftly and on time to the Group. The Group's healthy cash position will allow it to support organic growth besides undertaking potential merger and acquisition(s) (M&A).

Gearing

The Group does not have any borrowings as at end 2021.

Dividend

No dividend would be paid or declared for the year (2021) as the Group needed to preserve cash to fuel expected impending organic growth and taking on strategic M&A opportunities.

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

Cont'd

4. MAJOR RISKS

Economic and Market Environment

The Group is operating in a fast, rapidly changing, unpredictable and volatile global business environment. Geopolitical tensions such as the ongoing Sino-American trade war and the Russian-American/NATO potential armed conflict over Russia's attack of Ukraine and the prolonged COVID-19 pandemic will have a consequential impact on the Group's business depending on the outcome of geopolitical negotiations, and lockdown actions or inaction. Direct and full mitigation of such macro risks is near impossible and beyond the Group's control.

Against such a challenging economic backdrop, the Group's EMS business made the right timely decision to have successfully embarked on product diversification into "sunrise" markets in the likes of medical/healthcare devices, IoT gadgets and industrial products. In the medical/healthcare segment of the EMS business, production of specific new medical/healthcare devices is being ramped up to meet increasing demand attributed to the persistence of COVID-19 infections worldwide amid the intermittent emergence of new COVID-19 variants. Furthermore, the Group's ongoing expansion into the development, manufacturing and distribution of medical devices under its own brand name or acting as authorized representative is taking traction following its successful launch of COVID-19 Antigen saliva self-test kits in the domestic market.

It is obvious that the Biden Administration will push forward and exert its unfriendly trade policies with China. Therefore, US businesses will continue diverting manufacturing out of China. This presents ample opportunities to the K-One Group, which has been relentlessly tapping on such potentials by continuously marketing its capabilities and competencies directly in the US markets through organized online exhibitions and targeted marketing blitz to identified companies based in US. The business leads secured are encouraging and are expected to be crystallized into sales in the medium term to add on to its bucket of new customers.

Besides, the Group's diversification into the Cloud business through the acquisition of GAP, which is complementary to its existing principal activities is providing another stream of income. The Cloud business has been increasingly promising considering that the COVID-19 pandemic catalyzed the pace of cloud adoption and usage especially for operational continuity, as witnessed by behavioural shifts on work processes and remote working among the public and private business sectors. It is envisaged that the impending launch of 5G and the increasing adoption of Internet of Things (IoT) and Artificial Intelligence (AI) are expected to further support the growth of Cloud.

Technology Disruptions

The Group operates in a space which is subject to rapid technological changes. It acknowledges the significant impact of this risk to the well-being of its business. Therefore, the Group has focussed on diversification into other synergistic technology-based businesses under the Industry 4.0 ecosystem (such as the acquisition of GAP in 2019), continuous manufacturing technology upgrade (continuously working towards smart manufacturing as part of its Industry 4.0 attainment), stringent quality management, improvement in back office efficiency and effective sales and marketing efforts in reaching out to target customers, especially those located in the US as it intends to divert US manufacturing from China to Malaysia during the New Normal against the backdrop of Sino-American great-power confrontation. The Group is confident that it is flexible enough to adapt to new technologies in view of its agile staff, industry knowledge and technical know-how, particularly in R&D capabilities and engineering excellence.

Human Capital

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

On the impending government's imposition of minimum wage of RM1,500 per month, it will mainly affect the Group's manufacturing operations. In this regard, the Group is prepared to take on the challenge and will attempt to mitigate it with improved productivity and automation as appropriate.

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

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.

Operational Risks

The risk of operational disruptions has been elevated following the emergence of the COVID-19 pandemic. The Group was unable to operate at its optimal efficiency in a consistent manner in 2020 and 2021 respectively, as a result of the long lockdowns imposed by the Malaysian government to contain the surging COVID-19 infection cases. The physical nature of the manufacturing operations (production) makes the switch to remote working currently unachievable, while the production labour shortages exacerbate the operational risks of the Group.

To mitigate the risks, the Group will strictly adhere to the Standard Operating Procedures ("SOPs") and rules stipulated by the government authorities to ensure the health and safety of its employees, suppliers, customers and business associates are not compromised. In regards to production labour shortages, the Group will accelerate the implementation of automation solutions as part of its Industry 4.0 initiative, taking into account the financial and technical feasibility to reduce reliance on manual labour.

Other operational risks are alleviated via the Group's insurance policies which provide coverage against product and public liabilities, goods in-transit damage/loss and fire mishap.

Supply Chain Disruptions

The global EMS supply chains are growing increasingly complex as suppliers are spread around the world, while changes in manufacturing processes, consumer demands and new, disruptive trends will impact the supply chain network for materials and parts. However, the global supply chains lack resilience and are vulnerable of breaking down, in particular during the COVID-19 pandemic, which resulted in the need for inventory build-up that could give rise to excess safety stock, operational waste and revenue loss.

The Group is repurposing and reshaping its supply chains to enhance resilience and emerge stronger to future disruptions. The improvement includes right-sizing inventory of critical components/materials, diversifying its supply bases, in addition to leveraging on digital capabilities of its cutting-edge back office system with inbuilt real-time order monitoring, end-to-end inventory visibility and advanced analytical capabilities.

4. BUSINESS & MARKET OUTLOOK

Looking ahead, the challenging global business landscape brought about by the COVID-19 pandemic is expected to stay in 2022, irrespective of it turning endemic. Nevertheless, the Group is cautiously optimistic on its prospects for 2022 in anticipation of continuing strong order flow in the EMS business and uptrending demand in the Cloud business. The Group's concerted efforts on materials cost down, Industry 4.0 initiatives and deepening push into higher margin businesses are expected to translate into potential margin upside in 2022 and beyond. In the longer term, it is envisaged to experience an accelerated growth generated by a combination of organic growth and M&A activities. However, the Group cautions that it is operating in an unstable global economic environment tainted with growing inflationary pressures, prolonged global supply chain disruptions, hard-to-predict dynamics of COVID-19 variants, possible extended production labour shortages and heightened geopolitical instability.

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

EMS Business

With the assumption that the supply chain bottlenecks and production labour shortages easing in 2022, the K-One Group anticipates to continue ramping up its manufacturing services, with an increasing medical and healthcare bias. Production of specific running medical/healthcare devices for OEM customers is expected to be on a continuous ramp up trend to meet growing demands as new COVID-19 variants and continuing global economic recovery respectively have pushed increasing requirements on each of these particular medical/healthcare devices. It also anticipates the commencement of production of specific new medical/ healthcare products for new customers. Sales for consumer electronics, industrial and IoT sectors of the EMS business are expected to remain strong while production for new replacement models for existing customers will commence and gradually increase in volume. Simultaneously, the Group is engaging in new business opportunities, in particular to divert US manufacturing from China to Malaysia against the backdrop of Sino-American great-power confrontation.

While EMS with a medical and healthcare bias remained the core, the OBM and authorized representative business of medical devices and consumables are sprouting. Sales is envisaged to be growing on strong demand for COVID-19 Antigen saliva self-test kits and potential upside in the sales of LDV syringes on projected global supply shortage in LDV syringes due to the widespread vaccinations to fight COVID-19 and evolving decisions on booster shots. The Group is preparing to double-down its investment and sales efforts in promoting its enhanced NASA-JPL licensed ventilator, which is to be branded under its own brand name – MedKaire, upon receiving certifications from the local and foreign health authorities.

Cloud Business

Being a net beneficiary of the COVID-19 pandemic and with the emergence of Cloud being a key driver in digital transformation which businesses could hardly ignore for long term sustainability, recurring revenue from the significant pool of the K-One Group's wholly-owned subsidiary ie GAP's existing customers is expected to be sturdy while contribution from development/implementation of Cloud solutions is envisaged to be stronger post-pandemic upon the normalization of economic activities in its key markets. Incidentally, the Malaysian government's Cloud-First policy of migrating 80% of public data to hybrid systems by 2022 should promote Cloud buy-in by the private sector which is anticipated to boost GAP's impending sales.

GAP is in a sweet spot with many exciting periods of growth ahead for the Cloud market, driven by the rapid global rollout of 5G and the increasing adoption of Internet of Things (IoT) and Artificial Intelligence (AI) which enable more data and new types of data to be streamed from the Cloud. Sales generated from the Cloud business is expected to grow at a faster rate than the EMS business, with increasing overall business weightage contribution. The Group is leveraging on its Google Premier Partner award, the specific Public Sector Partner badge with Amazon (AWS), amongst other partnership programs and its market leadership in terms of sales and technical know-how in the Cloud space in Malaysia and ASEAN to maintain and improve the growth trajectory.

The K-One Group is open to M&A opportunities to acquire companies in the Cloud space or those that are cybersecurity-based, as these targets are seen to be complementary to the Cloud business. It is in line with the Group's strategy to expand its Cloud business and deliver new collaborative Cloud offerings. This M&A route of business growth is ongoing as the Group wishes to take advantage of its debt-free position and cash surplus of RM46.4 million as at end 2021.

All in all, the K-One Group is cognizant of the challenges ahead. The leadership is fully hands-on in managing the situation and is poised to deliver the optimal outcome for customers while keeping employees safe. With prudent planning and careful execution by the Management, the Group opines that the financial performance of the Group for the coming financial year shall turnaround, barring unforeseen circumstances induced by COVID-19 endemicity, economic and geopolitical forces beyond the Group's control.

SUSTAINABILITY STATEMENT

INTRODUCTION

As a leading electronics manufacturing services ("EMS") and cloud computing ("Cloud") provider listed on the ACE Market of Bursa Malaysia Securities Berhad, the K-One Group ("Group" or "K-One") is committed to delivering sustainable economic growth whilst contributing to the environment and social well-being of the communities it operates in. The Group fully recognises the importance of sustainability and how it creates positive impact in delivering long term value to all its stakeholders. Sustainability efforts carried out by the Group during the financial year reflecting the Group's steadfast belief to operate in a sustainable manner are reported in this Sustainability Statement ("Statement").

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

SCOPE

This Statement covers the Group's core businesses - EMS, Cloud and the emerging own-product (OBM) portfolio in the medical/ healthcare sector.

The Statement is prepared in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market ("AMLR") and guided by the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad.

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	Sustainability Concern	Engagement Approach
Shareholders	• Business performance and growth • Return on investment • Financial performance	• Annual and extraordinary general meetings • Financial and corporate announcements
Board	• Corporate governance • Business strategy • Continuous business and operational improvements • Risk management and compliance with laws and regulations • Financial results • Interests of stakeholders and shareholders	• Board meetings • Annual and extraordinary general meetings • Corporate organised events
Employees	• Occupational health and safety • Fair remuneration • Fair employment practices • Career development opportunities	• Quarterly forums • Employee performance appraisal • Group organised events
Customers	• Manufacturing quality • Manufacturing capacity • Research and development • Product quality and safety • Supply chain disruption • Labour practices	• Plant audits • Virtual meetings • Ad hoc meetings
Suppliers	• Fair tender practices • Sustainable prices • Business continuity	• Supplier audits • Ad hoc meetings
Government/ Regulatory Authorities	• Manufacturing standards and policies • Compliance with applicable laws • Economic, environmental and social impacts • Collaborative programmes related to national agenda	• Continuous interaction • Formal and informal meetings • Participation in government programmes and initiatives
Non-Governmental Organisations & Local Communities	• Working conditions • Labour rights • Job creation for local communities • Support for community development	• Public events • Face-to-face interaction • Donations and financial aids • Company website and social media platforms

SUSTAINABILITY INITIATIVES

The Bursa Malaysia sustainability framework relates to three pillars of sustainable development i.e. economic, environment and social ("EES"). The Group has catergorised the key sustainability concerns which have the highest impact on its stakeholders and its ability to create long term value into the said three pillars of EES as below:-

ECONOMIC	ENVIRONMENT	SOCIAL
• Supply chain management and growth • Manufacturing quality/product safety • Business ethics and compliance • Labour practices • Business continuity	• Climate change • Energy and carbon management • Wastes and effluents management • Water management	• Human resources • Community contributions and development

SUSTAINABILITY STATEMENT
Cont'd

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 strictly adheres to its 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 of the view that maintaining products and services quality and safety are essential in contributing to business success. The Board places intense focus on continuous efforts in maintaining product and service quality and safety through rigorous quality control measures. Being ISO 9001, ISO 13485, ISO 14001, ISO 45001, IATF 16949 and ATEX certified coupled with FDA and MDA registered, it strictly complies with standard operating procedures in performing specific tasks to uphold the certifications and registrations which are subject to annual review. Customers feedback or complain will be attended by the project designee along with quality assurance personnel. Corrective and preventive actions will be carried out and monitored by the Quality Assurance function to prevent recurrence of complaints.

There has been an increased focus around the world on integrating sustainability practices into the supply chain. The Group has considered the environmental and human impact of its products' journey through the supply chain, from raw material sourcing to production, storage, delivery and every transportation link in between. In addition, the Group is committed to ensure that sustainable supply chain management and procurement practices are practised and embedded into its culture. This would be achieved through the guidance of the principles and standards set out in the Group's Code of Conduct & Ethics and Whistle Blowing Policies. These policies define how its 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 in its attempt to create sustainable value.

Each employee of the Group is required to comply with local laws and maintain a high standard of personal conduct while dealing with various stakeholders. Proper channels are 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

One of the visions of the Group is to leverage on its Cloud services arm to accelerate businesses to transition to a sustainable environment platform by cutting down on paper usage via digitalisation. Cloud is becoming a crucial component in the acceleration of environmental preservation process.

Furthermore, the adoption of Cloud can help enterprises to save energy. Cloud is a key to greener IT as it enables server virtualization which reduces total physical server footprints. The pay-as-you-use business model of Cloud encourages organisations to consume only as required, which in turn will drive energy and resource efficiencies simultaneously.

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 its businesses are operating in an environmentally responsible manner.

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

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

C. Social

The Group is always reaching out to the local communities and the general society where it operates with the aim of promoting goodwill in the neighbourhood and "giving back" through various means to benefit the public at large.

Caring for our Community

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

In keeping with K-One's objectives in helping the local community and society in general, it had and would still occasionally give away oximeters and sanitizers. The Group believes that its good gesture would be able to contribute towards the fight against COVID-19 infections which escalated to alarming numbers with its peak in the third quarter of 2021. It surpassed 20,000 COVID-19 infections in August 2021. At the time of writing (February'2022), the Omicron wave is on the rise in Malaysia and it is reaching new highs, overtaking the record set in August 2021. Incidentally, the Group is on its toes as to how it can assist the local communities and the public to mitigate the rapid increase in COVID-19 cases caused by the Omicron variant in its own humble ways.

Despite the challenging times posed by the COVID-19 pandemic, the Group continues to help the needy, underprivileged and disadvantaged individuals and families via its K-One MyJanji program. In fact, it is during such tough times that the underprivileged need the financial assistance most whilst needy cases are increasing. K-One is doing its best to alleviate the financial burden of the selected beneficiaries.

Caring for our Employees

In regards to employees, we have always committed ourselves to providing a healthy and conducive environment whilst constantly striving to improve the quality of life of our workforce through training, skill development, career advancement and our very own Employee Care Program, among others. With the pandemic tip-toeing into the endemic phase but not seeing signs of abating, the Management of the Group is aware that it had taken a toll on most and if not all of its employees. Hence, under the Employee Care Program, the Group had taken the initiative to support its employees in this time of need. Taking advantage of its competency in healthcare and being in the wellness business, the Group distributed oximeters to its employees as an added aide to alert COVID-19 infections with all done under proper Standard Operating Procedures (SOP) – wearing of mask and social distancing.

All K-One staff from the office to the production floor, irrespective of rank were given an oximeter each. It reflects that K-One cares for its employees, especially in such challenging times when we are emotionally drained by this long-drawn pandemic. The Group believes in keeping staff moral high by running such support programs which at least will help to reduce the blast radius of the Covid-19 infectivity.

In 2021, the COVID-19 pandemic has proved to be an impediment to the manufacturing industry as the highly infectious disease continues to wreak havoc on the supply chains globally. Malaysia was not spared as Covid-19 cases continued to soar despite the re-imposition of versions of the enhanced Movement Control Order (MCO).

SUSTAINABILITY STATEMENT
Cont'd

Inspite of these trying times, the Group has remained resilient and continued to operate with care its anchor businesses consisting of EMS (healthcare bias) and Cloud by implementing various SOPs and other precautions. The Health and Safety ("H&S") task force in K-One has been kept busy since the beginning of the pandemic to tackle the potential risks and challenges inflicted by the Covid-19 pandemic.

In essence, the Management is focussing on eight important elements to safeguard its operations and employees:

1. Complying to MITI/MOH regulations to operate during MCO and its variations.
2. Self-screening among employees.
3. Abide by cleaning and sterilization procedures.
4. Implement social distancing guidelines.
5. Personal hygiene and personal protective equipment (PPE) practice.
6. Activity control within workplace.
7. Emergency preparation measures.
8. Emergency response procedures.

With all these factors in mind, the H&S task force managed to establish an effective action plan in mitigating Covid-19 infections at its workplace.

Having extensive knowledge in cloud technology and IoT (Internet of Things), the Group has been able to grasp the opportunity to digitally transform its business activities to a New Normal. Business meetings with customers and suppliers, staff meetings and factory audits were mainly done remotely via virtual meeting platforms such as Zoom, Google Meet and Microsoft Teams throughout the pandemic period.

Traceability of staff within the Group's manufacturing facilities are monitored online via K-One's very own mobile app K1Tracer which allows the H&S task force to log and trace the movement history of each staff. To enhance manufacturing operation safety, the Group has stepped up to conduct in-house COVID-19 screening on employees and security guards. Towards this end, the H&S team attended specific training course on how to use the COVID-19 Antigen Saliva Self-Test Kit.

The Group is pleased to note that it has always actively encouraged all of its employees to be inoculated as soon as possible under the government's mass vaccination program in playing its role to help the country achieve herd immunity.

Since the declaration of COVID-19 as a pandemic on 11 March 2020 by the World Health Organization, the world has gone through a series of COVID-19 infection waves that lasted until today with no visible sign of abatement, albeit most countries have accepted endemicity. After having lived in a pandemic for more than two years, it is undeniable that the pandemic has adversely affected the emotional state or mental health of most people. Realizing the mental trauma which the COVID-19 pandemic has exerted on most individuals, the Group resolved to organize a workshop to charge the mental health of its employees.

On 6 October 2021, K-One engaged Ashton Training Academy Plt to conduct a workshop via Zoom to charge and recalibrate the minds and mental health of its employees. Sixty staff participated in the workshop.

SUSTAINABILITY STATEMENT
Cont'd

Employees found the workshop insightful and it was well received. Among the things that were enlightened in the workshop were ways to handle the added stress generated by the pandemic such as working from home, although enticing but may also create other family problems caused by being home bound for long periods. On a positive note, the advancement of communication technology today helps people to communicate via videoconference and it is vital that we make use of this technology to our advantage by staying connected with co-workers and the management. The virtual face-to-face meeting would enable employees to motivate one another mentally and emotionally. It helps to reduce stress levels and to stay positive which are essential to upholding of work performance as well as everyday life. The training session was facilitated by a Certified Master Practitioner in Neuro Linguistics Programming (NLP), Time Line Therapy, Hypnotherapy and NLP Coaching. As we inch into post-pandemic, ie endemicity, K-One will continue its Employee Care Program and will embark on various initiatives to support the wellbeing of its employees from time to time.

After two years of trials and tribulations caused by the COVID-19 pandemic, the Group decided to usher in 2022 with a fresh breath of optimisim in returning to normalcy. On 25 January 2022, the Management organized an Annual Lunch for employees in the offices and shopfloors to share aspirations for a better year ahead and pulling together in solidarity in the face of new challenges. Each employee was served with delicious chicken and drinks at their respective work stations in line with COVID-19 SOP practices while being connected online via Zoom to make everyone virtually together for the Annual Lunch. It was indeed an exhilarating experience for all employees!

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Corporate Governance Overview Statement is prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market ('AMLR') and Malaysian Code on Corporate Governance ("MCCG") issued by the Securities Commission Malaysia. This statement gives the shareholders an overview of the corporate governance practices of the Group during financial year 2021.

The Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance ("CG") Report which provides a detailed application for each practice as set out in the MCCG. The CG Report is available for reference on the Group's website: https://www.k-one.com/About Us/Investor Relations/Corporate Governance Report/, as well as on Bursa Malaysia Berhad's website at www.bursamalaysia.com.

The Board of Directors (the "Board") is committed to practise the highest standards of corporate governance throughout the Group. The Board believes that good governance supports long-term value creation. The Group has in place a set of well-defined polices to uphold good corporate governance to protect the interest of stakeholders.

PRINCIPLES OF CORPORATE GOVERNANCE

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

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

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

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

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

2. Board Composition

Balanced 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 Board is of the view that its composition, with an appropriate mix of INEDs and Executive Directors is adequate for the effective discharge of its functions and responsibilities. In addition, the members of the Board possess a wealth of experience in the electronic manufacturing services (EMS), cloud computing 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.

Board Independence

The Group recognises that the composition of the Board should have a majority of independent directors (4 vs 3) in promoting objectivity during boardroom deliberations and impartiality in the decision-making process. This is especially important in areas where the interests of management, the company, the shareholders and other stakeholders diverge, such as executive performance and remuneration, related party transactions, environmental issues and audit.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. Board Composition (Continued)

Board Independence

The Board Charter defines the policy on independence of Directors, which is available on the Company's website: https://www.k-one.com/About Us/Investor Relations/Board Charter/. The policy specifies the considerations taken into account by the Board to assess the independence of each Independent Director. In addition, it sets out the test of independence that will be used to determine the independence of Directors and the disclosure of information in the Company's annual report. Independent Directors will provide the Board with an annual confirmation of their independence based on the criteria set out in the policy. The Board through the Nomination Committee will assess the independence of Directors upon appointment, annually and when any new interests or relationships are disclosed by Directors.

Appointment of Directors and Board Diversity

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

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 21st 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 thirty (30) 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.

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. Board Composition (Continued)

Review of Board Performance (Continued)

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

Assessments and evaluations were conducted for 2021 and the Board was satisfied with the overall performance of its Directors and the respective Committees.

Re-election of Directors

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

3. Remuneration

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

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

The details of the Directors' remuneration for the financial year ended 31 December 2021 are as follows:

	Salaries and Other Emoluments* RM'000	Fees RM'000	Meeting Allowances RM'000	Benefits-In-Kind RM'000	Total RM'000
Executive Directors					
Ir. Edwin Lim Beng Fook	941	-	-	-	941
Dato' Martin Lim Soon Seng	942	-	-	-	942
Non-Executive Directors					
Bjørn Bråten	-	-	-	-	-
Goh Chong Chuang	-	58	5	-	63
Loi Kim Fah	-	58	5	-	63
Anita Chew Cheng Im	-	58	5	-	63
Dato' Azlam Shah bin Alias	-	58	5	-	63
Total	**1,883**	**232**	**20**	**-**	**2,135**

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 the 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' meetings held in 2021 are as follows:

Director	Board	ARMC	NC	RC
Ir. Edwin Lim Beng Fook (Executive Chairman)	4/4*			3/3^
Dato' Martin Lim Soon Seng (Chief Executive Officer)	4/4			1/1^^
Bjørn Bråten (Non-Independent Non-Executive Director)	4/4	4/4	4/4	
Goh Chong Chuang (Independent Non-Executive Director)	4/4	4/4	4/4*	4/4*
Loi Kim Fah (Independent Non-Executive Director)	4/4	4/4*	4/4	4/4
Anita Chew Cheng Im (Independent Non-Executive Director)	4/4	4/4		
Dato' Azlam Shah bin Alias (Independent Non-Executive Director)	4/4	4/4		

Note:
* *Chairman of the Board/Committee.*
^ *Resigned on 29 October 2021.*
^^ *Appointed on 29 October 2021.*

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 2021, 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 31 to 33 for further information on our Audit & Risk Management Committee.

2. Risk Management and Internal Control Framework

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

PRINCIPLES OF CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

2. Risk Management and Internal Control Framework (Continued)

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 of Risk Management and Internal Control is set out on pages 34 and 36 of the Annual Report 2021.

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 abridged Annual Report at least 28 days before the meeting is held. On 24 May 2021, the Company conducted its 20th AGM through live streaming and online remote voting (fully virtual) using Virtual Meeting Facilities provided by HMC Corporate Services Sdn Bhd. The Chairman of the meeting was present at the broadcasting venue of Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. All Directors attended the AGM via Virtual Meeting Facilities. The remote poll voting results were scrutinised by an independent scrutineer.

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
9-10.2.21	Managing Recurrent Related Party Transactions	CKM Advisory Sdn Bhd	Dato' Azlam Shah bin Alias
15-16.3.21	Audit Committee Conference 2021	Malaysian Institute of Accountants	Dato' Azlam Shah bin Alias
30.4.21	Overview of Integrated Reporting	BDO Plt	Dato' Azlam Shah bin Alias
28-31.5.21	Key Disclosure Obligations of Listed Company	CKM Advisory Sdn Bhd	Dato' Azlam Shah bin Alias
1.6.21	Implementing Amendments in the MCCG	Asia School of Business	Dato' Azlam Shah bin Alias
14.9.21	University Malaya Academia-Community Engagement (UMACE) 2021 International Conference	University of Malaya	Dato' Azlam Shah bin Alias
14.9.21	Advocacy Sessions for Directors & Senior Managers	Bursa Malaysia	Ir. Edwin Lim Beng Fook
28.9.21	Focus Group Sessions	Bursa Malaysia	Dato' Martin Lim Soon Seng
12-13.10.21	Understanding Board Decision Making Process	Asia School of Business	Dato' Azlam Shah bin Alias
6.12.21	AOB Conversations with the Audit Committees	Securities Commission Malaysia	Anita Chew Cheng Im
8.12.21	Preparation of MPERS Financial Statements	Malaysian Institute of Accountants	Loi Kim Fah
10.12.21	Fraud Risk Management Workshop	Bursa Malaysia	Dato' Azlam Shah bin Alias
14-15.12.21	ISQC 1, ISQM 1 & ISQM 2 and ISA 220 (Revised), Incorporating Root Cause Analysis	Malaysian Institute of Accountants	Loi Kim Fah

This Corporate Governance Overview Statement was approved by the Board of Directors on 24 February 2022.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Company established an Audit Committee on 3 February 2005 and it was restructured 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	Independent Non-Executive Director
	Anita Chew Cheng Im	Independent Non-Executive Director
	Dato' Azlam Shah bin Alias	Independent Non-Executive Director
	Bjørn Bråten	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 Group'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 2021. The details of the attendance of each member of the Audit Committee are as follows:

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

SUMMARY OF WORK

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

(a) Financial Reporting

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

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

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
Cont'd

SUMMARY OF WORK (CONTINUED)

(b) External Audit

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

(c) Internal Audit

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

(d) Others

- Reviewed the Executive Chairman's Statement, CEO's Operations Review, Sustainability Report, Management's Discussion and Analysis of Business Operations and Financial Performance, Audit & Risk Management Committee Report, Statement on Risk Management and Internal Controls and Corporate Governance Overview Statement prior to their inclusion in the Company's Annual Report 2021; and
- Reviewed the adequacy of the terms of reference of the Committee.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
Cont'd

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.

In 2021, the Internal Audit Department had conducted audits on the Group’s work premises to ensure that all staff complied with the Standard Operating Procedures (SOPs) and guidelines on the Movement Control Order (MCO), Full Movement Control Order (FMCO)/National Recovery Plan (NRP) and its variations imposed by the National Security Council (NSC)/Ministry Of Health (MOH)/Ministry of International Trade and Industry (MITI).

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Statement of Risk Management and Internal Control has been prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("Guidelines"). The Guidelines provide guidance for companies pertaining to compliance with the AMLR and the Malaysian Code on Corporate Governance.

BOARD RESPONSIBILITIES

The Board recognises that effective risk management and a sound system of internal control are fundamental to good corporate governance. The objective of risk management is to create and protect value for the Group through improving performance, encouraging innovation and supporting the achievement of objectives. The Board acknowledges its responsibility and is committed to maintain an effective risk management and internal control system to address all key risks which the Group considers relevant and material to its operations while the Management plays an integral role in assisting the design and implementation of the Board's policies on risk management and internal control.

The Board recognises that the system of risk management and internal control are designed to manage and mitigate risks rather than eliminate risks which may hinder the achievement of the Group's objectives and would therefore provide only reasonable and not absolute assurances against material misstatements or losses.

RISK MANAGEMENT FRAMEWORK

The Group adopts the Enterprise Wide Risk Management ("ERM") Policy which is designed to manage risks in an integrated, systematic and consistent manner. It establishes the overall risk management framework and processes in defining the strategy to identify and manage risks across the Group. ERM principles are embedded in the corporate culture, processes and structures of the Group.

The main features of the Group's risk management system are described in the ensuing sections.

RISK MANAGEMENT COMMITTEE

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 responsibility for day-to-day risk management resides with the Management of each function/business unit where they are the risk owners and are accountable for managing the risks identified and assessed. In managing the risks of the Group, the Risk Management Committee collaborates with the Management in reviewing and ensuring that there is on-going monitoring of risks, the adequacy and effectiveness of its related controls and that action plans are developed and implemented to manage these risks within an acceptable level.

The Board regards the risk management and internal control 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.

RISK IDENTIFICATION AND ASSESSMENT

The ERM process begins with the systematic identification, analysis, monitoring and reporting of key risks, based on the likelihood of risk occurrence and the magnitude of impact using a self-assessment approach. A summary of significant risks that the Group is exposed to will then be outlined. The assessment covers among others, strategic, organisation structure, operational, processes, regulatory, people culture, technologies and reputation risks.

For the reporting year, all business units conducted their quarterly ERM reviews which were led by the Chief Executive Officer in conjunction with the Chief Operating Officer, Head of Divisions and the Internal Audit Function. Risk owners are responsible to ensure that appropriate action plans are carried out for key risks identified in a timely manner.

On a quarterly basis, the risk profile, which sets out the priority and focus for risk mitigation strategies based on risk ratings, after taking into consideration the effectiveness of existing controls and risk treatment plans is tabled to the Audit & Risk Management Committee (ARMC) for review and endorsement.

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

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that a sound system of internal control reduces the risks that will impede the Group from achieving its goals and strategic objectives. The salient elements of the Group's internal control framework are described below:

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 adequate segregation of duties, effective supervision of day-to-day operations and quick response to changes in an ever changing and challenging business environment.

ii. Formalised Strategic Planning Process

The Senior Management with the endorsement of the Board has formulated the appropriate business plans within which the business objectives, strategies and targets are articulated. Business planning and budgeting are undertaken annually, to establish plans and targets against which performance is monitored on an ongoing basis. Key business risks are identified during the business planning process and are reviewed regularly during the year.

iii. 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.

iv. Information And Communications Systems

The Group operates on an advanced Enterprise Resource Planning (ERP) system which integrates various facets of the Group's operations. The system provides management with data, analysis, variations, exceptions and other inputs relevant to the Group's performance. Employees within the Group are guided by the Information Technology (IT) policies and procedures such as the IT Security Policy, Access Management and Cyber Security Framework in the running and support of the ERP system.

v. Documented Policies And Procedures

Internal policies and procedures which are set out in a series of clearly documented standard operating manuals covering a majority of areas within the Group are maintained and made accessible to all employees. They are established and implemented as an integral part of the internal control system to safeguard shareholders' investment and the Group's assets against material losses.

vi. Code of Business Conduct

The Group's formalised business ethics through the Code of Conduct & Ethics is in line with Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act which was enforced with effect from 1 June 2020. It sets the expectation in upholding integrity and ethical values within the Group. The Code of Conduct & Ethics is made available to all staff and is available on the Group's website: https://www.k-one.com/About Us/Investor Relations/ Code of Conduct & Ethics/. In addition, staff are briefed upon joining and subsequently reminded to strictly adhere to the policy. Actions have also been taken to cascade the implementation of the Code of Conduct & Ethics to third parties which includes suppliers and business partners.

vii. Whistle Blowing Policy

Whistle Blowing Policy enables the businesses within the Group to respond nimbly to concerns raised notwithstanding changes in the environment and to ensure that the corporate culture of integrity, transparency and accountability are upheld across the Group. The policy encourages and provides a channel to employees and members of the public to report in good faith and in confidence, without fear of reprisals, of concerns about possible improprieties. Allegations of improprieties which are reported via the whistle-blowing channel, i.e. email at corp@k-one.com are appropriately followed up and the outcome(s) will be tabled to the ARMC meetings.

The above-mentioned policy is available for reference at the Group's website: https://www.k-one.com/About Us/Investor Relations/ Whistle Blowing Policy/.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
Cont'd

INTERNAL CONTROL FRAMEWORK (CONTINUED)

viii. Quality Control

The Board places laser focus on continuous efforts in maintaining the quality of products through rigorous quality control measures. Being ISO 9001, ISO13485, ISO14001, ISO/IATF 16949, OHSAS 18001, ATEX certified and FDA and MDA registered, it strictly complies with standard operating procedures in performing specific tasks to uphold the certifications and registrations which are subject to annual review.

ix. Internal Audit

The Internal Audit Department that reports to the ARMC, 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 ARMC and Senior Management.

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

x. Audit & Risk Management Committee (ARMC)

The ARMC was set up with the view to assist and provide the Board with added focus in discharging its duties. For 2021, the ARMC met four (4) times to review the financial performance and operations relating to business performance, productivity, internal controls and risk management of the Group, following which had reported its deliberations and recommendations to the Board. Henceforth, the ARMC will continue to convene quarterly meetings to advise the Board on findings and in particular, improvements of the risk management and internal control of the Group.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

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 control 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 Control in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised) and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report. Assurance engagement other than audits or reviews of historic financial information and reported to the Board that are based on the procedures performed, for which nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control 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 Control has been approved by the Board of K-One Technology Berhad on 24 February 2022.

ADDITIONAL COMPLIANCE INFORMATION

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

MATERIAL CONTRACT INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

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

REVALUATION OF LANDED PROPERTIES

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

FINANCIAL STATEMENTS

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 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are in research, design and development of healthcare, medical, Internet of Things ("IoT"), industrial and consumer electronics end products and sub-systems, provision of cloud computing service and investment holding. The principal activities of its subsidiaries are set out in Note 9 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year, net of tax	(2,712,715)	(5,059,387)
Attributable to:		
Owners of the Company	(2,712,715)	(5,059,387)

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 2021.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

DIRECTORS' REPORT

Cont'd

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 other than the impact of the COVID-19 outbreak as disclosed in Note 32 to the financial statements; and

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

ISSUE OF SHARES AND DEBENTURES

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

Class	Quantity	Term of issue	Purpose of issue
Ordinary share	16,130,500	Cash	Exercise of options
Ordinary share	83,755	Cash	Exercise of warrants

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

No new issue of debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

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 which was implemented on 7 March 2017 and was in force for a period of 5 years expired on 7 March 2022.

The salient features and other details of the ESOS are disclosed in Note 18 to the financial statements.

ESOS (CONTINUED)

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

		Number of option over ordinary shares				
Grant date	Exercise price	At 1.1.2021	Granted	Exercised	Forfeited	At 31.12.2021
13.3.2017	RM0.14	16,372,500	-	(15,382,500)	-	990,000
25.7.2018	RM0.17	600,000	-	-	-	600,000
10.7.2018	RM0.16	882,200	-	(653,000)	-	229,200
13.1.2020	RM0.19	5,557,500	-	(95,000)	-	5,462,500

WARRANTS

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

The salient terms of the warrants are disclosed in Note 17(b) to the financial statements.

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

	Number of warrants				
	At 1.1.2021	Allotment	Exercised	Expired	At 31.12.2021
Warrants	182,234,783	-	(83,755)	(182,151,028)	-

DIRECTORS

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

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

* Directors of the Company and certain subsidiaries

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

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

DIRECTORS' 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:

Interests in the Company

	Number of Ordinary Shares			
	At 1.1.2021	**Bought**	**Sold**	**At 31.12.2021**
Direct interest				
Ir. Lim Beng Fook	120,172,273	6,600,000	-	126,772,273
Dato' Lim Soon Seng	101,418,078	7,200,000	-	108,618,078
Bjørn Bråten	31,492,432	-	-	31,492,432
Goh Chong Chuang	1,689,864	-	-	1,689,864
Loi Kim Fah	1,333,560	-	-	1,333,560
Anita Chew Cheng Im	600,000	-	-	600,000

	Number of ESOS			
Name	**Balance as at 1.1.2021**	**Granted**	**Exercised**	**Balance as at 31.12.2021**
Ir. Lim Beng Fook	6,600,000	-	(6,600,000)	-
Dato' Lim Soon Seng	7,200,000	-	(7,200,000)	-
Dato' Azlam Shah bin Alias	600,000	-	-	600,000

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 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any deemed benefits which may arise from transactions entered into in the ordinary course of business as disclosed in Note 28 to the financial statements.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company and subsidiaries were RM8,000,000 and RM14,850 respectively.

SUBSIDIARIES

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

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

AUDITORS

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

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

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: 15 April 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	17,585,957	18,634,979	3,672,043	3,730,609
Investment property	6	4,800,000	-	4,800,000	-
Goodwill on business combination	7	18,561,563	18,561,563	-	-
Other intangible assets	8	29,477	13,208	-	-
Investment in subsidiaries	9	-	-	96,039,674	87,691,903
Deferred tax assets	10	1,929,856	99,277	-	-
Other investment	11	115,171	115,171	-	-
Total non-current assets		43,022,024	37,424,198	104,511,717	91,422,512
Current assets					
Inventories	12	27,667,784	19,134,451	-	-
Receivables, deposits and prepayments	13	29,850,996	32,980,485	74,206	4,071,305
Contract assets	14	2,992,351	1,840,992	-	-
Current tax assets		2,322,445	2,038,010	175,839	133,134
Short term cash investment	15	16,538,008	18,651,367	7,038,008	12,651,367
Cash and cash equivalents	16	29,870,977	37,203,661	6,650,554	11,580,181
Total current assets		109,242,561	111,848,966	13,938,607	28,435,987
TOTAL ASSETS		152,264,585	149,273,164	118,450,324	119,858,499
EQUITY AND LIABILITIES					
Share capital	17	123,643,978	119,785,718	123,643,978	119,785,718
Reserves	18	(8,971,524)	(4,842,677)	(6,733,032)	(252,576)
Total equity		114,672,454	114,943,041	116,910,946	119,533,142
LIABILITIES					
Non-current liability					
Deferred tax liabilities	10	386,600	240,528	-	-
Total non-current liability		386,600	240,528	-	-
Current liabilities					
Payables and accruals	19	29,087,491	28,004,967	1,539,378	325,357
Contract liabilities	14	7,407,200	6,035,180	-	-
Current tax liabilities		710,840	49,448	-	-
Total current liabilities		37,205,531	34,089,595	1,539,378	325,357
Total liabilities		37,592,131	34,330,123	1,539,378	325,357
TOTAL EQUITY AND LIABILITIES		152,264,585	149,273,164	118,450,324	119,858,499

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Revenue	20	125,543,824	91,203,117	-	27,371
Cost of sales	21	(110,299,447)	(76,435,656)	-	(18,502)
Gross profit		15,244,377	14,767,461	-	8,869
Other income		1,272,070	501,013	638,507	234,108
Administrative expenses		(16,053,581)	(14,391,765)	(1,265,709)	(1,082,426)
Sales and distribution costs		(304,756)	(482,847)	(50,654)	(64,510)
Net (impairment losses)/reversal of impairment losses on financial instruments		(833,724)	(5,055,556)	141,983	(5,205,710)
Other operating expenses		(1,370,555)	(3,085,211)	(4,696,115)	(157,526)
		(18,562,616)	(23,015,379)	(5,870,495)	(6,510,172)
Operating loss		(2,046,169)	(7,746,905)	(5,231,988)	(6,267,195)
Finance income		264,805	814,850	172,601	395,248
Loss before tax	22	(1,781,364)	(6,932,055)	(5,059,387)	(5,871,947)
Income tax expense	25	(931,351)	(1,441,142)	-	(285,571)
Loss for the financial year		(2,712,715)	(8,373,197)	(5,059,387)	(6,157,518)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation		4,937	(3,014)	-	-
Total comprehensive loss for the financial year		(2,707,778)	(8,376,211)	(5,059,387)	(6,157,518)
Loss attributable to:					
Owners of the Company		(2,712,715)	(8,784,429)	(5,059,387)	(6,157,518)
Non-controlling interest		-	411,232	-	-
		(2,712,715)	(8,373,197)	(5,059,387)	(6,157,518)
Total comprehensive loss attributable to:					
Owners of the Company		(2,707,778)	(8,787,443)	(5,059,387)	(6,157,518)
Non-controlling interest		-	411,232	-	-
		(2,707,778)	(8,376,211)	(5,059,387)	(6,157,518)
Loss per ordinary share attributable to owners of the Company					
Basic (sen)	26	(0.33)	(1.16)		
Diluted (sen)	26	(0.33)	(1.16)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

Group	Share capital RM	Share option reserve RM	Foreign exchange reserve RM	Accumulated losses RM	Total equity RM
	← Attributable to Owners of the Company →				
At 31 December 2020	119,785,718	1,744,008	(82,550)	(6,504,135)	114,943,041
Total comprehensive loss for the financial year					
Loss for the financial year	-	-	-	(2,712,715)	(2,712,715)
Other comprehensive income					
Foreign currency translation difference	-	-	4,937	-	4,937
Total comprehensive loss	-	-	4,937	(2,712,715)	(2,707,778)
Transactions with owners					
Issuance of ordinary shares pursuant to:					
- Exercise of warrant	25,127	-	-	-	25,127
- Exercise of ESOS	3,833,133	(1,566,269)	-	-	2,266,864
Vesting of ESOS granted	-	145,200	-	-	145,200
Total transactions with owners	3,858,260	(1,421,069)	-	-	2,437,191
At 31 December 2021	123,643,978	322,939	(77,613)	(9,216,850)	114,672,454

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
Cont'd

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

	← Attributable to Owners of the Company →			
Company	**Share capital RM**	**Share option reserve RM**	**Accumulated losses RM**	**Total equity RM**
At 31 December 2020	119,785,718	1,744,008	(1,996,584)	119,533,142
Total comprehensive loss for the financial year				
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	(5,059,387)	(5,059,387)
Transactions with owners				
Issuance of ordinary shares pursuant to:				
- Exercise of warrant	25,127	-	-	25,127
- Exercise of ESOS	3,833,133	(1,566,269)	-	2,266,864
Vesting of ESOS granted	-	145,200	-	145,200
Total transactions with owners	3,858,260	(1,421,069)	-	2,437,191
At 31 December 2021	123,643,978	322,939	(7,055,971)	116,910,946

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities				
Loss before tax	(1,781,364)	(6,932,055)	(5,059,387)	(5,871,947)
Adjustments for:				
Impairment losses on:				
- trade receivables	3,489	65,556	-	-
- other receivables	830,235	4,990,000	830,235	4,990,000
- amount due from subsidiaries	-	-	11,575	215,710
Impairment loss on investment in subsidiaries	-	-	4,696,115	-
Reversal of impairment loss on amount due from subsidiaries	-	-	(983,793)	-
Amortisation of computer software	4,512	27,513	-	22,572
Depreciation of property, plant and equipment	2,597,059	2,121,100	58,566	58,567
Impairment loss on plant and equipment	71,783	-	-	-
Property, plant and equipment written off	-	2,858	-	-
Inventories written down	20,293	-	-	-
Fair value movement of put option liability over shares of a subsidiary	-	927,141	-	-
Share options granted under ESOS	145,200	450,860	-	-
Fair value gain on short-term cash investment	(7,902)	(84,648)	(7,902)	(84,648)
Gain on disposal of short-term cash investment	(23,197)	-	(23,197)	-
Income from short-term cash investment	(411,552)	(157,009)	(109,427)	(119,323)
Interest income	(264,805)	(814,850)	(172,601)	(395,248)
Net unrealised (gain)/loss on foreign exchange	(340,105)	85,127	(4,706)	6,873
Operating profit/(loss) before changes in working capital	843,646	681,593	(764,522)	(1,177,444)
Changes in working capital:				
Contract assets/liabilities	220,661	513,005	-	-
Inventories	(8,553,626)	1,175,775	-	-
Receivables	(389,051)	(7,175,466)	159,971	(3,438)
Payables	1,190,949	9,657,905	75,972	148,666
Net cash (used in)/from operations	(6,687,421)	4,852,812	(528,579)	(1,032,216)
Interest received	264,805	814,850	172,601	395,248
Tax paid	(2,238,901)	(854,852)	(42,705)	(58,705)
Net cash (used in)/from operating activities	(8,661,517)	4,812,810	(398,683)	(695,673)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
Cont'd

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,619,820)	(4,577,918)	-	-
Purchase of intangible assets		(20,781)	(14,394)	-	-
Purchase of investment property	(a)	(1,920,235)	-	(1,920,235)	-
Income from short-term cash investment		411,552	157,009	109,427	119,323
Advances to subsidiaries		-	-	(11,799,340)	(4,596,501)
Uplift of deposits with licensed banks		1,000,000	27,000,000	1,000,000	17,500,000
Redemption/(Placement) of short-term cash investment		2,144,458	(10,500,000)	5,644,458	(4,500,000)
Net cash (used in)/from investing activities		(4,826)	12,064,697	(6,965,690)	8,522,822
Cash flows from financing activities					
Proceeds from issuance of shares		2,291,991	4,749,477	2,291,991	4,749,477
Repayment from subsidiaries		-	-	1,138,049	(2,860,645)
Net cash from financing activities		2,291,991	4,749,477	3,430,040	1,888,832
Net (decrease)/increase in cash and cash equivalents		(6,374,352)	21,626,984	(3,934,333)	9,715,981
Cash and cash equivalents at the beginning of financial year		36,203,661	14,616,779	10,580,181	871,088
Effect of exchange rate fluctuations on cash and cash equivalents		41,668	(40,102)	4,706	(6,888)
Cash and cash equivalents at the end of financial year	16	29,870,977	36,203,661	6,650,554	10,580,181

(a) Purchase of investment property:

		Group/Company	
		2021	2020
	Note	RM	RM
Purchase of investment property	6	4,800,000	-
Less: Contra against other receivables		(2,879,765)	-
Cash payment on investment property		1,920,235	-

(b) Reconciliation of liabilities arising from financing activities

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

(c) Total cash outflows for leases

During the financial year, the total cash outflow for leases amounted to RM208,667 (2020: RM192,971).

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

K-One Technology Berhad ("the Company") 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 healthcare, medical, Internet of Things ("IoT"), industrial and consumer electronics end products and sub-systems, provision of cloud computing service and investment holding. The principal activities of the subsidiaries are set out in Note 9.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 April 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosure
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 139	Financial Instruments: Recognition and Measurement

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

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

Amendment to MFRS 16 Leases

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statement of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

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

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

2. BASIS OF PREPARATION (CONTINUED)

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

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

Annual Improvements to MFRS Standards 2018–2020

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

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

Amendments to MFRS 3 Business Combinations

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

Amendments to MFRS 101 Presentation of Financial Statements

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

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

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

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

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

Amendments to MFRS 116 Property, Plant and Equipment

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

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

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

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(a) Subsidiaries

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Accounting for business combinations

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

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

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

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

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

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.13.

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

Transaction costs, 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.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(c) Non-controlling interests

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

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

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

(d) 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

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(b).

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

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 of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (Continued)

(c) Depreciation (Continued)

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Leasehold land	25 to 38 years
Buildings	25 to 50 years
Furniture and fittings, office equipment and renovation	15% to 40%
Motor vehicles	20%
Plant and machinery and testing equipment	20%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.3 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. After the initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

3.4 Other intangible assets

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

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

3.5 Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

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

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

(a) Subsequent measurement

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

(i) Financial assets

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

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

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

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

<u>Debt instruments</u>

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

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.7(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

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

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

Equity instruments

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

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

(ii) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* 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 effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

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

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

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

(c) Financial guarantee contracts

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

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

(d) Regular way purchase or sale of financial assets

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

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

Trade date accounting refers to:

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

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

(e) Derecognition

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

(i) the contractual rights to receive the cash flows from the financial asset expire, or

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

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(e) Derecognition (Continued)

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

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

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

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

3.6 Offsetting of financial instruments

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

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

3.7 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), lease receivables, contract assets, 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 losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (Continued)

(b) Impairment of non-financial assets

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

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

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

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

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

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

3.8 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.

3.9 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Leases

(a) Definition of lease

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

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

(b) Lessee accounting

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

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

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

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(b).

<u>Lease liability</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Leases (Continued)

(b) Lessee accounting (Continued)

Lease liability (Continued)

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

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

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

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

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

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

(c) Lessor accounting

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the noncontrolling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.13 Goodwill on business combination

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(b).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(a).

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

3.15 Revenue recognition

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

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

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

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

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

<u>Financing components</u>

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

(i) Sale of goods

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue recognition (Continued)

(ii) Rendering of services

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

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

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

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

(iii) Membership fee

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

(iv) Interest income

Interest income is recognised on effective interest method.

(v) Rental income

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

(vi) Income from short term cash investment

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

3.16 Income tax

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (Continued)

(b) Deferred tax (Continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when 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 reporting date.

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.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

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

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

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

3.17 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.18 Share-based payments

(a) Equity-settled share-based payment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

3.20 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.21 Fair value measurements

Fair value of an asset or a 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.

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

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Impairment of goodwill

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

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount are disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Motor vehicles RM	Furniture and fittings, office equipment and renovation RM	Plant and machinery and testing equipment RM	Right-of-use assets RM	Total RM
Cost							
At 1 January 2021	1,433,333	6,900,626	918,480	5,453,038	6,380,196	3,244,926	24,330,599
Additions	-	-	-	1,005,133	614,687	-	1,619,820
At 31 December 2021	1,433,333	6,900,626	918,480	6,458,171	6,994,883	3,244,926	25,950,419
Accumulated depreciation and impairment loss							
At 1 January 2021	-	1,150,557	336,109	2,188,439	1,457,740	562,775	5,695,620
Charge for financial year	-	140,387	183,696	878,658	1,292,938	101,380	2,597,059
Impairment loss	-	-	-	71,783	-	-	71,783
At 31 December 2021	-	1,290,944	519,805	3,138,880	2,750,678	664,155	8,364,462
Carrying amount							
At 31 December 2021	1,433,333	5,609,682	398,675	3,319,291	4,244,205	2,580,771	17,585,957

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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM	Buildings RM	Furniture and fittings, office equipment and renovation RM	Total RM
2021				
Cost				
At 1 January/31 December	1,433,333	2,866,667	8,220	4,308,220
Accumulated depreciation				
At 1 January	-	573,334	4,277	577,611
Charge for the financial year	-	57,333	1,233	58,566
At 31 December	-	630,667	5,510	636,177
Carrying amount				
At 31 December	1,433,333	2,236,000	2,710	3,672,043
2020				
Cost				
At 1 January/31 December	1,433,333	2,866,667	8,220	4,308,220
Accumulated depreciation				
At 1 January	-	516,000	3,044	519,044
Charge for the financial year	-	57,334	1,233	58,567
At 31 December	-	573,334	4,277	577,611
Carrying amount				
At 31 December	1,433,333	2,293,333	3,943	3,730,609

Included in the above property, plant and equipment are:

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

	Group/Company	
	2021 RM	**2020 RM**
Freehold land	1,433,333	1,433,333
Office buildings	2,236,000	2,293,333
	3,669,333	3,726,666

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

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

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

	Group	
	2021	**2020**
	RM	**RM**
Carrying amount		
At 1 January	2,682,151	2,158,531
Additions	-	600,000
Depreciation	101,380	76,380
At 31 December	2,580,771	2,682,151

The leases have a remaining lease term of 24 to 30 years (2020: 25 to 31 years).

(c) Impairment loss

During the financial year, an impairment loss of RM71,783 was recognised in profit or loss under other operating expenses, representing the impairment of office renovation, in view of the cessation of the subsidiary's operation.

6. INVESTMENT PROPERTY

	Group/Company	
	2021	**2020**
	RM	**RM**
At cost:		
At 1 January	-	-
Additions	4,800,000	-
At 31 December	4,800,000	-

During the financial year, the additions of investment properties arose from debt settlement agreements entered into by the Company and its receivable via contra of properties against the amounts owing from the receivable.

The Group's and the Company's investment property comprises a two-storey bungalow.

Fair value information

Fair value of investment property is categorised as follows:

	Group/ Company
	Level 2
	RM
31.12.2021:	
Bungalow	5,000,000

6. INVESTMENT PROPERTY (CONTINUED)

Level 2 fair value

Level 2 fair value of building has been derived using the sales comparison approach. Sales prices of comparable buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable buildings.

The fair value of investment property is determined by an external independent property valuer with appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

7. GOODWILL ON BUSINESS COMBINATION

	Group	
	2021	2020
	RM	RM
Goodwill on business combination	18,561,563	18,561,563

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

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

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

Average gross margin	:	21% (2020: 24%)
Average annual sales growth	:	17% (2020: 21%)
Discount rate	:	17% (2020: 16%)

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

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

8. OTHER INTANGIBLE ASSETS

	Group		Company	
	2021	2020	2021	2020
Computer software	RM	RM	RM	RM
Cost				
At 1 January	272,116	257,722	230,480	230,480
Additions	20,781	14,394	-	-
At 31 December	292,897	272,116	230,480	230,480
Accumulated amortisation				
At 1 January	258,908	231,395	230,480	207,908
Charge for financial year	4,512	27,513	-	22,572
At 31 December	263,420	258,908	230,480	230,480
Carrying amount	29,477	13,208	-	-

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9. INVESTMENT IN SUBSIDIARIES

	Note	Company 2021 RM	Company 2020 RM
Unquoted shares, at cost			
In Malaysia			
At 1 January		47,114,658	29,854,844
Addition		1,700,000	17,259,814
At 31 December		48,814,658	47,114,658
Outside Malaysia		1	1
		48,814,659	47,114,659
ESOS granted to employees of subsidiaries		15,146,479	15,001,279
		63,961,138	62,115,938
Less: Accumulated impairment	(a)		
At 1 January		(4,333,632)	(4,333,632)
Impairment loss		(1,000,600)	-
At 31 December		(5,334,232)	(4,333,632)
		58,626,906	57,782,306
Quasi loans	(b)	41,108,283	29,909,597
Less: Accumulated impairment	(a)		
At 1 January		-	-
Impairment loss		(3,695,515)	-
At 31 December		(3,695,515)	-
		37,412,768	29,909,597
		96,039,674	87,691,903

(a) Impairment loss has been provided for investment in certain subsidiaries and quasi loans when the subsidiary has become inactive or when recoverable amount is less than its carrying 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.

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of Company	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest/voting right 2021	Effective ownership interest/voting right 2020
K2 Cloud Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Big'Ant (M) Sdn. Bhd.	Malaysia	Provision of consultancy, system integration, installation, manufacturing, supply and distribution of electronic security and smart surveillance solutions	100%	100%
K-One Electronics Sdn. Bhd.	Malaysia	Development, manufacturing, supply and trading of consumer electronic products, healthcare equipment, digital devices and associated accessories via distribution network and/or online platforms and design, development and manufacturing of production tools	100%	100%
K-One Venture Sdn. Bhd.	Malaysia	Provision of co-working space, investment in business by capital funding and business advisory services	100%	100%
K-One International Limited *	Hong Kong	Dormant	100%	100%
Subsidiary of K2 Cloud Sdn. Bhd.				
G-AsiaPacific Sdn. Bhd.	Malaysia	Provision of cloud computing and its related services	100%	100%
K-One Industry Sdn. Bhd.	Malaysia	Design and development of manufacturing process/tools and manufacturing of electronic end products and sub-systems	100%	100%
Subsidiary of K-One Industry Sdn. Bhd.				
K-One Manufacturing Sdn. Bhd.	Malaysia	Design and development of manufacturing process/tools and manufacturing of electronic end products and sub-systems	100%	100%
K-One MediTech Sdn. Bhd.	Malaysia	Design, development, manufacturing and distribution of medical/ healthcare devices and consumables	100%	100%

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9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (Continued)

Name of Company	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest/voting right 2021	Effective ownership interest/voting right 2020
Subsidiary of G-AsiaPacific Sdn. Bhd.				
G-AsiaPacific (S) Pte. Ltd. *	Singapore	Provision of cloud computing and its related services	100%	100%

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

10. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	As at 1 January 2021 RM	Recognised in profit or loss RM	As at 31 December 2021 RM
Group			
Deferred tax assets			
Contract liabilities	-	1,753,356	1,753,356
Unutilised capital allowance	-	176,500	176,500
Unabsorbed tax losses	99,277	(99,277)	-
	99,277	1,830,579	1,929,856
Deferred tax liabilities			
Property, plant and equipment	(171,528)	(215,072)	(386,600)
Taxable temporary differences in respect of income	(69,000)	69,000	-
	(240,528)	(146,072)	(386,600)
	(141,251)	1,684,507	1,543,256

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

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

Presented after appropriate offsetting as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax assets	1,929,856	99,277	-	-
Deferred tax liabilities	(386,600)	(240,528)	-	-
	1,543,256	(141,251)	-	-

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Taxable temporary difference	(268,239)	(219,600)	(1,566)	(2,513)
Unutilised capital allowance	1,954,488	346,652	127,597	127,311
Unabsorbed tax losses	9,189,648	8,788,507	1,725,863	1,684,563
	10,875,897	8,915,559	1,851,894	1,809,361
Potential deferred tax at 24% (2020: 24%)	2,610,200	2,139,700	444,500	434,200

Pursuant to an amendment to Section 44(5F) of the Income Tax Act 1967, the time limit to utilise business losses has been extended to a maximum of 10 consecutive years. This amendment is deemed to effect from the year of assessment 2019.

Furthermore, unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessment 2019 to 2028).

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

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Year of assessments				
2028	2,937,236	2,937,236	1,248,200	1,248,185
2029	1,338,255	1,338,255	-	-
2030	4,860,185	4,513,016	436,378	436,378
2031	53,972	-	41,285	-
	9,189,648	8,788,507	1,725,863	1,684,563

11. OTHER INVESTMENT

	Group	
	2021	**2020**
	RM	**RM**
Financial assets designated at fair value through other comprehensive income ("DFVOCI")		
- Unquoted equity securities		
P.T. GAsia Pasific Indo	115,171	115,171

12. INVENTORIES

	Group	
	2021	**2020**
	RM	**RM**
At cost		
Raw materials	27,269,313	18,300,369
Finished goods	393,400	834,082
At net realisable value		
Finished goods	5,071	-
	27,667,784	19,134,451

(a) During the financial year, inventories of the Group recognised as cost of goods sold amounted to RM65,408,267 (2020: RM50,658,440).

(b) During the financial year, the cost of inventories of the Group recognised as cost of sales in respect of write-down of inventories to net realisable value was RM20,293 (2020: RM Nil).

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Current					
Trade					
Trade receivables	(a)	25,494,963	23,253,530	-	-
Less: Allowance for impairment		(69,045)	(65,556)	-	-
		25,425,918	23,187,974	-	-
Non-trade					
Other receivables	(b)	6,189,541	9,200,331	5,830,278	8,712,773
Less: Allowance for impairment		(5,820,235)	(4,990,000)	(5,820,235)	(4,990,000)
		369,306	4,210,331	10,043	3,722,773
Amounts due from subsidiaries	(c)	-	-	843,717	1,943,063
Less: Allowance for impairment		-	-	(826,672)	(1,798,890)
		-	-	17,045	144,173
Deposits		234,476	229,090	18,270	18,470
Prepayments		3,107,040	5,353,090	28,848	185,889
Advance to supplier		714,256	-	-	-
		29,850,996	32,980,485	74,206	4,071,305

(a) The normal credit terms extended to customers range from 30 to 90 days (2020: 30 to 90 days).

(b) Included in other receivables of the Group and of the Company is an amount of RM5,820,235 (2020: RM8,700,000) relating to cash consideration receivable pursuant to the disposal of an associate, AHM Consultancy Services Sdn. Bhd. to the former vendors. Part of the consideration was settled through the sale of properties owned by the former vendors. The former vendors have unconditionally and irrevocably granted the Company the option to sell the properties for or on behalf of them until sufficient properties have been sold to fulfil the consideration.

During the financial year, the impairment of RM830,235 (2020: RM4,990,000) was made on the remaining cash consideration receivable after the contra of investment property with the outstanding loan.

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

14. CONTRACT ASSETS/(LIABILITIES)

	Group 2021 RM	Group 2020 RM
Contract assets	2,992,351	1,840,992
Contract liabilties	(7,407,200)	(6,035,180)
	(4,414,849)	(4,194,188)

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14. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

	Group	
	2021	2020
	RM	RM
At 1 January	(4,194,188)	(4,533,165)
Revenue recognised during the year	49,417,154	28,955,944
Billings during the year	(49,637,815)	(28,616,967)
At 31 December	(4,414,849)	(4,194,188)

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

The contract liabilities relate to advance considerations received from customers for services of which the revenue will be recognised over the remaining contract of the specific contract it relates to, ranging from 1 to 30 months (2020: 1 to 30 months).

15. SHORT TERM CASH INVESTMENT

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash management fund with investment management companies	16,538,008	18,651,367	7,038,008	12,651,367

The investment is redeemable upon 1 day (2020: 1 to 10 days) in notice.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and bank balances	9,870,977	14,703,661	150,554	2,580,181
Deposits placed with licensed banks	20,000,000	22,500,000	6,500,000	9,000,000
	29,870,977	37,203,661	6,650,554	11,580,181

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Short-term deposits	20,000,000	22,500,000	6,500,000	9,000,000
Less: Non-short term fixed deposits	-	(1,000,000)	-	(1,000,000)
	20,000,000	21,500,000	6,500,000	8,000,000
Cash and bank balances	9,870,977	14,703,661	150,554	2,580,181
	29,870,977	36,203,661	6,650,554	10,580,181

The fixed deposits of the Group and the Company bear effective interest at rates ranging from 2% to 2.5% (2020: 2% to 3.9%) and 2% to 2.5% (2020: 2% to 2.5%) respectively per annum and with maturity period of 3 months (2020: 3 to 12 months) and 3 months (2020: 3 to 6 months) respectively.

17. SHARE CAPITAL

	Group/Company			
	2021		2020	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
Ordinary shares				
At 1 January	815,792,673	119,785,718	728,939,181	94,678,721
Issuance of ordinary shares pursuant to:				
- exercise of options	16,130,500	3,833,133	33,084,600	7,847,183
- acquisition of subsidiary	-	-	53,768,892	17,259,814
- exercise of warrants	83,755	25,127	-	-
At 31 December	832,006,928	123,643,978	815,792,673	119,785,718

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company:

(i) issued 16,130,500 new ordinary shares at prices ranging from RM0.14 to RM0.19 for the exercise of share options by option holders.
(ii) issued 83,755 new ordinary shares at price of RM0.30 per ordinary share for the exercise of warrants by warrant holders.

(b) Warrants

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

The salient features of the warrants are as follows:

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

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

	Number of warrants				
	At 1.1.2021	Allotment	Exercised	Expired	At 31.12.2021
Warrants	182,234,783	-	(83,755)	(182,151,028)	-

18. RESERVES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Foreign exchange reserve	(77,613)	(82,550)	-	-
Share option reserve	322,939	1,744,008	322,939	1,744,008
Accumulated losses	(9,216,850)	(6,504,135)	(7,055,971)	(1,996,584)
	(8,971,524)	(4,842,677)	(6,733,032)	(252,576)

Foreign exchange reserve

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

Share option reserve

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

The salient features of the ESOS are as follows:

(a) The eligibility for participation in the ESOS is at the discretion of the ESOS Committee. It is open to any eligible directors (including non-executive directors) and 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-up capital of the Company, either singly or collectively through persons connected with him/her, shall not exceed 10% of the total number of ESOS options available;

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

18. RESERVES (CONTINUED)

Share option reserve (Continued)

The salient features of the ESOS are as follows: (Continued)

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

Movement of share options during the financial year

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

	2021		2020	
	No.	WAEP (RM)	No.	WAEP (RM)
Outstanding at 1 January	23,412,200	0.152	49,164,000	0.139
- Granted	-	-	8,000,000	0.190
- Exercised	(16,130,500)	0.141	(33,084,600)	0.143
- Forfeited	-	-	(667,200)	0.187
Outstanding at 31 December	7,281,700	0.181	23,412,200	0.152
Execisable at 31 December	7,281,700	0.181	19,098,700	0.144

The options outstanding as at 31 December 2021 have exercise prices range from RM0.14 to RM0.19 (2020: from RM0.14 to RM0.19) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was approximately 3 months (2020: 1 year).

The weighted average share price at the date of the options being exercised during the financial year was RM0.195 (2020: RM0.36).

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

	2020	2019
Weighted average fair value of share option at grant date (RM)	0.0726	0.0895
Share price on grant date (RM)	0.215	0.185
Option life (years)	2.15	4.00
Risk-free rate (%)	3.00	3.63
Expected dividend (%)	Nil	Nil
Expected volatility (%)	45.45	60.59

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

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19. PAYABLES AND ACCRUALS

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Trade					
Trade payables	(a)	26,400,885	25,485,093	-	84
Non-trade					
Other payables		1,539,190	1,147,193	180,991	67,771
GST/SST payables		191,968	189,113	-	-
Amount due to a director	(b)	1,546	3,038	-	-
Amount due to subsidiaries	(c)	-	-	1,325,099	187,049
Accruals		931,411	1,173,089	25,847	63,012
Deposits received		22,491	7,441	7,441	7,441
		2,686,606	2,519,874	1,539,378	325,273
		29,087,491	28,004,967	1,539,378	325,357

(a) The normal trade credit terms granted to the Group range from 30 to 90 days (2020: 30 to 90 days).

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

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

20. REVENUE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Research, design and development of electronic end products and sub-systems	1,648,131	3,046,986	-	27,371
Manufacturing of electronic end products and sub-systems	72,601,769	57,556,170	-	-
Membership fee	-	2,845	-	-
Cloud computing services	51,293,924	30,597,116	-	-
	125,543,824	91,203,117	-	27,371

20. REVENUE (CONTINUED)

(a) Disaggregation of revenue

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

	Research, design, development and sales RM	Manufacturing RM	Cloud computing RM	Investment holding RM	Total RM
Group - 2021					
Primary geographical markets:					
Malaysia	81,266	1,184,741	32,839,803	-	34,105,810
Asia (excluding Malaysia)	55,917	12,853,993	18,263,468	-	31,173,378
Europe	128,237	41,861,608	4,820	-	41,994,665
Oceania	-	29,676	185,833	-	215,509
United States of America	1,382,711	16,671,751	-	-	18,054,462
	1,648,131	72,601,769	51,293,924	-	125,543,824
Major goods or services:					
Electronic products	-	72,601,769	-	-	72,601,769
Research, design and development	1,648,131	-	-	-	1,648,131
Cloud computing	-	-	51,293,924	-	51,293,924
	1,648,131	72,601,769	51,293,924	-	125,543,824
Timing of revenue recognition:					
At a point in time	1,648,131	72,601,769	1,876,770	-	76,126,670
Over time	-	-	49,417,154	-	49,417,154
	1,648,131	72,601,769	51,293,924	-	125,543,824
Group - 2020					
Primary geographical markets:					
Malaysia	141,895	331,613	27,928,251	2,845	28,404,604
Asia (excluding Malaysia)	189,413	9,111,742	2,297,299	-	11,598,454
Europe	2,437,482	35,123,201	369,251	-	37,929,934
Oceania	29,787	66,200	2,315	-	98,302
United States of America	248,409	12,923,414	-	-	13,171,823
	3,046,986	57,556,170	30,597,116	2,845	91,203,117
Major goods or services:					
Electronic products	-	57,556,170	-	-	57,556,170
Research, design and development	3,046,986	-	-	-	3,046,986
Membership fee	-	-	-	2,845	2,845
Cloud computing	-	-	30,597,116	-	30,597,116
	3,046,986	57,556,170	30,597,116	2,845	91,203,117
Timing of revenue recognition:					
At a point in time	3,046,986	57,556,170	448,833	-	61,051,989
Over time	-	-	30,148,283	2,845	30,151,128
	3,046,986	57,556,170	30,597,116	2,845	91,203,117

NOTES TO THE FINANCIAL STATEMENTS
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20. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Research, design, development and sales RM	Total RM
Company - 2021		
Primary geographical markets:		
Malaysia	-	-
Europe	-	-
Major goods or services:		
Research, design and development	-	-
	-	-
Timing of revenue recognition:		
At a point in time	-	-
	-	-
Company - 2020		
Primary geographical markets:		
Europe	27,371	27,371
Major goods or services:		
Research, design and development	27,371	27,371
	27,371	27,371
Timing of revenue recognition:		
At a point in time	27,371	27,371
	27,371	27,371

Transaction price allocated to the remaining performance obligations

Group	Within 1 year RM	Between 1 to 3 years RM	Total RM
As at 31 December 2021			
Revenue expected to be recognised on:			
- Cloud computing	7,377,246	29,954	7,407,200
As at 31 December 2020			
Revenue expected to be recognised on:			
- Cloud computing	5,981,167	54,013	6,035,180

21. COST OF SALES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Research, design and development of electronic end products and sub-systems	126,849	1,266,241	-	18,502
Cost of manufacturing of electronic end products and sub-systems	65,428,560	50,529,319	-	-
Cloud computing services	44,744,038	24,640,096	-	-
	110,299,447	76,435,656	-	18,502

22. LOSS BEFORE TAX

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Auditors' remuneration				
- current year	186,500	164,300	55,000	55,000
- prior year	12,700	9,850	-	17,000
- other services	6,000	21,000	6,000	6,000
Impairment losses on financial assets:				
- trade receivables	3,489	65,556	-	-
- other receivable	830,235	4,990,000	830,235	4,990,000
- amount due from subsidiary	-	-	11,575	215,710
Impairment loss on investment in subsidiaries	-	-	4,696,115	-
Amortisation of computer software	4,512	27,513	-	22,572
Depreciation of property, plant and equipment	2,597,059	2,121,100	58,566	58,567
Impairment loss on plant and equipment	71,783	-	-	-
Directors' fees	230,400	230,400	230,400	230,400
Directors' other emoluments	1,901,600	1,898,429	20,000	16,000
Foreign currency exchange loss/(gain)				
- realised	166,062	(46,606)	4	(371)
- unrealised	(340,105)	85,127	(4,706)	6,873
Fair value movement of put option liability over shares of a subsidiary	-	927,141	-	-
Property, plant and equipment written off	-	2,858	-	-
Inventories written down	20,293	-	-	-
Expenses relating to short-term lease	187,442	181,463	-	-
Expenses relating to low value assets	21,225	11,508	5,916	4,938
Gain on disposal of short-term cash investment	(23,197)	-	(23,197)	-
Reversal of impairment on amount due from subsidiaries	-	-	(983,793)	-
Income from short-term cash investment	(411,552)	(157,009)	(109,427)	(119,323)
Interest income	(264,805)	(814,850)	(172,601)	(395,248)
Fair value gain on short-term cash investment	(7,902)	(84,648)	(7,902)	(84,648)
Rental income of premises	(65,766)	(68,611)	(29,766)	(29,766)

NOTES TO THE FINANCIAL STATEMENTS
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23. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Executive directors' salary and other emoluments	2,817,180	2,672,479	-	-
EPF	1,369,960	1,235,877	44,248	43,602
Salaries and bonus	10,866,776	9,326,267	612,810	603,812
SOCSO	140,054	123,807	4,488	4,462
Share option granted under ESOS	145,200	450,860	-	-
Other personnel costs	444,141	296,439	1,855	2,540
	15,783,311	14,105,729	663,401	654,416

24. DIRECTORS' REMUNERATION

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salary and other emoluments	1,881,600	1,882,429	-	-
Non-executive:				
Fees	230,400	230,400	230,400	230,400
Allowances	20,000	16,000	20,000	16,000
	2,132,000	2,128,829	250,400	246,400
Directors of the subsidiaries				
Executive:				
Salary and other emoluments	935,580	790,050	-	-
Total directors' remuneration	3,067,580	2,918,879	250,400	246,400

25. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2021 and 31 December 2020 are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Current tax:				
Malaysian income tax:				
Current financial year	1,755,721	117,454	-	-
Under/(Over) provision in prior financial years	860,137	22,374	-	(2,429)
	2,615,858	139,828	-	(2,429)
Deferred tax (Note 10):				
Origination and reversal of temporary differences	(1,024,844)	1,270,214	-	252,200
(Over)/Under provision in prior financial years	(659,663)	31,100	-	35,800
	(1,684,507)	1,301,314	-	288,000
Tax expense	931,351	1,441,142	-	285,571

Income tax is calculated at the Malaysian statutory income tax rate of 24% (2020: 24%) of the estimated assessable loss for the financial year.

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Loss before tax	(1,781,364)	(6,932,055)	(5,059,387)	(5,871,947)
Tax at the Malaysian statutory income tax rate of 24% (2020: 24%)	(427,500)	(1,663,700)	(1,214,300)	(1,409,300)
Tax effect on non-deductible expenses	999,886	2,952,968	1,204,000	1,367,800
Tax effect on non-taxable income	(4,100)	-	-	-
Deferred tax assets not recognised	647,000	9,400	10,300	5,700
Reversal of deferred tax assets	-	737,100	-	288,000
Utilisation of previously unrecognised tax losses	(176,500)	-	-	-
Tax exemption on pioneer status	(307,900)	(648,100)	-	-
Under/(Over) provision in prior years				
- current tax	860,137	22,374	-	(2,429)
- deferred tax	(659,672)	31,100	-	35,800
	931,351	1,441,142	-	285,571

NOTES TO THE FINANCIAL STATEMENTS
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26. LOSS PER ORDINARY SHARE

(a) Basic

Basic loss/earnings per ordinary share is based on the 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	
	2021	2020
	RM	RM
Loss for the financial year attributable to owners of the Company	(2,712,715)	(8,784,429)
Weighted average number of ordinary shares outstanding during the financial year	818,577,759	758,852,213
Basic loss per ordinary share (sen)	(0.33)	(1.16)

(b) Diluted

The diluted loss per share of the Group is the same as the basic loss per ordinary share of the Group as the potential ordinary shares from share options and warrants are anti-dilutive.

27. CORPORATE GUARANTEE

	Company	
	2021	2020
	RM	RM
Corporate guarantee for credit facilities granted to subsidiary:		
- K-One Industry Sdn. Bhd.	22,576,000	22,576,000

28. RELATED PARTY DISCLOSURES

(a) Identification of related parties

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

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

(b) Related party transactions

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

	Group	
	2021	2020
	RM	RM
Paid or payable to certain directors of the Company		
Rental of factory	97,500	90,000

28. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances

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

(d) Compensation of key management personnel

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Directors of the Company and subsidiaries				
Fees	230,400	230,400	230,400	230,400
Salaries and other emoluments	2,545,062	2,395,570	20,000	16,000
Post-employment benefits	292,118	292,080	-	-
	3,067,580	2,918,050	250,400	246,400

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

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

	FVPL RM	AC RM	DFVOCI RM	Total RM
2021				
Group				
Financial assets				
Other investment	-	-	115,171	115,171
Receivables and deposits *	-	26,029,700	-	26,029,700
Short-term cash investments	16,538,008	-	-	16,538,008
Cash and bank balances	-	29,870,977	-	29,870,977
	16,538,008	55,900,677	115,171	72,553,856
Financial liabilities				
Payables and accruals #	-	28,895,523	-	28,895,523
2020				
Group				
Financial assets				
Other investment	-	-	115,171	115,171
Receivables and deposits *	-	27,627,395	-	27,627,395
Short-term cash investments	18,651,367	-	-	18,651,367
Cash and bank balances	-	37,203,661	-	37,203,661
	18,651,367	64,831,056	115,171	83,597,594
Financial liabilities				
Payables and accruals #	-	27,815,854	-	27,815,854

* *Exclude prepayments and advances to supplier.*
\# *Exclude GST/SST payables.*

29. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	FVPL RM	AC RM	Total RM
2021			
Company			
Financial assets			
Receivables and deposits *	-	45,358	45,358
Short-term cash investments	7,038,008	-	7,038,008
Cash and bank balances	-	6,650,554	6,650,554
	7,038,008	6,695,912	13,733,920

	AC RM	Total RM
Financial liabilities		
Payables and accruals	1,539,378	1,539,378

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

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

* *Exclude advances to suppliers and prepayments.*

(b) Financial risk management

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

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(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 deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. 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. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Trade receivables and contract assets

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 and contract assets 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	
	2021	2020
	RM	RM
Malaysia	3,937,316	5,799,496
Asia (excluding Malaysia)	2,619,163	5,195,664
Oceania	-	39,440
Europe	926,967	10,825,120
United States of America	18,011,517	1,393,810
	25,494,963	23,253,530

The Group and the Company apply the simplified approach to provide for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Credit risk concentration profile (Continued)

The information about the credit risk exposure on the Group's and the Company's trade receivables as at 31 December 2021 and 2020 respectively are as follows:

	Gross carrying amount RM	Expected credit loss allowance RM	Net balance RM
Group			
At 31 December 2021			
Contract assets			
Current (not past due)	2,992,351	-	2,992,351
Trade receivables			
Current (not past due)	18,637,718	-	18,637,718
1 to 30 days past due	5,165,077	-	5,165,077
31 to 60 days past due	1,219,197	-	1,219,197
61 to 90 days past due	75,237	-	75,237
91 to 120 days past due	35,720	-	35,720
More than 120 days past due	362,014	(69,045)	292,969
	28,487,314	(69,045)	28,418,269
At 31 December 2020			
Contract assets			
Current (not past due)	1,840,992	-	1,840,992
Trade receivables			
Current (not past due)	15,531,921	-	15,531,921
1 to 30 days past due	4,963,403	-	4,963,403
31 to 60 days past due	1,045,684	-	1,045,684
61 to 90 days past due	406,942	-	406,942
91 to 120 days past due	862,081	-	862,081
More than 120 days past due	443,499	(65,556)	377,943
	25,094,522	(65,556)	25,028,966

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

	Group	
	2021 RM	2020 RM
At 1 January	65,556	-
Additions - individually assessed	3,489	65,556
At 31 December	69,045	65,556

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

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.

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

	Group/Company	
	2021	**2020**
	RM	**RM**
At 1 January	4,990,000	-
Additions - individually assessed	830,235	4,990,000
At 31 December	5,820,235	4,990,000

Refer to Note 3.7(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Amounts due from subsidiaries

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

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

	Gross carrying amount	Expected credit loss allowance	Net balance
	RM	**RM**	**RM**
Company			
2021			
Credit impaired			
- individually assessed	843,717	(826,672)	17,045
	843,717	(826,672)	17,045
2020			
Credit impaired			
- individually assessed	1,943,063	(1,798,890)	144,173
	1,943,063	(1,798,890)	144,173

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

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

	Company	
	2021 RM	2020 RM
At 1 January	1,798,890	1,583,180
Additions - individually assessed	11,575	215,710
Reversal of impairment loss	(983,793)	-
At 31 December	826,672	1,798,890

(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 standby 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 of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

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 ("Euro"), Sterling Pound ("GBP") and Singapore Dollar ("SGD").

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Foreign currency risk (Continued)

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

	Trade and other receivables RM	Cash and bank balances RM	Trade and other payables RM	Total RM
Group				
2021				
USD	18,025,925	3,198,821	(9,425,130)	11,799,616
Euro	926,967	300,157	(1,756,558)	(529,434)
GBP	-	896	(35,830)	(34,934)
SGD	2,619,163	565,067	(778,518)	2,405,712
	21,572,055	4,064,941	(11,996,036)	13,640,960
2020				
USD	14,215,505	3,846,187	(11,393,550)	6,668,142
Euro	1,467,723	470,123	(2,006,103)	(68,257)
GBP	-	879	(18,966)	(18,087)
SGD	-	-	(2,969)	(2,969)
	15,683,228	4,317,189	(13,421,588)	6,578,829

	Cash and bank balances RM	Total RM
Company		
2021		
USD	12,131	12,131
2020		
USD	205,654	205,654

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29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

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

		Increase/(Decrease) in Loss for the financial year			
		Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
USD/RM	- Strengthen by 1% (2020: 5%)	(89,700)	(253,400)	100	7,800
	- Weaken by 1% (2020: 5%)	89,700	253,400	(100)	(7,800)
Euro/RM	- Strengthen by 5% (2020: 1%)	(20,100)	(500)	-	-
	- Weaken by 5% (2020: 1%)	20,100	500	-	-
GBP/RM	- Strengthen by 5% (2020: 1%)	(1,300)	(700)	-	-
	- Weaken by 5% (2020: 1%)	1,300	700	-	-
SGD/RM	- Strengthen by 1% (2020: 1%)	(18,300)	(100)	-	-
	- Weaken by 1% (2020: 1%)	18,300	100	-	-

(c) Fair value measurement

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

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

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

(ii) Short-term cash investment

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

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (Continued)

Fair value hierarchy

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

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

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

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

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

	Fair Value Measurement			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
Financial assets at fair value				
2021				
- Other investment	-	-	115,171	115,171
- Short-term cash investment	16,538,008	-	-	16,538,008
2020				
- Other investment	-	-	115,171	115,171
- Short-term cash investment	18,651,367	-	-	18,651,367

30. SEGMENT INFORMATION

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

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

NOTES TO THE FINANCIAL STATEMENTS
Cont'd

30. SEGMENT INFORMATION (CONTINUED)

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

Segment revenue and results

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

	Research, design and development and sales	Manufacturing	Cloud computing	Investment holding	Consolidated
	RM	RM	RM	RM	RM
2021					
Total external revenue	1,648,131	72,601,769	51,293,924	-	125,543,824
Segment profit/(loss)	824,747	(3,732,146)	2,574,114	(1,448,079)	(1,781,364)
Tax (expense)/credit	(124,427)	(293,802)	(517,007)	3,885	(931,351)
Loss for the financial year					(2,712,715)
Other information					
Segment assets	15,359,852	62,076,350	48,294,066	22,282,016	148,012,284
Unallocated corporate assets					4,252,301
Consolidated total assets					152,264,585
Segment liabilities	736,665	17,061,332	18,466,392	230,304	36,494,693
Unallocated corporate liabilities					1,097,440
Consolidated total liabilities					37,592,133
Capital expenditure	-	1,594,565	46,036	4,800,000	6,440,601
Amortisation of computer software	-	4,512	-	-	4,512
Depreciation of property, plant and equipment	-	2,475,757	60,244	61,058	2,597,059

30. SEGMENT INFORMATION (CONTINUED)

	Research, design and development and sales RM	Manufacturing RM	Cloud computing RM	Investment holding RM	Consolidated RM
2020					
Total external revenue	3,046,986	57,556,170	30,597,116	2,845	91,203,117
Segment (loss)/profit	834,684	(5,028,308)	2,639,695	(5,378,126)	(6,932,055)
Tax expense	(698,569)	(615,049)	(25,438)	(102,086)	(1,441,142)
Loss for the financial year					(8,373,197)
Other information					
Segment assets	11,126,138	61,639,116	42,339,702	32,030,921	147,135,877
Unallocated corporate assets					2,137,287
Consolidated total assets					149,273,164
Segment liabilities	500,027	19,900,489	13,485,235	154,396	34,040,147
Unallocated corporate liabilities					289,976
Consolidated total liabilities					34,330,123
Capital expenditure	-	4,570,679	21,633	-	4,592,312
Amortisation of computer software	-	2,941	-	24,572	27,513
Depreciation of property, plant and equipment	-	1,981,700	57,831	81,569	2,121,100
Share options granted under ESOS	-	15,260	435,600	-	450,860

Geographical information

The Group's Electronic Manufacturing Service ("EMS") business is derived mainly from three geographical areas. About 98% (2020: 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/sub-systems and medical/healthcare devices to Europe, United States of America and Asia (excluding Malaysia). The manufacturing activities are mainly conducted in Malaysia.

The operating activities of the cloud computing segment is mainly conducted in Malaysia and specific ASEAN countries.

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

	Revenue		Non-current assets	
	2021 RM	2020 RM	2021 RM	2020 RM
Malaysia**	34,105,810	28,404,604	40,976,997	37,209,750
Asia (excluding Malaysia)	31,173,378	11,598,454	-	-
Europe	41,994,665	37,562,998	-	-
Oceania	215,509	465,238	-	-
United States of America	18,054,462	13,171,823	-	-
	125,543,824	91,203,117	40,976,997	37,209,750

** *Includes RM32,839,801 (2020: RM27,928,251) from Cloud business.*

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

30. SEGMENT INFORMATION (CONTINUED)

Information about major customer in EMS business

The Group has 1 (2020: 1) major international customer contributing more than 10% of the group revenue. The revenue contribution by this customer during the financial year amounted to RM32,620,893 (2020: RM27,704,830).

31. CAPITAL MANAGEMENT

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

The Group and the Company manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2021 and 2020.

The Group and the Company do not have any borrowings as at the financial years ended 31 December 2021 and 2020. As such, no disclosure of the gearing ratio is shown as it is not meaningful.

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

32. IMPACT OF THE CORONAVIRUS OUTBREAK

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic following its rapid spread across the globe. On 18 March 2020, the Malaysian government invoked the Movement Control Order ("MCO") followed by imposition of various versions of MCOs over the last two years to curb the spread of COVID-19 infections.

Across the globe, many countries have also imposed lockdowns, travel restrictions and other measures to curb the spread of COVID-19 infections. The COVID-19 pandemic and the consequential mitigating measures have brought about unprecedented economic uncertainties worldwide.

The Group and the Company have considered the impact of COVID-19 in the application of key judgements and estimates to determine amounts recognised in the financial statements, including those disclosed in Note 4. Although the world is transitioning into endemicity, COVID-19 continues to evolve and may linger on indefinitely.

Given the uncertainty, the Group and the Company will continue to monitor the situation and take appropriate and timely measures to minimise its impact on the Group's and the Company's operations.

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 44 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 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: 15 April 2022

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 44 to 102 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....

CHOI KENG MUN
(MIA Membership No.: 11309)

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan on 15 April 2022.

Before me,

....

VOO SIN WEI (B779)
Commissioner for Oaths

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of K-One Technology Berhad, which comprise the statements of financial position as at 31 December 2021 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 significant accounting policies, as set out on pages 44 to 102.

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 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Group

Goodwill on business combination (Notes 4.1 and 7 to the financial statements)

The Group recorded goodwill on business combination amounting to RM18,561,563 arising from the acquisition of GAP in financial year ended 31 December 2019. The Group is required to assess the recoverable amount of goodwill annually.

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

Our response:

Our audit procedures included, among others:

- assessing the appropriateness of the valuation methodology adopted by the Group in accordance to the requirements of MFRS 136 Impairment of Assets;
- comparing the actual results with previous budget to assess the performance of the business;
- comparing the Group's key assumptions which include consideration of the current economic and business environment affected by the COVID-19 pandemic to our assessments obtained during our audit;
- testing the mathematical accuracy of the computation of the recoverable amount; and
- performing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount.

Company

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

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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: (Continued)

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTER

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

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

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

Kuala Lumpur

Date: 15 April 2022

LIST OF PROPERTIES
AS AT 31 DECEMBER 2021

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 31/12/2021 (RM '000)
66, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-storey shoplot: Office	Freehold	32	6,000	4.7.2006	1,834
68, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-storey shoplot: Office	Freehold	32	6,000	4.7.2006	1,834
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	32	45,000	9.8.2007	2,800
19, Lengkok Rishah 1 Kawasan Perindustrian Silibin 30100 Ipoh Perak	Single storey detached factory	Leasehold – 60 years expiring in 2045	32	10,721	21.8.2021	631
Lot 128249 Lengkok Rishah 1 Kawasan Perindustrian Silibin 30100 Ipoh Perak	Single storey detached factory	Leasehold – 60 years expiring in 2045	32	10,721	21.8.2021	631
Plot 24, Jalan Industri 3, Zon Perdagangan Bebas Jelapang 2 30020 Ipoh Perak	Industrial land measuring approximately 7,693 square meters (approximately 2 acres)	Leasehold – 60 years expiring in 2051	Not applicable	Not applicable	18.12.2017	854
Block I-7-5 Setiawalk Persiaran Wawasan Pusat Bandar Puchong 47160 Puchong Selangor	Multi-storey Retail-Office Lot	Freehold	11	2,457	9.5.2014	1,040
3, Jalan PJU 1A/35 Ara Damansara 47301, Petaling Jaya Selangor	2-storey detached house	Freehold	13	8,450	7.4.2021	4,800

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

Issued and Fully Paid-Up Share Capital	:	RM123,643,978
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per share on a poll

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 31 MARCH 2022

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	167	1.33	6,979	0.00
100 to 1,000	898	7.14	549,043	0.07
1,001 to 10,000	5,235	41.65	32,261,817	3.88
10,001 to 100,000	5,358	42.63	191,633,206	23.03
100,001 to less than 5% of issued shares	909	7.23	372,165,532	44.73
5% and above of issued shares	2	0.02	235,390,351	28.29
Total	**12,569**	**100.00**	**832,006,928**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2022

	DIRECT		INDIRECT	
Name	No. of Shares	%	No. of Shares	%
Lim Beng Fook	126,772,273	15.24	-	-
Lim Soon Seng	108,618,078	13.05	-	-
Bjørn Bråten	31,492,432	3.79	-	-
Goh Chong Chuang	1,689,864	0.20	-	-
Loi Kim Fah	1,333,560	0.16	-	-
Anita Chew Cheng Im	600,000	0.07	-	-
Azlam Shah bin Alias	-	-	-	-

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 31 MARCH 2022

	DIRECT		INDIRECT	
Name	No. of Shares	%	No. of Shares	%
Lim Beng Fook	126,772,273	15.24	-	-
Lim Soon Seng	108,618,078	13.05	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2022

Cont'd

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2022

No.	Names	No. of Shares	% of Issued Capital
1.	Lim Beng Fook	101,248,885	12.17
2.	Lim Soon Seng	88,006,878	10.58
3.	Bjørn Bråten	31,492,432	3.79
4.	Lim Beng Fook	25,523,388	3.07
5.	Lim Soon Seng	20,611,200	2.48
6.	CGS-CIMB Nominees (Asing) Sdn Bhd *Exempt an for CGS-CIMB Securities (Singapore) Pte Ltd (retail clients)*	4,667,520	0.56
7.	Lam Khuan Ying	4,113,700	0.49
8.	Lim Moi Moi	3,805,600	0.46
9.	Ooi Siew Looi	3,800,000	0.46
10.	Lee Quee Siong	3,730,000	0.45
11.	Tey Meng Huat	3,600,000	0.43
12.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Chin Hooi*	3,525,000	0.42
13.	Liew Thau Sen	2,993,000	0.36
14.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Khoon Beng (E-KLG)*	2,990,000	0.36
15.	New Jen Kok @ Nio Jen Kok	2,941,600	0.35
16.	Lam Weng Chong	2,739,700	0.33
17.	Eugene Ang Choon Kit	2,600,000	0.31
18.	Tey Kim Lay	2,571,000	0.31
19.	Lim Weng Hoov	2,550,000	0.31
20.	Wong Ah Yong	2,520,000	0.30
21.	Ooi Leh Hong	2,475,920	0.30
22.	Maybank Nominees (Tempatan) Sdn Bhd *Cheng Chee Wai*	2,071,100	0.25
23.	Lam Weng	2,005,078	0.24
24.	Lee Wen Tze	1,870,000	0.22
25.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tee Kim Hew (E-KLG/BTG)*	1,837,000	0.22
26.	Law Chin Chiang	1,830,700	0.22
27.	Goo Kok Khian	1,800,025	0.22
28.	Ong Ai Leng	1,800,000	0.22
29.	Lim Eng Eng	1,694,000	0.20
30.	Goh Chong Chuang	1,689,864	0.20

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting of the Company will be conducted fully virtual from the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur on Monday, 30 May 2022 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 2021 together with the Directors' and Auditors' Reports thereon. **Please refer to Explanatory Note 1**

2. To approve the payment of Directors' fees to the Non-Executive Directors of up to RM330,000 from 31 May 2022 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 approve the payment of Directors' allowances to the Non-Executive Directors of up to RM30,000 from 31 May 2022 until the next Annual General Meeting of the Company. **Ordinary Resolution 2**

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

   (a) Mr Loi Kim Fah **Ordinary Resolution 3**

   (b) Mr Bjørn Bråten **Ordinary Resolution 4**

5. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

SPECIAL BUSINESS

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

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

   "**THAT** subject always to the Companies Act 2016 ("Act"), Constitution of the Company, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act to issue and allot new 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 during the preceding twelve (12) months pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Securities **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

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

   "**THAT** pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the Malaysian Code on Corporate Governance 2017, approval be and is hereby given for Mr Goh Chong Chuang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

Cont'd

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

   "**THAT** subject to the passing of Ordinary Resolution 3 and pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the Malaysian Code on Corporate Governance 2017, 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."

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

By Order of the Board
K-ONE TECHNOLOGY BERHAD

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

Kuala Lumpur

29 April 2022

NOTES:

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

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

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

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

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

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

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

8. Only members whose names appear on the Record of Depositors as at 23 May 2022 ("General Meeting Record of Depositors") shall be entitled to attend, speak or vote at this meeting or appoint proxy/proxies to attend and/or vote in his/her behalf.

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

PERSONAL DATA PRIVACY

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Item 1 of the Agenda

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

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

The proposed Ordinary Resolution 6, 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 (excluding treasury 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 Twentieth Annual General Meeting held on 24 May 2021. 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 Twentieth AGM of the Company.

3. Ordinary Resolutions 3 and 4 - Re-election of Directors

The Nomination Committee ("NC") has considered the performance and contribution of each of the retiring Directors and has also assessed the independence of the Independent Non-Executive Director standing for re-election.

Based on the results of the evaluation on the effectiveness of the Board conducted for the financial year ended 31 December 2021, the retiring Directors were found to possess the required mix of skills, experience and expertise as well as the right business knowledge to contribute towards the growth of the Company, and that the retiring Independent Non-Executive Director has provided independent, impartial and unbiased views in ensuring the interest of the Company is protected.

The Board has endorsed the NC's recommendation to seek shareholders' approval for the re-election of the retiring Directors, who had abstained from deliberations and decisions on their respective re-election at the NC and Board meetings.

The profiles of the Directors who are standing for re-election are set out in the Profile of the Board of Directors on pages 5 to 7 of this Annual Report.

4. Ordinary Resolutions 7 and 8 - Authority to Continue in Office as Independent Non-Executive Directors of the Company Pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the Malaysian Code On Corporate Governance 2017 ("MCCG 2017")

(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 NC, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the MCCG 2017, the Board will seek the approval of the shareholders through a two-tier voting process at the Twenty-First Annual General Meeting of the Company.

(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 NC, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Clause 107(b) of the Company's Constitution and Practice Note 4.2 of the MCCG 2017, the Board will seek the approval of the shareholders through a two-tier voting process at the Twenty-First Annual General Meeting of the Company.

Mr Goh Chong Chuang's and Mr Loi Kim Fah's continuation in office as Independent Non-Executive Directors of the Company are to ensure adequate plan in place for orderly succession planning for independent directors to the Board and that the Company has sufficient time in identifying suitable candidates. Further rationale for their retention as Independent Non-Executive Directors can be found on page 26 of this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election at the Twenty-First Annual General Meeting

The profiles of the Directors who are standing for re-election and/or continuing in office as Independent Non-Executive Directors at the Twenty-First Annual General Meeting are set out on pages 5 and 6 of this Annual Report. Details of their interests in the securities of Company are set out on page 42 of this Annual Report.

2. Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

Details on the authority to issue and allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are provided under the explanatory notes on special business in the Notice of the Twenty-First Annual General Meeting.

PROXY FORM

K-ONE TECHNOLOGY BERHAD

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

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

of ____
(FULL ADDRESS)

____

being a member/members of **K-ONE TECHNOLOGY BERHAD**, hereby appoint the following person(s) or failing whom, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Twenty-First Annual General Meeting of the Company to be conducted fully virtual from the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur on Monday, 30 May 2022 at 9.00 a.m. and any adjournment thereof:-

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

NO.	RESOLUTIONS		FOR	AGAINST
1.	Approval of payment of Directors' fees to the Non-Executive Directors of up to RM330,000 from 31 May 2022 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.	Approval of payments of Directors' allowances to the Non-Executive Directors of up to RM30,000 from 31 May 2022 until the next Annual General Meeting of the Company.	**Ordinary Resolution 2**		
3.	Re-election of Mr Loi Kim Fah	**Ordinary Resolution 3**		
4.	Re-election of Mr Bjørn Bråten	**Ordinary Resolution 4**		
5.	Re-appointment of Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company	**Ordinary Resolution 5**		
6.	Approval for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016	**Ordinary Resolution 6**		
7.	Authority for Mr Goh Chong Chuang to Continue in Office as Independent Non-Executive Director	**Ordinary Resolution 7**		
8.	Authority for Mr Loi Kim Fah to Continue in Office as Independent Non-Executive Director	**Ordinary Resolution 8**		

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

Number of shares	

CDS A/C No.	
Mobile No.	
email	

______________________ Date

______________________ Signature of Shareholder

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K-ONE TECHNOLOGY BERHAD
[Registration No. 200101004001 (539757-K)]
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

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www.k-one.com

K-One Technology Berhad
[Registration No. 200101004001 (539757-K)]

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