

OTHERS Description: K-One Technology Berhad (K-One Tech Or the Company) Proposed Disposal Of 4,500,000 Ordinary Shares In AHM Consultancy & Security Services S/B (AHM) Representing 30% Equity Interest For RM8.7 Million (Proposed Disposal)

K-ONE TECHNOLOGY BERHAD

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1.Introduction

On behalf of the Board of Directors of the Company, we wish to announce that K-One Tech has on 29 October 2019 entered into a Share Buy Back Agreement (“the Agreement”) with Dato’ Mohammad Fadzlee bin Mustapa, Datin Sri Fuziah binti Mohd Nor and Encik Mohammed Fadzlan bin Mustapa (collectively referred to as “Purchasers”) in respect to the Company’s disposal of 4,500,000 ordinary shares in AHM Consultancy & Security Services Sdn Bhd for RM 8.7 million subject to the terms and conditions as stipulated in the Agreement.

2.Background Information Of AHM

AHM was founded on 29 December 1994 by its majority shareholder, Dato’ Sri Mustapa bin Ali. He is the President of the Asian Professional Security Association whose members include China, Japan, Korea, Singapore, Vietnam, amongst others and also the former President of the Security Services Association of Malaysia. AHM has a paid-up capital of RM 15 million.

AHM specializes in the provision of security consultancy and services in the likes of static guarding, security patrol, cash-in-transit, armed escort, body guarding and private investigation. It’s major customers comprise mainly government agencies and GLCs.

It is headquartered at Wisma M&F, 27 Jalan USJ 21/11, USJ City centre, UEP Subang Jaya, Selangor with branches in various parts of Malaysia.

3.Rationale For the Proposed Disposal

The proposed disposal is in line with K-One Tech’s business rationalization process to dispose of business which is not in line with its current strategy of focusing on its mainstay ODM/OEM space and the recently acquired cloud business. K-One Tech prefers to concentrate on the preceding businesses so as to optimize business and financial results for long term sustainability on grounds that the ODM/OEM and cloud businesses is envisaged to turn increasingly promising at this stage and in the impending future. The ODM/OEM business’s optimism is triggered by the ongoing US-China trade war while the cloud business is spurred by the current digitalization trend. Therefore, it is sensible to focus on its anchor businesses which have the anticipated lure of good growth prospects.

Furthermore, Malaysia’s political landscape change last year which led to policy changes has impacted AHM’s security service business which is dependent on the public sector and GLCs. As such, AHM’s

business performance and outlook may not be aligned with the Company's expectations. Hence, the Company had decided to divest its entire stake in AHM for mutual benefits; each to focus in growing its own core businesses.

4.Details Of The Proposed Disposal By The Company or Share Buy Back By The Purchasers

The Proposed Disposal involves the share buy back from the Company of 30% of the issued and paid-up capital of AHM by its key shareholders; namely, Dato' Mohammad Fadzlee bin Mustapa, Datin Sri Fuziah binti Mohd Nor and Encik Mohammed Fadzlan bin Mustapa for a total consideration of RM8.7 million which will be settled in two tranches by utilising the net proceeds of the sale of properties belonging to the Purchasers and family members and as appropriate to be supplemented by cash if the Purchasers so wish. Salient points of the Agreements are outlined in Section 5. The Purchasers are family members of the Founder cum majority shareholder, Dato' Sri Mustapa bin Ali who has 40% shareholding of AHM. Datin Sri Fuziah binti Mohd Nor is the wife of Dato' Sri Mustapa bin Ali while Dato' Mohammad Fadzlee bin Mustapa and En. Mohammed Fadzlan bin Mustapa are their children.

The Purchasers will buy back the shares in direct proportion to their shareholding as follows:

1)Dato'Mohammad Fadzlee bin Mustapa	3,098,250 shares	RM5,989,950
2)Datin Sri Fuziah binti Mohd Nor	532,350 shares	RM1,029,210
3)En. Mohammed Fadzlan bin Mustapa	869,400 shares	RM1,680,840
Total	4,500,000 shares	RM8,700,000

4.1Basis Of Arriving At The Share Buy Back Consideration By The Purchasers

The total consideration of RM8.7 million was arrived at on a willing buyer-willing seller basis.

4.2Date & Cost Of Investment

The Company acquired the 30% stake from AHM's key shareholders as named above on 15 January 2018 for RM8.7 million. Hence, there is no gain or loss from the Proposed Disposal.

4.3Liability To Be Assumed

No liability is to be assumed by the Purchasers in respect of the Proposed Disposal.

5.Salient Features Of The Agreements

5.1Share Buy Back Agreement

a)The Company agrees to sell and the Purchasers agree to buy back their shares in their respective portions totaling 4,500,000 shares for a total consideration of RM8.7 million to be settled via the granting of Option Agreements by the Purchasers and family members to the Company to dispose of their respective properties and using the net proceeds (sales proceeds of the properties less deductions utilized towards redeeming the properties from existing financiers and legal fees payable to transaction solicitors) to pay for their share buy back from the Company in the following manner:

1. The first tranche of RM2.9 million is to be paid using the net proceeds on completion. In the event that the Purchasers are unable to pay the first tranche or the net proceeds is less than the first tranche on completion, the Purchasers shall be granted an automatic extension up until six (6) months for them to settle the first tranche. In the event that the Purchasers are unable to settle the first tranche within the said automatic extension period, the Company has the absolute discretion to grant the Purchasers such further extension as may be mutually agreed for the settlement of the first tranche.
2. The balance is to be paid within 18 months (settlement period) from the date of signing the Agreement and may be mutually extended for another period, failing which to mutually agree on a fixed period will default to an extension period of six (6) months following the expiry of the settlement period.
3. The Purchasers may settle the total consideration of RM8.7 million by way of cash or net proceeds or both.
4. The 4,500,000 shares will be transferred to the Purchasers upon completion of the Agreement, notwithstanding the full payment of the first tranche of payment.

b) The Proposed Disposal is expected to be completed in sixty (60) days upon signing the Agreement and fulfilment of the conditions precedent as follows:

1. The Company obtaining approval from its directors; and
2. The Purchasers procuring the written waiver from the other shareholders of AHM, in respect of the pre-emptive right of the other shareholders over the Sale Shares and their consent to the sale of the Sale Shares to the Purchasers save for the estate of Hashim bin Mat Desa.

5.2 Option & Escrow Agreements

a) The Option Grantors are the Purchasers, Dato' Sri Mustapa bin Ali, Founder and his 2 other children.

b) The Option Grantors unconditionally and irrevocably grant the Company (Option Grantee) the Option to sell the properties for and on their behalf exercisable at any time from the date of the Agreements up and until the date when sufficient properties have been sold to fulfill the share buyback of 4,500,000 ordinary shares. The Option Grantors also agree that the Option Grantee is at liberty to sell the properties at specific prices and if there is any variance, it will seek the consent of the Option Grantors which will not be unreasonable withheld.

c) The Option Grantors irrevocably and unconditionally agree that the Option Grantee is absolutely entitled to nominate any third parties to purchase the properties.

d) The Option Grantors agree that the net sale proceeds derived from the sale of properties shall be placed in an escrow with an escrow agent entered into between the Option Grantors, the Option Grantee and the escrow agent.

e) The escrow money shall be held in an interest bearing account to be administered by the escrow agent.

f) The escrow money shall be used to pay existing financiers and advisers in relation to and in connection with the disposal of any property, thereafter, the balance will be paid as part-payment towards the satisfaction of the total consideration of RM8.7 million.

6. Financial Effects

The Proposed Disposal is not expected to have any material impact on the net assets per share and earnings per share of the Company for the current financial year. It is also not expected to have any effect on the issued and paid-up share capital and substantial shareholders' shareholding of the Company.

7. Interest Of Directors, Major Shareholders And/Or Persons Connected With Them

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interests, direct or indirect in the Proposed Disposal.

8. Percentage Ratio Of The Proposed Disposal

Pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the percentage ratio of the Proposed Disposal is 8.1% calculated based on the aggregate value of the consideration as compared to the net assets of the Company.

9. Approval Required

The Proposed Disposal is not subject to the approvals of the shareholders or the relevant authorities.

10. Statement By The Directors

Having considered the rationale and the effects of the Proposed Disposal, the Board is of the opinion that it is in the best interest of the Company.

11. Documents Available For Inspection

A copy of the Agreements will be made available for inspection at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of three months from the date of this announcement.

This announcement is dated 29 October 2019.

Announcement Info

Company Name	K-ONE TECHNOLOGY BERHAD
Stock Name	K1
Date Announced	29 Oct 2019
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