K-One
innovate

# OUR PEOPLE OUR ASSET

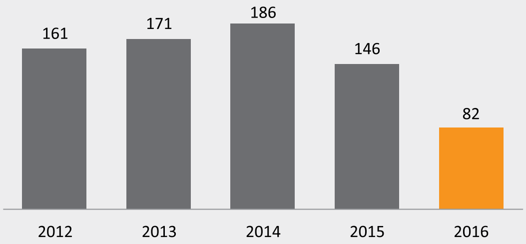

ANNUAL REPORT 2016

# Contents

# Past Financial Information Summary

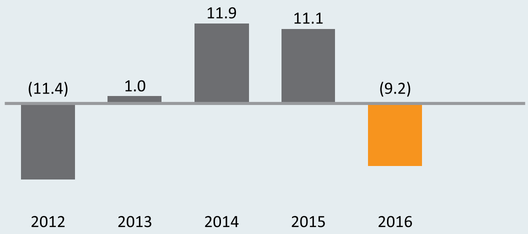
## SALES

RM Million



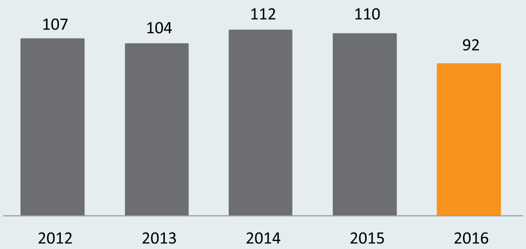

## PROFIT

RM Million



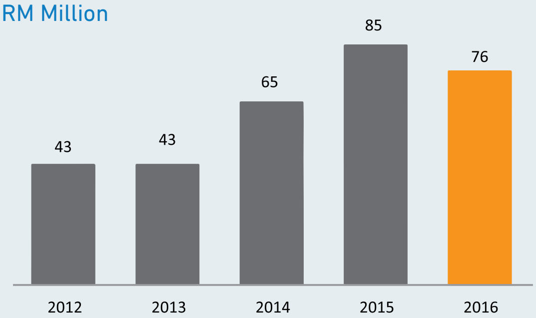

## TOTAL ASSETS

RM Million



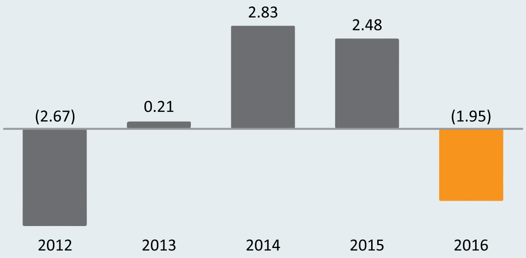

## SHAREHOLDER EQUITY

RM Million



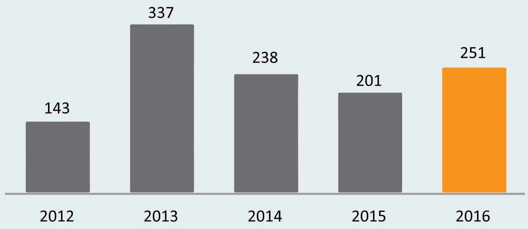

## EARNINGS PER SHARE (Diluted)

Sen




## HUMAN RESOURCES

No. of Employees



# Corporate Information

## BOARD OF DIRECTORS

**Ir. Edwin Lim Beng Fook**
(Executive Chairman)

**Dato' Martin Lim Soon Seng**
(Chief Executive Officer)

**Bjørn Bråten**
(Non-Independent Non-Executive Director)

**Goh Chong Chuang**
(Independent Non-Executive Director)

**Loi Kim Fah**
(Independent Non-Executive Director)

**Anita Chew Cheng Im**
(Independent Non-Executive Director)

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

## COMPANY SECRETARY

Ng Yim Kong (LS 0009297)

## AUDITORS

Messrs Baker Tilly Monteiro Heng
Chartered Accountants

## SOLICITORS

Messrs Azman Davidson & Co
Advocates & Solicitors

## SHARE REGISTRAR

Symphony Share Registrars
Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7841 8000
Fax : +603 7841 8008

## STOCK EXCHANGE LISTING

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

## STOCK SHORT NAME & CODE

K1 (0111)

## REGISTERED OFFICE

c/o Strategy Corporate Secretariat
Sdn Bhd
Unit 07-02, Level 7
Persoft Tower
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7804 5929
Fax : +603 7805 2559

## HEAD OFFICE

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

## GROUP PRINCIPAL BANKERS

United Overseas Bank
(Malaysia) Berhad

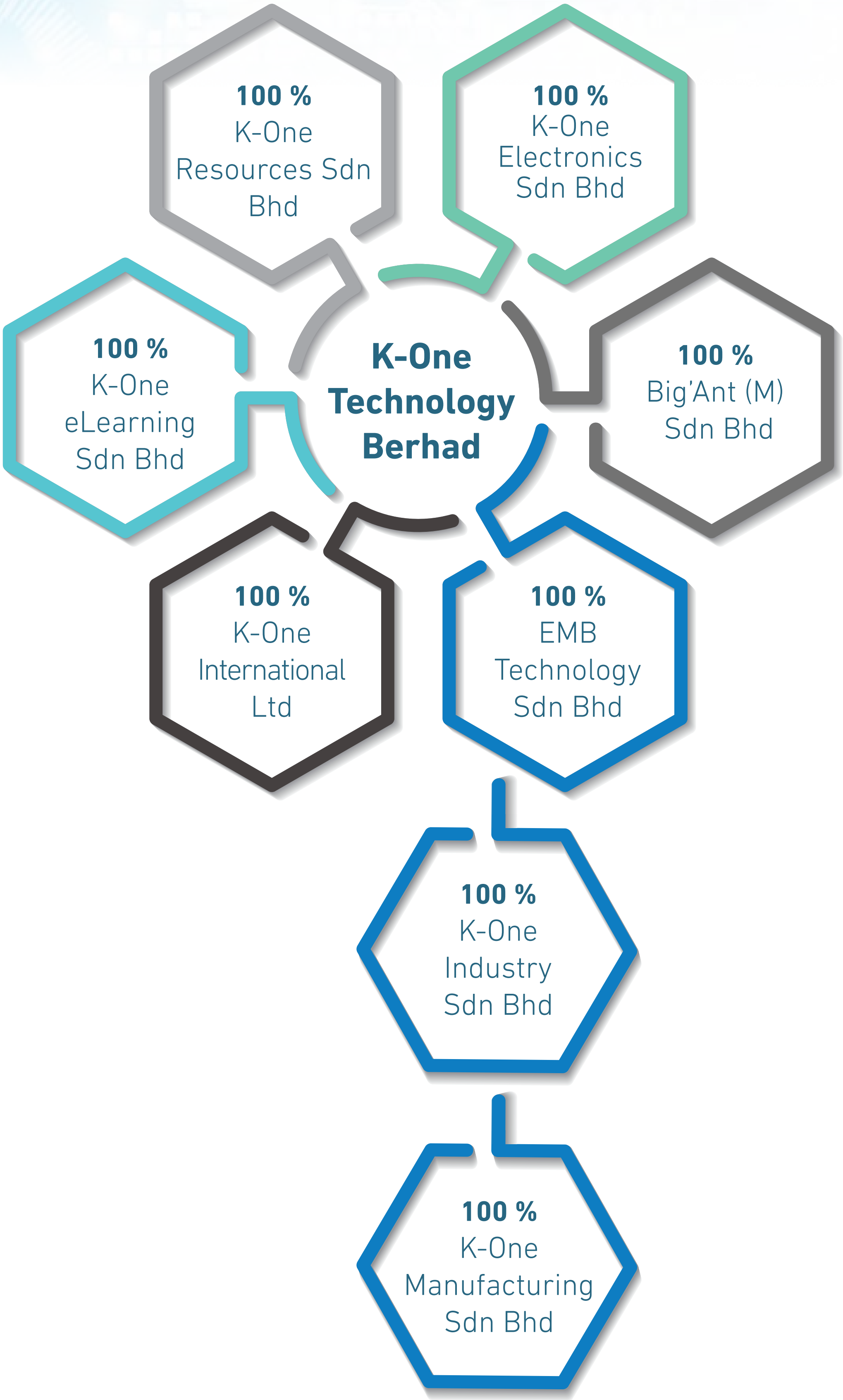
Standard Chartered Bank
Malaysia Berhad

CIMB Bank Berhad

## WEBSITE

www.k-one.com

# Corporate Structure



# Directors' Profile

## IR. EDWIN LIM BENG FOOK

*Executive Chairman • Malaysian, Age 59*

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

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

He is a member of the Remuneration Committee.

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

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

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

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

## DATO' MARTIN LIM SOON SENG

*Chief Executive Officer • Malaysian, Age 54*

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

He holds both the Bachelor of Engineering (Hons) in Electronics Engineering and Master of Engineering in Electronics Engineering from the University of Hull, United Kingdom. He also holds a Master of Business Administration from the University of Coventry, United Kingdom. He is a registered Chartered Engineer of the Institution of Engineering &Technology, United Kingdom.
He worked in the UK as an engineer in a precision plastic moulding company after graduation, followed by career progression as an engineer, manager and finally Chief Executive Officer of TFP Precision Industries Sdn Bhd (a local/European joint venture) spanning a period of about 14 years.

His directorships in other companies in the K-One Group are EMB Technology Sdn Bhd, K-One Industry Sdn Bhd, K-One Resources Sdn Bhd, K-One Manufacturing Sdn Bhd, K-One eLearning Sdn Bhd, K-One Electronics Sdn Bhd and K-One International Ltd.

# Directors' Profile (continued)

## BJØRN BRÅTEN

*Non-Independent Non-Executive Director • Norwegian, Age 59*

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

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

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

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

His directorship in other companies in the K-One Group is K-One Industry Sdn Bhd.

## GOH CHONG CHUANG

*Independent Non-Executive Director • Malaysian, Age 64*

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

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

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

## LOI KIM FAH

*Independent Non-Executive Director • Malaysian, Age 50*

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

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

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

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

# Directors' Profile (continued)

## ANITA CHEW CHENG IM

*Independent Non-Executive Director • Malaysian, Age 50*

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

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

She is a member of the Audit Committee.

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

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

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

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

## DATO' AZLAM SHAH BIN ALIAS

*Independent Non-Executive Director • Malaysian, Age 56*

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

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

He is a member of the Audit Committee.

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

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

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

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

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

# Executive Chairman's Statement

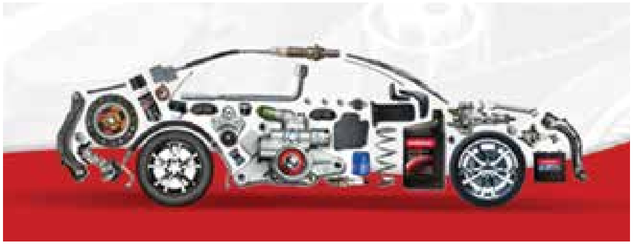
On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of K-One Technology Berhad for the financial year ended 31 December 2016.

## BUSINESS PERFORMANCE FOR 2016

The Group's sales weakened to RM81.9 million from RM146.1 million in the previous year, representing a decline of 44%. The significant sales decline was mainly attributed to the programmed phasing out of the mobile phone accessories' ODM business and to a lesser degree, weaker demand of network cameras. The Group has finally completely exited from the mobile phone accessories' ODM business which has become intensely competitive with razor thin margin in recent years as a result of the rise of strong competitors, in the likes of Huawei, Xiaomi and Oppo from China which are giving the prevailing market leaders such as Apple and Samsung a run for the money. In order to maintain market share, the existing market leaders and peers would impose price pressure on the supply chain, hence, causing severe margin squeeze to the Group.

Furthermore, the subdued, volatile and uncertain global economy in 2016 as what was anticipated at the beginning of the year posed major business challenges which exacerbated the sales decline.

Consequently, the Group registered loss attributable to equity holders of the parent company of RM9.2 million for 2016 as compared to a profit of RM 11.1 million in 2015. The poor bottom line performance was mainly attributed to the impairment of goodwill and tooling write-off totaling RM9.2 million following the final and complete exit from the mobile phone accessories' ODM business. The slight reduction in gross margin to a small extent also aggravated the loss.



## PROSPECTIVE BUSINESS OUTLOOK

The global economic "storm" which was witnessed in 2015 spilled over to 2016. In my humble opinion, it had not abated. Therefore, I envisage 2017 to be another challenging year filled with volatility and uncertainty. The forthcoming decisions which are to be made by the Trump administration with regards to trade and foreign policies, the impending potential change in government following the upcoming elections in France and Germany and the outcome of Brexit negotiations amongst EU members are the key causes of global market unpredictability moving forward.

Although growth may be elusive in 2017, the Group will nevertheless forge ahead with its standing plans to diversify into the IoT, healthcare/medical and automotive markets. Concurrently, it will continue to grow its anchor businesses of consumer electronic lifestyle gadgets, floorcare products, industrial equipment and security/surveillance devices. The diversification is intended to give us a more balanced product portfolio with the IoT, healthcare/medical and automotive markets contributing improved margins and longer term stability in view of their longer product life cycles, in particular, the healthcare/medical devices and automotive aggregates.

## Executive Chairman's Statement (continued)



To promote creativity and innovation, the Group has embarked into providing co-working space for emerging technology entrepreneurs or freelancers. This space would provide the platform for the incubation and innovation of new products which the Group with its vast experience will assist to take them to the market.

On another front, the Group is proud to be one of the seven founding members of the Malaysia IoT Consortium (MyIoT). It intends to collude with the other founding members to promote and tap into the IoT business which is expected to be the next big wave in the technology arena.

Apart from organic growth, the Group has been and is continuously scouting for complementary businesses to grow through M&A. It has recently announced the proposed acquisition of AHM Consultancy and Security Services Sdn. Bhd. and will intensify its efforts in this aspect, targeting to work out one or two more acquisitions in 2017.

On another note, the Group expects the strength of the US dollar to persist in 2017 which will work to the Group's favor as more than 90% of our almost 100% export sales are denominated in the US dollar.

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my deepest appreciation to all our customers, business associates, financiers and shareholders for their continued support and confidence in the Group. I also wish to express my sincere appreciation to the Management and staff for their dedication and contribution in 2016.

**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 2016.

## SALES & FINANCIALS

The Group registered sales of RM81.9 million in 2016 as compared to RM146.1 million in 2015, representing a significant decline of 44%. The programmed phasing out of the mobile phone accessories' ODM business largely contributed to the steep drop in sales. It is no longer viable to stay on in the preceding business due to stiff competition arising from the emergence of strong competitors from China such as Huawei, Xiaomi and Oppo which compels the entire market which includes the prevailing market leader(s) who are our customers to succumb to tremendous price pressure. To a lesser extent, the demand for network cameras was stifling. With the global economy facing headwinds, sales growth was further curtailed.

On a brighter note, there were some sales spikes for specific market segments against the backdrop of the subdued and uncertain global economy in 2016. Sales of floor-care products, electronic headlamps, industrial products and specific consumer electronic lifestyle gadgets surged albeit unable to make up for the sales decline from the mobile phone accessories' ODM and network camera segments.

Inevitably, the Group recorded loss attributable to the parent company of RM9.2 million in 2016 as compared to a profit of RM11.1 million in 2015. The poor financial performance was mainly attributed to the impairment of goodwill and tooling write-off totaling RM9.2 million, in conjunction with the final and complete exit from the mobile phone accessories' ODM business. Furthermore, there was minor margin compression which aggravated the loss.

## DESIGN & DEVELOPMENT

The R&D engineers continued to intensify efforts in designing and developing IoT products, healthcare/medical devices, automotive aggregates and specialized industrial products for the OEM/ODM markets as part of the Group's diversification roadmap. At the same time, the Group also maintained its attention in innovating new versions of electronic headlamps.

In an attempt to gradually but surely grow into the OBM (Own Brand Manufacturing) market, the R&D engineers also spent time exploring the conceptualization and development of IoT products and specific consumer electronic lifestyle gadgets which are expected to be trendy in the near future. These OBM products are intended to be marketed online both locally and overseas through Lazada, Amazon, etc.

## MANUFACTURING

In the manufacturing front, the Group obtained the OHSAS 18000 certification for the management and control of occupational health and safety risks in 2016. It is also proud to have achieved the ISO 13485 certification. With the preceding certification and the installed Class 10k facilities, the Group is poised to accelerate its diversification into the development and manufacturing of advanced healthcare/medical devices.


With increased orders for specialized industrial products, the Group re-organized its manufacturing facilities to create additional space to cater for such products which are more bulky.

Productivity remains a key driver in reducing manufacturing costs. This is especially so as our product mix becomes increasingly weighted, in particular, with floor-care and industrial products which are more complex to manufacture. Hence, it resulted in an increase in headcount from 201 in 2015 to 251 in 2016.

# CEO's Operations Review (continued)


It is of utmost importance to continuously drive down materials costs by localizing parts and finding alternatives which are more cost effective. Towards this end, the Group is working hand-in-glove with the local supply chain to have their alternative parts approved by the Group's multinational customers.

## HUMAN RESOURCE

Despite the uncertain and weak global market conditions which created major business challenges, the Group's staff remained resilient and strong in facing the headwinds. It was good that the staff were able to keep their composure and spirit which was most likely attributed to the consistent motivational training, technical workshops and leadership courses which the Group has always willingly provided to all staff at all levels. It is my belief that staff are our most valuable assets and it is crucial that they are constantly nurtured to scale greater heights.

On the other hand, the freezing of hiring staff continues to be enforced except for the recruitment of sales personnel and other strategic positions which would enhance business growth.

## CORPORATE DEVELOPMENT

On 22 November 2016, the Group announced the proposals to undertake the following:

(i) Proposed Private Placement of 47,265,534 new ordinary shares of RM0.10 each with the proposed allocations of a) 21,269,490 Placement Shares, representing 4.5% of the issued and paid-up share capital of K-One Technology Berhad to its Executive Chairman – Lim Beng Fook, b) 21,269,490 Placement Shares, representing 4.5% of the issued and paid-up share capital of the same to its CEO – Lim Soon Seng and c) the balance of 4,726,554 Placement Shares, representing 1% of the issued and paid-up share capital of the same to be placed to third party investors; and

(ii) Proposed establishment of an ESOS scheme for eligible employees and directors of the Group. The maximum number of new Shares which may be issued and allotted pursuant to the exercise of the Options under the ESOS scheme shall not exceed thirty percent (30%) of the issued and paid-up share capital of K-One Technology Berhad (excluding treasury shares) at any point of time throughout the duration of the ESOS scheme of up to ten (10) years.

Following Bursa's approval, the shareholders of K-One Technology Berhad had also approved the Proposed Private Placement and the Proposed ESOS respectively at the Extraordinary General Meeting convened on 20 January 2017.

The Proposed Private Placement to the Executive Chairman - Lim Beng Fook and the CEO - Lim Soon Seng were each fully subscribed while 3,950,000 new ordinary shares were placed to third party investors. In total, 46,488,980 Placement Shares were taken up, representing 98.4% of the total Proposed Private Placement of 47,265,534 new ordinary shares. The Proposed Private Placement exercise is considered closed.

On 17 March 2017, the Group announced the acquisition of a 30% stake in AHM Consultancy & Security Services Sdn Bhd for a cash consideration of RM 8.7 million. The subject acquisition is principally involved in the provision of armed and unarmed guarding, cash-in-transit services, security escorting, private investigation, body guarding and supply of security surveillance systems in Malaysia. The acquiree has provided a profit guarantee of RM14 million over a 2 year period, from 1 January 2017 to 31 December 2018. The Group will complement the acquiree with its technology expertise in enhancing the provision of security services to customers. It is expected to be a win-win situation for both parties and the customers as well, who will benefit from the combined security guarding experience of the acquiree and the Group's prowess in applying technology to enhance security services.

## 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 2016 which was extremely challenging.

**Dato' Martin Lim Soon Seng**
CEO

# Management's Discussion and Analysis of Business Operations and Financial Performance

## GENERAL DESCRIPTION OF THE GROUP'S BUSINESS

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

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

### Financial Performance for Financial Year Ended 31 December 2016 ("2016") compared with Financial Year Ended 31 December 2015 ("2015")

Sales revenue for 2016 weakened to RM81.9 million as compared to the preceding year's sales of RM 146.1 million. The drop of 44% was chiefly due to the deliberate steering out of the mobile phone accessories' ODM business and, to a lesser degree, weaker sales performance from the network camera segment. Floor-care products, electronic headlamps, industrial products and other consumer electronic lifestyle products recorded sales surge but they were not sufficient to make up for the above causes of sales shortfall.

The Group registered loss attributable to the parent company of RM 9.2 million as compared to a profit of RM 11.1 million in 2015. The current year's poor financial performance was primarily attributed to the impairment of goodwill and tooling write-off totalling RM9.2 million following the final and complete exit from the mobile phone accessories' ODM market, reflecting the Group's prudent management practices. Gross margin experienced a slight

decline from 12.5% in 2015 to 11.7% in 2016 due to the overall marginal weakening of the USD for the periods in comparison.

As at 31 December 2016, the Group's non-current assets, comprising mainly of fixed assets and goodwill decreased by 55% to RM 9.3 million as compared to RM20.6 million as at 31 December 2015. This was in line with the above-said impairment of goodwill of RM5.5 million and tooling write-off of RM3.7 million, both combined totalling RM9.2 million. Inventories for the current year which amounted to RM9.5 million was approximately RM0.3 million higher than the previous year was running contrary to the reduced sales. This unforeseen situation was attributed to the building up of long lead time stocks to cater for the impending increase in demand for specific industrial products. Despite the increased stock level and reduced sales, inventory holding was at 1.4 months which was still within the industry norm of 2 months.

Trade receivables were reduced from RM26.4 million in 2015 to RM18.7 million in 2016. Similarly, trade payables were reduced from RM22.7 million to RM15.8 million for the same comparative periods. These reductions were normal in that they mirror the sales decline.

Cash and cash equivalents in the form of time deposits and short term cash funds of the Group which stood at RM52.7 million as of the end of 2016, registered a slight increase of 1.1% from RM52.1 million as of the previous year end. Placement of cash into the appropriate instruments

## Management's Discussion and Analysis of Business Operations and Financial Performance (continued)

was governed by the Group's cash management and tax planning policies to maximise net interest income pending utilisation of the cash resources.

### BUSINESS & MARKET OUTLOOK

It was a challenging 2016. It also marked the final phase of K-One's transformation program from being mobile phone accessories' business centric to one which catches on the next wave of technology in the likes of IoT gadgets, healthcare/medical devices, electronic wearables, consumer electronic lifestyle gadgets and automotive aggregates.

Moving forward in 2017, the Group will continue to boost sales through its diversification into the above-said sectors which yield higher margins with longer product life cycles and uptrend industry dynamics. New ventures in the likes of co-working space foray and the launch of own-brand products to support the said diversification is gathering momentum. Besides, the Group is continuously seeking for collaboration with strategic partners who can share expertise, technology and market space.

The Group envisages the level of global uncertainty and instability to remain high in 2017. From the impending new US trade policies under the Trump administration, the start of negotiations on Brexit, to the upcoming elections in France and Germany, indications are that the principal markets of the Group will continue to feel pressured. Hence, as it currently stands, implementation of the Group's diversification plans is likely to face unforeseen challenges and strong headwinds.

Although growth for 2017 is expected to be elusive, nevertheless, the Group, on the contrary is doubling its efforts to improve upon its talent and people management/pool so that it has a much stronger team to embrace competition in the new age of disruption. An Employees' Share Option Scheme (ESOS) has recently been established with the objective to build a high performance people team and workplace to fire up the Group's product and business diversifications agenda.

Towards the end of 2016/early 2017, the Group has embarked on a private placement exercise to further strengthen its balance sheet. Backed by a robust cash position, the Group acquired a 30% stake in AHM Consultancy & Security Services Sdn Bhd for a cash consideration of RM 8.7 million in March 2017. The acquisition is part of the Group's business expansion strategy and it fits perfectly with the Group's vision of the future.

# Corporate Social Responsibility (CSR)

The K-One Group has always stay committed in its CSR initiatives which are in line with its vision and best practice. Even though we may be facing the current threat of a possible global economic downturn, the Group will not stinge on CSR but instead view it as more important than before. We believe that today's investors, customers and the general public are placing greater emphasis in companies that sincerely support social causes in their business model. They have higher affinity and faith with companies that are socially responsible.

## Caring For Our Staff

In today's challenging time of global economic uncertainties, we witness businesses plateau, markets stifle and competition intensifies. Such challenges demand that organisations focus on all-staff integration and getting everyone on the same page. As the K-One Group stands on the cusp of business diversification, it is in the best interest of both our customers and staff that we steer our staff towards a culture of constant innovation, healthy living, risk management and progress.


Workplace health and safety are major concerns of the K-One Group. Having in place the correct policies, procedures and controls to achieve the most ideal working conditions for the staff has always been a top priority. Occupational health and safety systems help to provide a framework to minimize or prevent accidents, injuries, illnesses and even fatalities. On 4 May 2016, twenty staff from the Ipoh plants attended training for the certification of Occupational Health and Safety Management System; OHSAS 18001.

OHSAS 18001 is globally the most widely used international occupational health and safety management standard. Applied in the context of the Group, it helps our plants to systematically manage and control our occupational health and safety risks and to continuously improve our occupational health and safety performance.

In trying times, the need for effective negotiation skills is much desired. The art of effective negotiation can have far-reaching effects on the company's profits. As the Group competes on a global platform, the skills to negotiate in a cross-cultural environment is very much required. On 22 July 2016, fifteen staff from diversed disciplines attended the "Effective Business Negotiation Skills" course. The objective of the training serves to equip the staff with an understanding of the principles of negotiation, learn savvy negotiation techniques and applying them effectively in order to become more confident, assertive and motivated to achieve successful results. During the training, the staff learnt of various negotiation personalities and styles, preparations for successful negotiations, how to negotiate under pressure and the essentials of reading body language to achieve better negotiation position. As the Group constantly seeks ways to increase business revenues and margins whilst reducing costs, honing these pertinent skills are helpful to bolster staff's competencies in achieving win-win outcomes relating to contracts and supplier terms. This is important to ensure successful business relationships with our partners and customers around the world in order to achieve positive business growth from year to year.


On 5–7 October 2016, fifty-five staff from all locations of the Group gathered in Taman Negara, Pahang to spend quality time together, to appreciate each other and to

## Corporate Social Responsibility (CSR) (continued)


foster teamwork. The Group's commitment to take 3 days off for rejuvenation and re-engagement was purported to engineer a paradigm shift to achieve renewed positive orientation towards oneself and to promote teamwork. The K-One Group's Executive Chairman, Ir. Edwin Lim in his welcome speech, encouraged everyone to let their hair down and to enjoy themselves. The objective of the retreat is to forge rapport among the diversed staff from multiple work locations as well as to integrate new staff with the veterans and redefine our core values again. The 3 days of uninterrupted time spent together gave the staff an opportunity to recharge, reflect and reboot, helped everyone to be re-inspired, discover more about themselves and stay enthused with their personal lives and professional working lives. In order that the Group continues to deliver at a new level of business complexity and performance, it is vital that our staff are inspired, happy and connected. The retreat inevitably helped bridge the gap between our people and the Group's vision – sharpening our focus, clarified our priorities, boosted everyone's morale and most importantly engendering a strong personal connection with the Group's vision and objectives.

In appreciation of our staff's contributions and as a way to re-energize to face the anticipated impending challenges posed by yet another year of global uncertainties, the Group organised its Annual Dinner cum Staff Appreciation Functions on 6 and 13 January 2017 respectively to cater to the appropriate needs of its 251 staff. This is the time of the year when all staff come together to catch up in a more relaxed atmosphere. It was the dedication, agility, tireless effort and ingenuity of our staff which helped to cushion and lessen the pain inflicted by the adverse impact of the 2016 global uncertainties. The CEO, Dato' Martin Lim in his

welcome speeches encouraged everyone to work together as a team to strive for excellence to face global challenges. It is in this difficult circumstances that we have more reason to unite as a team to be stronger. Besides helping themselves to a sumptuous array of food, the staff were entertained by a 3-piece live band to a mix of sentimental,

## Corporate Social Responsibility (CSR) (continued)

melodious and hip-hop songs as well as lucky draws. It was especially a pleasant evening as the staff enjoyed themselves with some even showing off their skills on the dance floor and sing-along to the band.

The Group took a step further in having a healthy workforce by kicking-off the hip hop dance fitness classes for its office staff in the Ipoh plants in 2016. The corporate fitness programme helps to inspire staff to have a healthy mind, happy attitude, positive thinking which would lead to higher productivity. We strongly believe that a great workplace should be a place to work and have fun at the same time.

### Caring For The Community

A strategic approach to CSR is increasingly important in enhancing an enterprise's stature in the marketplace. Good corporate citizenship has defined our Group's corporate identity from the very beginning. We have certainly garnered marketplace trust and reputation as a business entity with richly embedded CSR values.

On 27 May 2016, thirty-four staff of the K-One Group gathered at The Salvation Army Perak Home For The Aged, a non-profit residential home that accommodates 44 elderly residents. The Home is staffed by 14 caregivers and provides care, shelter and support to the indigent elderlies. On this day, our volunteers came together with a unified commitment to give back their time and effort to society.

Our volunteers were first brought for a tour around the Home's premise. The day was later spent by cleaning up the Home's premise and having lunch with the elderly residents, including serving them hot meals. It was indeed a fulfilling experience, spending time cheering up the elderlies with songs and group exercise therapy as well as chatting with them to get to know them better besides having to understand their conditions whilst staying at the Home.

We understand that many aged population in our society face loneliness, abandonment and isolation. Their woes can be further compounded by conditions associated with aging such as chronic illness, limited financial means, functional limitations as well as mental and physical frailties. The experience in the Home has allowed our volunteering staff to reap so much intangible benefits. We are glad to be able to contribute in a small way to our community. We will continue to give back to our community by supporting causes that improve lives of the less fortunate.



# Statement on Corporate Governance

K-One Technology Berhad was listed on the ACE Market of Bursa Malaysia Securities Berhad on 5 January 2006. Being a listed company, the Board of Directors ('the Board') acknowledges the importance of adopting high standards of corporate governance within the Group as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") and strives to maintain the management of the Group with integrity, transparency and accountability. The Board emphasizes sound internal control and prudent management to safeguard and enhance shareholders' investment and value as well as to protect the interest of minority shareholders.

## PRINCIPLE STATEMENT

The following statements set out the approach of the Company in adopting the principle of self-regulation, which adheres closely to the Code.

## A. BOARD OF DIRECTORS

i. Board and Board Charter

The Company is led by an experienced Board with high personal integrity, wide mix of knowledge, business acumen, management skills and industry expertise from various backgrounds, which is an invaluable asset for the stewardship of the Company's direction and operations.

The Board has adopted a Board Charter which serves as a source of reference in providing insight to prospective Board members. The core areas of the Board Charter include the following:

- Board membership, which includes composition, appointment and re-election, independence of Independent Director and the requirement of Board members to notify the Chairman of the Board before accepting new directorship and to indicate the time expected to be spent on the new appointment;
- Board role and responsibilities, which include duties and responsibilities of the Board, roles of the Executive Chairman, Chief Executive Officer, Executive Director and Non-Executive Director respectively;
- Board meetings;
- Board committees; and
- Access to information.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Group and any new regulations that may have an impact on the discharge of the Board's responsibilities. The current Board Charter was reviewed and updated in February 2017.

***Board Responsibilities***

The Board has adopted the following responsibilities to facilitate the Board in discharging its fiduciary duties in respect of the Group:

- Reviewing and adopting strategic plans and goals for the Group;
- Evaluating the performance and conduct of the Group's business;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Establishing a succession plan for senior Management;
- Reviewing the adequacy and integrity of management information and internal control system;
- Assessing and implementing a shareholder communication policy; and
- Approving key matters such as financial results as well as major investments and divestments, major acquisitions and disposals and major capital expenditure in accordance with the limits of authority.

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.

# Statement on Corporate Governance (continued)

## A. BOARD OF DIRECTORS (Continued)

i. Board and Board Charter (Continued)

***Board Reserved Matters***

The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The role of Management, on the other hand, is to run the business operations and administration of financial matters of the Group in accordance with established delegated authority from the Board.

The Board delegates the day-to-day management of the Group's business to the senior Management, but reserves for its consideration significant matters such as the following:

- Strategic plan and long term objectives;
- Annual budgets and capital expenditures;
- Corporate and capital structure;
- Financial reporting and controls;
- Dividend policy and declaration of dividends;
- Internal controls and risk management;
- Shareholders/investors communication;
- Board membership and other appointments; and
- Corporate governance matters.

***Independence of Directors***

The Board conducts annual review of the independence of each of the Directors, based on information provided by the Directors. Directors are expected to volunteer information as and when changes occurred.

The fundamental premise of the assessment is that an Independent Director must be independent of management and free of any business, family or other relationship, that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of his independent and objective judgment.

The Nomination Committee and the Board have upon their annual assessment, concluded that each of the three (3) Independent Non-Executive Directors, namely; Goh Chong Chuang, Loi Kim Fah and Anita Chew Cheng Im continues to be independent-minded and demonstrate conduct and behaviour that are essential indicators of independence. Dato' Azlam Shah bin Alias who was appointed on 2 February 2017 will be subjected to a similar annual assessment next year.

***Directors' Code of Conduct***

The Company is committed to abide by ethical business practices. Accordingly and above all else, we value:

- Integrity and honesty;
- Openness and respect for others;
- Execution and accountability;
- Passion for customers, partners and technology;
- Commitment to personal excellence and self-improvement; and
- Protection of identity of whistle blower.

To put these values into practice on a daily basis, a Code of Ethics is established as a guide for ethical business conduct for the Directors, Management and staff of the Company, which is available on the Company's website.

**Review of Board Performance**

The Board undertakes an annual review of its performance and that of its Committees. The performance evaluation comprises of Board Performance Evaluation, Board Committee Performance Evaluation and Directors' Self and Peer Assessment. The evaluation is designed to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed.

The main areas/performance indicators for the evaluation include the Board/Board Committee composition, administration and process, conduct, accountability, interaction and communication with the Management. Performance indicators for individual Directors include their active contributions, understanding of their roles and quality of input.

## A. BOARD OF DIRECTORS (Continued)

i. Board and Board Charter (Continued)

**Review of Board Performance (Continued)**

The findings were generated based on Directors' feedback and were tabled and discussed at the Nomination Committee meeting. Results revealed that the Board and the Board Committees had performed well, with overall rating above average, indicating that the Board and the Committees have performed effectively.

**Board Meetings**

The attendance of the Board meetings by the Directors during the financial year ended 31 December 2016 is as follows:

| Date of Meeting | Total No. of Directors | Attendance by Directors | |
|---|---|---|---|
| | | Executive | Non-Executive |
| 26 February 2016 | 5 | 2 | 3 |
| 20 May 2016 | 6 | 2 | 4 |
| 8 August 2016 | 6 | 2 | 4 |
| 14 November 2016 | 6 | 2 | 3 |

Details of attendance by individual Directors are as follows:

| | Attendance by Directors | Percentage of Attendance |
|---|---|---|
| Ir. Edwin Lim Beng Fook | 4/4 | 100% |
| Dato' Martin Lim Soon Seng | 4/4 | 100% |
| Bjørn Bråten | 3/4 | 75% |
| Goh Chong Chuang | 4/4 | 100% |
| Loi Kim Fah | 4/4 | 100% |
| Anita Chew Cheng Im | 3/3 | 100% |

* Dato' Azlam Shah bin Alias joined the Board with effect from 2 February 2017. Hence, the above analysis is not applicable to him.

***Board Committees***

The Board has delegated specific responsibilities to Board committees, namely the Audit Committee, Nomination Committee and Remuneration Committee in order to enhance business, operational and administration efficiency as well as efficacy. The members of the committees appoint the Chairman of their respective committees. These committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all the matters, however, lies with the Board.

(a) Audit Committee

The Audit Committee Report is presented on pages 26 to 30 of this Annual Report.

(b) Nomination and Remuneration Committees

Reports of the Nomination and Remuneration Committees are set out under items A (vi) and B.

# Statement on Corporate Governance (continued)

## A. BOARD OF DIRECTORS (Continued)

ii. Board Balance

The Board consists of seven (7) Directors, of which two (2) are Executive Directors, four (4) are Independent Non-Executive Directors and one (1) is a Non-Independent Non-Executive Director. This is in compliance with Rule 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market ('AMLR') which requires at least two (2) Directors or one third (1/3) of the Board, whichever is higher, are Independent Directors. The Board maintains full control over the Company and monitors the Management. The Executive Directors have overall responsibility for the operational activities of the Group and implementation of the Board's policies and decisions. Independent Non-Executive Directors play a pivotal role in incorporating accountability as they provide objective and independent views to the decision-making process of the Board. The presence of the Independent Non-Executive Directors brings an additional element of check and balance to the Board.

Considering the recommendation of the Code pertaining to the tenure of an Independent Director not 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 in the coming 16th Annual General Meeting to extend the tenureship of Independent 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 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 almost forty (40) years and had held senior positions (Executive Director/ Advisor) in a Japanese multinational prior to joining the Company's Board. Loi Kim Fah has been a practising professional accountant for more than twenty (20) years; engaged in auditing and advising a multitude of industries in various aspects of accounting, finance and business planning. As such, they can provide constructive opinions and exercise independent judgement which act in the best interest of the Group;

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

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

iii. Access and Supply of Information

Directors are provided with notice of at least 14 working days prior to each Board meeting and Board papers are issued 7 working days prior to the Board meetings to enable the Directors to review and consider the agenda to be discussed in the Board meeting. This normally includes reports relevant to the agenda of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters.

The Chairman ensures that the Board has unrestricted access to timely and accurate information in furtherance of its duties. They are unhindered to seek advice and services of the Company Secretary who is responsible for ensuring the Board meeting procedures are adhered to and that applicable rules and regulations are complied with.

iv. Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the AMLR and Companies Act, 2016 and other relevant laws and regulations. In performing this duty, the Company Secretary carries out, among others, the following key tasks:

- Statutory duties as specified under the Companies Act, 2016 and AMLR;
- Facilitating and attending Board and Board Committee meetings and ensuring that the Board meetings are properly convened and proceedings are properly recorded;

## A. BOARD OF DIRECTORS (Continued)

iv. Company Secretary (Continued)

- Ensuring timely communication of Board level decisions to Management;
- Ensuring that all appointments to the Board and Committees are properly made;
- Maintaining records for the purposes of meeting statutory obligations;
- Facilitating the provision of information as may be requested by the Directors from time to time; and
- Supporting the Board in ensuring adherence to Board policies and procedures.

v. Directors' Training

During the financial year under review, the following Directors had attended the undermentioned conferences, seminars and/or training programmes:

**Ir. Edwin Lim Beng Fook**

| Date | Organiser | Topic |
|---|---|---|
| 4 February 2016 | Linkedin | Capturing Talent in the World of IT |
| 8 March 2016 | Bursa Malaysia | Corporate Governance Disclosures |
| 11 August 2016 | Bursa Malaysia | Leadership Excellence from the Chair |
| 9 September 2016 | Bursa Malaysia | Management Discussion and Analysis for CEOs |

**Dato' Martin Lim Soon Seng**

| Date | Organiser | Topic |
|---|---|---|
| 8 March 2016 | Bursa Malaysia | Corporate Governance Disclosures |
| 9 September 2016 | Bursa Malaysia | Management Discussion and Analysis for CEOs |

**Loi Kim Fah**

| Date | Organiser | Topic |
|---|---|---|
| 26 May 2016 | Malaysian Institute of Accountants | GST Post Implementation Issues – Latest DG's Decision and Orders |
| 9 & 10 August 2016 | Lembaga Hasil Dalam Negeri Malaysia | National Tax Conference 2016 |
| 10 November 2016 | Lembaga Hasil Dalam Negeri Malaysia | National Tax Conference 2016 |
| 21 & 24 November 2016 | Malaysian Institute of Accountants | 2017 Budget Seminar |

**Anita Chew Cheng Im**

| Date | Organiser | Topic |
|---|---|---|
| 3 May 2016 | Tricor Knowledge House Sdn Bhd | Business Sustainability, the Inside Story of Annual Report and Annual General Meeting |

# Statement on Corporate Governance (continued)

## A. BOARD OF DIRECTORS (Continued)

vi. Appointment to the Board

There is a formal and transparent procedure which has been approved for the appointment of new Directors to the Board. The Board is constantly reviewing the performance of its existing Directors as well as appointing new Directors to the Board whenever the need arises.

The Nomination Committee has reviewed and recommended the appointment of Dato' Azlam Shah bin Alias as an Independent Non-Executive Director who was subsequently endorsed by the Board for appointment on 2 February 2017. The Board viewed Dato' Azlam Shah bin Alias's appointment favourably as it would enhance the ethnic diversity of the Board. At the same time, he would be able to share his wealth of experience in government relations and public affairs.

**Nomination Committee**

In compliance with the Code, a Nomination Committee was set up on 24 February 2006 and is delegated with the following specific tasks:

(a) To recommend to the Board, candidates for directorships to be filled;

(b) To consider, in making its recommendations, candidates for directorships proposed by the Executive Directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;

(c) To recommend to the Board, Directors to fill the seats of Board Committees;

(d) To annually review the required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board; and

(e) To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors, as well as the Chief Executive Officer. All assessments and evaluations carried out by the Committee in the discharge of all its functions shall be documented.

The Nomination Committee comprises three (3) Non-Executive Directors. The members of the Nomination Committee are as follows:

| | | |
|---|---|---|
| Chairman | Goh Chong Chuang | Independent Non-Executive Director |
| Members | Loi Kim Fah<br>Bjørn Bråten | Independent Non-Executive Director<br>Non-Independent Non-Executive Director |

**Process On Board Appointment**

i. The Board makes clear at the outset its expectations of its new Directors.

ii. The Nomination Committee:

(a) makes independent recommendations for appointments to the Board based on criteria which they have developed, maintained and reviewed;

(b) may consider the use of external consultants in the identification of potential Directors;

(c) assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment and other qualities of the candidates; and

(d) recommends their appointment to the Board for approval.

## A. BOARD OF DIRECTORS (Continued)

vii. Re-election

The Company's Articles of Association provides that one third (1/3) or nearest to one-third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election provided always that all the Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

In considering whether to recommend a Director who is eligible to stand for re-election, the Nomination Committee would consider a variety of factors, including:

- the Director's contributions to the Board and ability to continue to contribute productively;
- the Director's attendance at Board and committee meetings;
- the Director's compliance with the Code;
- whether the Director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service;
- the independence of the Director; and
- the nature and extent of the Director's activities outside of the Company.

## B. DIRECTORS' REMUNERATION

In compliance with the Code, a Remuneration Committee was set up on 24 February 2006 and is delegated with the following specific tasks:

(a) To establish policies on the remuneration of Executive Directors; and

(b) To recommend to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice as necessary.

The Remuneration Committee comprises two (2) Independent Non-Executive Directors and one (1) Executive Director. The members of the Remuneration Committee are as follows:

| | | |
|---|---|---|
| Chairman | Goh Chong Chuang | Independent Non-Executive Director |
| Members | Ir. Edwin Lim Beng Fook<br>Loi Kim Fah | Executive Director<br>Independent Non-Executive Director |

The Remuneration Committee carries out annual review of the overall remuneration policy of the Directors, Executive Chairman and the Chief Executive Officer whereupon remunerations are submitted to the Board for approval. The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders and further that the remuneration packages of the Directors, Executive Chairman and the Chief Executive Officer are sufficiently attractive to hire and retain persons of high calibre.

The Remuneration Committee reviews annually the performance of the Executive Chairman and Chief Executive Officer and submits recommendation to the Board on specific adjustments in remuneration and/or reward payment that reflect their contributions for the year which are competitive and in tandem with the Company's corporate objective, culture and strategy.

The Board as a whole determines the remuneration of the Non-Executive Directors.

# Statement on Corporate Governance (continued)

## B. DIRECTORS' REMUNERATION

### *Details of Directors' Remuneration*

Details of the Directors' remuneration for the financial year ended 31 December 2016, distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components are set out below:

i. The aggregate remuneration of Directors categorised into appropriate components are as follows:

| Categorisation | Executive Directors (RM) | Non-Executive Directors (RM) |
|---|---|---|
| Fees | - | 132,000 |
| Salaries and Bonuses | 1,526,888* | - |
| Benefit-in-kind | 11,770 | - |
| Allowance | - | 14,000 |
| **Total** | **1,538,658** | **146,000** |

* Includes contributions paid to the Employees Provident Fund (EPF) and Social Security Organisation (SOCSO).

ii. The number of Directors** whose total remuneration falls within the following bands are:

| Range of Remuneration | Executive Directors | Non-Executive Directors |
|---|---|---|
| RM0 - RM100,000 | - | 4 |
| RM500,001- RM600,000 | - | - |
| RM600,001- RM700,000 | - | - |
| RM700,001- RM800,000 | 2 | - |
| **Total** | **2** | **4** |

** One of the Directors' remuneration is not included as he only joined the Board on 2 February 2017. Hence, he has no remuneration in 2016 to be reported.

## C. SHAREHOLDERS

### *Dialogue between the Company and Individual*

The Company values the importance of dialogue between the Group and its investors in order to provide them with the clearest and most complete picture of the Group's performance and financial position. Such information is disseminated via the Company's annual reports, various disclosures to Bursa Malaysia Securities Berhad, including quarterly financial results, research papers and various announcements made from time to time. Discussions were also held between the senior Management and a number of investment analysts and investors, highlighting to them the Group's performance.

### *Annual General Meeting*

The forthcoming Annual General Meeting ('AGM') is the Company's twelfth AGM as a listed company and this will provide the opportunity for shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements, corporate documents, the resolutions being proposed and/or on the business of the Group. Shareholders who are unable to attend may appoint proxies to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company would be present to answer questions raised at the meeting.

## D. ACCOUNTABILITY AND AUDIT

i. Financial Reporting

The aim of the Directors in relation to financial reporting is to present a balanced and meaningful assessment of the Group's position and prospects, primarily through its annual financial statements and quarterly financial results to its shareholders. In presenting the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates. The quarterly financial results were reviewed by the Audit Committee and approved by the Board before its release to Bursa Malaysia Securities Berhad.

ii. Statement of Directors' Responsibility for Preparing Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

iii. Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Statement of Risk Management and Internal Control is furnished on pages 31 and 32 of this Annual Report and this provides an overview of the state of internal controls within the Group. For the financial year ended 31 December 2016, the cost incurred in respect of the internal audit review performed by in-house Internal Auditors was RM87,099.

The Group's operations involve the management and assessment of a wide range of risks. Its system of internal control can only provide reasonable and not absolute assurance against fraud, material misstatement or loss.

It is possible that internal control may be circumvented or overridden. Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The risk management and internal control systems are designed to identify principal risks, assess and manage these risks within the overall risk tolerance of the Group and to manage these risks efficiently, effectively and economically rather than to eliminate these risks, much as we wish but highly improbable.

iv. Relationship with External Auditors

The Company maintains a transparent and professional relationship with the Company's External Auditors. Key features underlying the relationships of the External Auditors through the Audit Committee are described on pages 26 to 30 of this Annual Report. The External Auditors' remuneration including non-audit fees for the Group and the Company for the financial year ended 31 December 2016 is disclosed in Note 6 of the financial statements.

The Audit Committee and Board place great emphasis on the objectivity and independence of the External Auditor in providing the Auditors' reports to the shareholders. The External Auditors were invited to and attended all the Audit Committee Meetings held in 2016.

The External Auditors' presence was also requested and attended the Company's Annual General Meeting held in May 2016 to address, as appropriate, pertinent issues raised by the shareholders.

The role of the Audit Committee in connection with its relationship with the External Auditors is illustrated in the Audit Committee Report under "Functions" and "Summary Of Activities" on pages 27 to 30 of this Annual Report.

# Audit Committee Report

The Company established an Audit Committee on 3 February 2005. The Audit Committee comprises four (4) members who are as follows:

| | | |
|---|---|---|
| Chairman | Loi Kim Fah | Independent Non-Executive Director |
| Members | Goh Chong Chuang<br>Anita Chew Cheng Im<br>Bjørn Bråten | Independent Non-Executive Director<br>Independent Non-Executive Director<br>Non-Independent Non-Executive Director |

* Dato' Azlam Shah bin Alias was appointed to the Audit Committe on 16 March 2017.

## TERMS OF REFERENCE

### 1 Composition

The Audit Committee shall be appointed by the Board from amongst its Directors and shall consist of no fewer than three (3) members. All the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors. No Alternate Director shall be appointed as a member of the Audit Committee.

The Chairman, who shall be elected by the Audit Committee, shall be an Independent Director.

All the Audit Committee members should be financially literate and at least one (1) member of the Audit Committee:

i. Must be a member of the Malaysian Institute of Accountants ("MIA"); or

ii. If he/she is not a member of MIA:

(a) He/she must have at least three (3) years' working experience; and:

- He/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
- He/she must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

(b) He/she must have a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or

(c) He/she must have at least seven years' experience as a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or

(d) He/she fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad

The Nomination Committee must review the terms of office and performance of the Audit Committee and each of its members every year to determine whether such committee and its members have carried out their duties in accordance with their terms of reference.

In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy shall be filled within three (3) months. Therefore, a member of the Audit Committee who wishes to retire or resign shall provide sufficient written notice to the Company so that a replacement may be appointed before he/she leaves.

### 2 Attendance and Frequency of Meeting

The Audit Committee shall meet at least four (4) times in each financial year although additional meetings may be called at any time at the discretion of the Chairman. The quorum for a meeting shall be two (2) members of the Audit Committee. The majority of members present at the meeting shall be Independent Directors. The Head of Finance, the Head of Internal Audit and a representative of the External Auditors shall normally attend the meetings. Other Board members may attend such meetings upon the invitation of the Audit Committee. The Audit Committee may choose to meet with the External Auditors without the presence of any Executive Board member if it sees fit.

## TERMS OF REFERENCE (Continued)

### 3 Procedures of Meetings

(a) The Audit Committee Chairman shall preside at all meetings. In his absence, the Audit Committee members present shall elect among themselves an Independent Director to be the Chairman of the meeting.

(b) The Audit Committee may call for a meeting as and when required with reasonable notice as the Audit Committee members deem fit.

(c) The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

(d) A minimum seven (7) days' notice shall be given for all meetings. Nevertheless, a shorter notice is permitted subject to agreement by all Audit Committee members.

(e) All decisions are determined by a majority of votes. In case of equality of votes, the Audit Committee Chairman shall have a casting vote.

(f) A resolution in writing signed by a majority of the Audit Committee members and constituting a quorum shall be effective as a resolution passed at a meeting of the Audit Committee.

### 4 Minutes of Meetings

The Company Secretary shall be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Audit Committee members. The Audit Committee members may inspect the minutes of the Audit Committee at the Registered Office or such other place as may be determined by the Audit Committee.

### 5 Authority

The Audit Committee shall:

(a) Have the authority to investigate any matter within its terms of reference.

(b) Have the resources which are required to perform its duties.

(c) Have full and unrestricted access to any information pertaining to the Company.

(d) Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity.

(e) Be able to obtain independent, professional or other advice.

(f) Be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

### 6 Functions

The Functions of the Audit Committee shall include the following:

(a) Reviewing with the External Auditors on the following and report the same to the Board of Directors of the Company:

- audit plan, its scope and nature;
- audit report;
- results of their evaluation of accounting policies and system of internal controls within the Group;
- management letter and management's response; and
- major audit findings arising from interim and final external audits, audit report and assistance given by the Group's officers to the External Auditors.

# Audit Committee Report (continued)

## TERMS OF REFERENCE (Continued)

### 6 Functions (Continued)

(b) Performing the following in relation to the internal audit function:

- review adequacy of scope, functions, competency and resources and setting of performance standards of the internal audit function;
- review internal audit, processes, results of internal audit or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- review major findings of internal audit investigations and management's response and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function; and
- review and approve any appointment or termination of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(c) Reviewing with management, external auditors and internal auditors of the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.

(d) Reviewing risk management development under the internal audit function.

(e) Reviewing with Management:

- the audit reports and the implementation of audit recommendation; and
- interim financial information.

(f) Reviewing related party transactions (if any) entered into by the Company or the Group to be undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and to ensure that the Directors report such transactions annually to shareholders via the Annual Report and to review conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(g) Reviewing quarterly results and annual financial statements prior to approval by the Board of Directors, focusing particularly on:

- changes in or implementation of major accounting policies;
- significant and unusual events;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(h) Reviewing and reporting to the Board any letter of resignation from the External Auditors of the Group as well as whether there is any reason (supported by grounds) to believe that the Group's External Auditors are not suitable for re-appointment.

(i) Making recommendations concerning the appointment of External Auditors and their remuneration to the Board.

(j) Verifying the allocation of options for compliance with the criteria pursuant to the Employees' Share Option Scheme of the Company.

(k) Promptly reporting to Bursa Malaysia Securities Berhad on any matter reported by the Audit Committee to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

# Audit Committee Report (continued)

## SUMMARY OF ACTIVITIES

There were four (4) Audit Committee meetings held during the financial year ended 31 December 2016. The details of the attendance of each member of the Audit Committee are as follows:

| | | Total Meetings Attended by Committee Members | Percentage of Audit 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 | 3/3 | 100% |
| Bjørn Bråten | Member/ Non-Independent Non-Executive Director | 3/4 | 75% |

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

(a) Financial Reporting

- Reviewed with the appropriate officers of the Group, the quarterly financial results and annual audited financial statements of the Group, 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 to comply 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.

(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 to 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.

# Audit Committee Report (continued)

## SUMMARY OF ACTIVITIES (Continued)

(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, the CEO's Operations Review, the Management's Discussion and Analysis of Business Operations and Financial Performance, the Audit Committee Report, the Statement on Risk Management and Internal Control and the Statement on Corporate Governance prior to their inclusion in the Company's Annual Report 2016; and
- Reviewed the adequacy of the terms of reference of the Committee.

## INTERNAL AUDIT FUNCTION

An Internal Audit Department under the Internal Audit Manager which stands independent of the activities or operations was set up on 3 January 2007 to support the Audit 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 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 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 Committee for review. Key control issues and recommendations are highlighted to enable the Committee to execute its oversight function.

# Statement of Risk Management and Internal Controls

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

## BOARD RESPONSIBILITIES

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

## RISK MANAGEMENT

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

The Group consciously covers and transfers certain risks by securing adequate insurance coverage against product and public liabilities, goods in-transit damage/loss and fire mishap.

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

## KEY ELEMENTS OF INTERNAL CONTROLS

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

**i. Formal Organisation Structure**

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

**ii. Regular Performance Reporting**

- Quarterly management reports are generated to facilitate the Board and the senior Management in performing financial and operational reviews on the various operating units of the companies within the Group. The reports comprise comparison of results of current period with prior period and variances between budget and operating results.
- Monthly management meetings are chaired by the Chief Executive Officer to discuss the Group's operations and performance, including the tracking of sales opportunities. Other matters being discussed are collections, marketing strategy for new product launches, feedback on progress of product design and development, highlights on shortcomings or problems in conjunction with the proposed corrective actions, and potential risks that may affect the achievements of the Group's business objectives together with proposed mitigating plans.

**iii. Documented Policies And Procedures**

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

# Statement of Risk Management and Internal Controls (continued)

## KEY ELEMENTS OF INTERNAL CONTROLS (Continued)

### iv. Code of Business Conduct

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

### v. Quality Control

The Group emphasises continuous scrutiny in maintaining the quality of products. Being ISO 9001, ISO 13485, ISO 14001, ISO/TS 16949 and OHSAS 18001 certified, it strictly complies with standard operating procedures in performing specific tasks to uphold the certifications which are subject to annual review.

### vi. Internal Audit

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

### vii. Audit Committee

The Audit Committee was set up with the view to assist and provide the Board with added focus in discharging its duties. For 2016, the Audit Committee met four (4) times to review the financial performance and operations relating to business performance, productivity, internal controls and risk management of the Group, following which had reported its deliberation and recommendation to the Board. Henceforth, the Audit Committee will continue to convene quarterly meetings to advise the Board on findings and in particular, improvements of the risk management and internal controls of the Group.

## ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROLS

For the financial year under review, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal controls to safeguard shareholders' interest and 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 Head of Finance that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects based on the risk management and internal control systems of the Group.

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

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed by conducting a limited assurance engagement on this Statement on Risk Management and Internal Controls in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised). Assurance Engagement other than Audits or Reviews of Historical Financial Information and reported to the Board that are based on the procedures performed, nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Controls intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out nor is factually inaccurate.

This Statement on Risk Management and Internal Controls had been approved by the Board of K-One Technology Berhad on 15 March 2017.

# Other Information

## SHARE BUY BACK

There was no share buy back carried out by the Company during the financial year.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

On 22 November 2016, the Group announced the proposals to undertake the following:

a. Proposed Private Placement of 47,265,534 new ordinary shares of RM0.10 each with the proposed allocations of a) 21,269,490 Placement Shares, representing 4.5% of the issued and paid-up share capital of K-One Technology Berhad to its Chairman – Lim Beng Fook, b) 21,269,490 Placement Shares, representing 4.5% of the issued and paid-up share capital of the same to its CEO – Lim Soon Seng and c) the balance of 4,726,554 Placement Shares, representing 1% of the issued and paid-up share capital of the same to be placed to third party investors; and

b. Proposed establishment of an ESOS scheme for eligible employees and directors of the Group. The maximum number of new Shares which may be issued and allotted pursuant to the exercise of the Options under the ESOS scheme shall not exceed thirty percent (30%) of the issued and paid-up share capital of K-One Technology Berhad (excluding treasury shares) at any point of time throughout the duration of the ESOS scheme of up to ten(10) years.

Following Bursa's approval, the shareholders of K-One Technology Berhad had also approved the Proposed Private Placement and the Proposed ESOS respectively at the Extraordinary General Meeting convened on 20 January 2017.

The Proposed Private Placement to the Executive Chairman -Lim Beng Fook and the CEO - Lim Soon Seng were each fully subscribed while 3,950,000 new ordinary shares were placed to third party investors. In total, 46,488,980 Placement Shares were taken up, representing 98.4% of the total Proposed Private Placement of 47,265,534 new ordinary shares. The Proposed Private Placement exercise is considered closed.

On 13 March 2017, the Executive Chairman, CEO, Non-Independent Non-Executive Director and Independent Non-Executive Directors were allocated Options with the breakdown as follow:

| Name of Director | Number of Options Offered | Number of Options Exercised |
|---|---|---|
| Ir. Edwin Lim Beng Fook | 13,000,000 | - |
| Dato' Martin Lim Soon Seng | 13,000,000 | - |
| Bjørn Bråten | 1,000,000 | - |
| Goh Chong Chuang | 1,000,000 | - |
| Loi Kim Fah | 1,000,000 | - |
| Anita Chew Cheng Im | 500,000 | - |

## AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company did not sponsor any ADR or GDR Programme during the financial year.

## IMPOSITION OF SANCTIONS AND/OR PENALTIES

There was no sanctions or penalties imposed on the Company and its subsidiaries, Directors and Management by the relevant regulatory bodies during the financial year.

## VARIATION IN RESULTS

There was no material variance between the results for the financial year and the unaudited results previously announced.

## PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not make any release on the profit estimate, forecast or projection during the financial year.

# Other Information (continued)

## PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year.

## MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

## REVALUATION OF LANDED PROPERTIES

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

## RELATED PARTY TRANSACTIONS

The details of the transactions with related parties undertaken by the Group during the financial year are disclosed in Note 26 of the Notes to the Financial Statements on pages 84 and 85 of the Annual Report.

# Financial Statements

# Directors' Report

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are in research, design and development of electronic end-products and sub-systems for the healthcare, medical, Internet of Things ("IoT"), industrial, communication, computer and consumer electronics industries. The principal activities of its subsidiaries are set out in Note 14 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 | (9,225,964) | (4,686,806) |
| Loss attributable to: | | |
| Owners of the Company | (9,225,964) | (4,686,806) |

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any final dividend payment in respect of the financial year ended 31 December 2016.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position 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 provision for doubtful debts and have satisfied themselves all known bad debts had been written off and that no provision for doubtful debts was required.

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

## CURRENT ASSETS

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

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

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group and 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, in the opinion of the directors, 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 AN 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 impairment on goodwill, plant and equipment written off and impairment on investment in subsidiary as disclosed in Note 6 to the financial statements; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature 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 OR DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

## DIRECTORS OF THE COMPANY

The directors in office since the date of the last report are:-

| | |
|---|---|
| Lim Beng Fook | |
| Lim Soon Seng | |
| Bjørn Bråten | |
| Goh Chong Chuang | |
| Loi Kim Fah | |
| Anita Chew Cheng Im | (Appointed on 11 April 2016) |
| Dato' Azlam Shah bin Alias | (Appointed on 2 February 2017) |

# Directors' Report (continued)

## DIRECTORS' INTERESTS

The interest of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares of RM0.10 Each | | | |
|---|---|---|---|---|
| | At 1.1.2016 | Bought | Sold | At 31.12.2016 |
| **Direct interest** | | | | |
| Lim Beng Fook | 65,832,988 | - | - | 65,832,988 |
| Lim Soon Seng | 56,245,575 | - | - | 56,245,575 |
| Bjørn Bråten | 45,243,694 | - | - | 45,243,694 |
| Goh Chong Chuang | 408,220 | - | - | 408,220 |
| Loi Kim Fah | 111,300 | - | - | 111,300 |

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 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 the emoluments received or due and receivable by the directors as disclosed in the financial statements or the fixed salary of a full time employee of the Company) 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 other than any deemed benefits which may arise from transactions entered into in the ordinary course of business as disclosed in Note 26 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose 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.

## SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 33 to the financial statements.

## AUDITORS

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

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 31 March 2017

**LIM BENG FOOK** **LIM SOON SENG**

# Statement by Directors

**Pursuant to Section 169(15) of the Companies Act, 1965**

We, the undersigned, being two of the directors of the Company, do hereby state that, in our opinion, the accompanying financial statements as set out on pages 45 to 95 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 96 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution dated 31 March 2017.

**LIM BENG FOOK**

**LIM SOON SENG**

# Statutory Declaration

**Pursuant to Section 169(16) of the Companies Act, 1965**

I, Choi Keng Mun, being the person primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 45 to 95 and the supplementary information set out on page 96 are to the best of my knowledge and belief, 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.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on 31 March 2017

**CHOI KENG MUN**

Before me

**TAN KIM CHOOI** (W661)
Commissioner for Oaths

# Independent Auditors' Report

**To The Members Of K-One Technology Berhad (Incorporated In Malaysia)**

## Report on 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 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 45 to 95.

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 2016 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

### Impairment of goodwill (Notes 2 (f) (iii) and 12 to the financial statements)

During the financial year, the Group fully impaired its goodwill of RM5,545,761which are mainly attributable to its manufacturing of wire harness and electronic related accessories business.

We focused on this area due to the significance of the goodwill amount, the size of the impairment and because the assessment of the recoverable amount of the Group's cash generating units ("CGU") requires the exercise of significant judgement by the directors.

### Our audit response:

Our audit procedures included, among others:

- analysing the revenue trends and orders from customers;
- discussing with the Group on the future business plan and cash flows of the CGU; and
- reviewing available correspondences, minutes of meetings and other documents related to the business of the CGU.

### 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.

# Independent Auditors' Report (continued)

### Information Other than the Financial Statements and Auditors' Report Thereon (Continued)

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 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

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

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

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

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act 1965 in Malaysia.

(b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act 1965 in Malaysia.

### Other Reporting Responsibilities

The supplementary information set out on page 96 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

# Independent Auditors' Report (continued)

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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**
No. AF 0117
Chartered Accountants

**LEE KONG WENG**
2967/07/17(J)
Chartered Accountant

Kuala Lumpur
31 March 2017

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2016

| | Note | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|---|
| Revenue | 4 | **81,864,186** | 146,062,447 | **1,351,871** | 2,952,947 |
| Cost of sales | 5 | **(72,313,437)** | (127,856,165) | **(1,377,247)** | (2,520,839) |
| **Gross profit** | | **9,550,749** | 18,206,282 | **(25,376)** | 432,108 |
| Other income | | **1,876,037** | 5,189,453 | **1,278,670** | 2,157,565 |
| Administrative expenses | | **(9,203,965)** | (8,241,033) | **(598,339)** | (578,968) |
| Sales and distribution costs | | **(946,752)** | (1,312,615) | **(54,490)** | (94,572) |
| Other operating expenses | | **(10,327,408)** | (3,131,863) | **(4,566,906)** | (576,897) |
| | | **(20,478,126)** | (12,685,511) | **(5,219,735)** | (1,250,437) |
| **(Loss)/Profit from operations** | | **(9,051,340)** | 10,710,224 | **(3,966,441)** | 1,339,236 |
| Finance costs | | **-** | - | **-** | - |
| **(Loss)/Profit before tax** | 6 | **(9,051,340)** | 10,710,224 | **(3,966,441)** | 1,339,236 |
| Tax (expense)/credit | 9 | **(174,624)** | 429,018 | **(720,365)** | 494,700 |
| **(Loss)/Profit for the financial year** | | **(9,225,964)** | 11,139,242 | **(4,686,806)** | 1,833,936 |
| **Other comprehensive income, net of tax** | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | |
| Foreign currency translation | | **7,208** | 95,060 | **-** | - |
| **Total comprehensive (loss)/income for the financial year** | | **(9,218,756)** | 11,234,302 | **(4,686,806)** | 1,833,936 |
| **(Loss)/Profit attributable to:** | | | | | |
| Owners of the Company | | **(9,225,964)** | 11,139,242 | **(4,686,806)** | 1,833,936 |
| **Total comprehensive (loss)/income attributable to:** | | | | | |
| Owners of the Company | | **(9,218,756)** | 11,234,302 | **(4,686,806)** | 1,833,936 |
| **(Loss)/Earnings per ordinary share attributable to owners of the Company** | | | | | |
| Basic (sen) | 10 | **(1.95)** | 2.58 | | |
| Diluted (sen) | 10 | **(1.95)** | 2.48 | | |

The annexed notes form an integral part of, and should be read in conjunction with these financial statements.

# Statements of Financial Position

**As at 31 December 2016**

| | Note | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | **8,729,914** | 13,913,502 | **3,961,890** | 4,016,308 |
| Goodwill on consolidation | 12 | **-** | 5,545,761 | **-** | - |
| Other intangible assets | 13 | **289,072** | 413,022 | **210,560** | 282,498 |
| Investment in subsidiaries | 14 | **-** | - | **15,801,000** | 43,439,435 |
| Deferred tax assets | 21 | **329,800** | 684,000 | **-** | 494,700 |
| | | **9,348,786** | 20,556,285 | **19,973,450** | 48,232,941 |
| **Current assets** | | | | | |
| Inventories | 15 | **9,501,942** | 9,182,796 | **-** | - |
| Receivables and deposits | 16 | **19,979,616** | 27,563,993 | **2,623,465** | 3,215,892 |
| Tax assets | | **863,344** | 127,844 | **-** | 7,062 |
| Short term cash investment | 17 | **23,000,000** | - | **23,000,000** | - |
| Cash and bank balances | 18 | **29,650,862** | 52,145,190 | **20,666,298** | 18,789,849 |
| | | **82,995,764** | 89,019,823 | **46,289,763** | 22,012,803 |
| **TOTAL ASSETS** | | **92,344,550** | 109,576,108 | **66,263,213** | 70,245,744 |
| **EQUITY AND LIABILITIES** | | | | | |
| Share capital | 19 | **47,265,534** | 47,265,534 | **47,265,534** | 47,265,534 |
| Reserves | 20 | **28,700,566** | 37,919,322 | **16,912,988** | 21,599,794 |
| **Total equity** | | **75,966,100** | 85,184,856 | **64,178,522** | 68,865,328 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | 21 | **300** | 270,300 | **-** | - |
| Deferred tax liabilities | | **300** | 270,300 | **-** | - |
| **Current liabilities** | | | | | |
| Payables and accruals | 22 | **16,316,802** | 23,410,941 | **2,023,609** | 1,380,416 |
| Tax payables | | **61,348** | 710,011 | **61,082** | - |
| | | **16,378,150** | 24,120,952 | **2,084,691** | 1,380,416 |
| **Total liabilities** | | **16,378,450** | 24,391,252 | **2,084,691** | 1,380,416 |
| **TOTAL EQUITY AND LIABILITIES** | | **92,344,550** | 109,576,108 | **66,263,213** | 70,245,744 |

The annexed notes form an integral part of, and should be read in conjunction with these financial statements.

# Consolidated Statement of Changes In Equity

**For the financial year ended 31 December 2016**

| | | ← Attributable to Owners of the Company → | | | | | |
|---|---|---|---|---|---|---|---|
| | | | ← Non-distributable | | → | Distributable | |
| | **Note** | **Share Capital RM** | **Share Premium RM** | **Warrant Reserve RM** | **Foreign Exchange Reserve RM** | **Retained Earnings RM** | **Total Equity RM** |
| **At 1 January 2015** | | 41,778,705 | 9,433,058 | 755,972 | (99,737) | 13,000,284 | 64,868,282 |
| **Comprehensive income** | | | | | | | |
| Profit for the financial year | | - | - | - | - | 11,139,242 | 11,139,242 |
| **Other comprehensive income** | | | | | | | |
| Foreign currency translation difference | | - | - | - | 95,060 | - | 95,060 |
| Total comprehensive income | | - | - | - | 95,060 | 11,139,242 | 11,234,302 |
| **Transactions with owners** | | | | | | | |
| Dividends paid | **23** | - | - | - | - | (2,139,933) | (2,139,933) |
| Issuance of shares pursuant to exercise of warrants | | 4,779,479 | 6,452,298 | (716,922) | - | - | 10,514,855 |
| Issuance of shares pursuant to exercise of ESOS | | 707,350 | - | - | - | - | 707,350 |
| Warrants lapsed | | - | - | (39,050) | - | 39,050 | - |
| Total transactions with owners | | 5,486,829 | 6,452,298 | (755,972) | - | (2,100,883) | 9,082,272 |
| **At 31 December 2015** | | 47,265,534 | 15,885,356 | - | (4,677) | 22,038,643 | 85,184,856 |
| **Comprehensive loss** | | | | | | | |
| Loss for the financial year | | - | - | - | - | (9,225,964) | (9,225,964) |
| **Other comprehensive income** | | | | | | | |
| Foreign currency translation difference | | - | - | - | 7,208 | - | 7,208 |
| Total comprehensive income/ (loss) | | - | - | - | 7,208 | (9,225,964) | (9,218,756) |
| **At 31 December 2016** | | **47,265,534** | **15,885,356** | **-** | **2,531** | **12,812,679** | **75,966,100** |

The annexed notes form an integral part of, and should be read in conjunction with these financial statements.

# Statement of Changes In Equity (continued)

**For the financial year ended 31 December 2016**

| | Note | Share Capital RM | Share Premium RM | Warrant Reserve RM | Retained Earnings RM | Total Equity RM |
|---|---|---|---|---|---|---|
| | | Attributable to Owners of the Company | | | | |
| | | | Non-distributable | | Distributable | |
| **At 1 January 2015** | | 41,778,705 | 9,433,058 | 755,972 | 5,981,385 | 57,949,120 |
| Profit for the financial year, representing total comprehensive profit for the financial year | | - | - | - | 1,833,936 | 1,833,936 |
| **Transactions with owners** | | | | | | |
| Issuance of shares pursuant to exercise of warrants | | 4,779,479 | 6,452,298 | (716,922) | - | 10,514,855 |
| Issuance of shares pursuant to exercise of ESOS | | 707,350 | - | - | - | 707,350 |
| Warrants lapsed | | - | - | (39,050) | 39,050 | - |
| Dividends paid | 23 | - | - | - | (2,139,933) | (2,139,933) |
| Total transactions with owners | | 5,486,829 | 6,452,298 | (755,972) | (2,100,883) | 9,082,272 |
| **At 31 December 2015** | | 47,265,534 | 15,885,356 | - | 5,714,438 | 68,865,328 |
| Loss for the financial year, representing total comprehensive loss for the financial year | | - | - | - | (4,686,806) | (4,686,806) |
| **At 31 December 2016** | | 47,265,534 | 15,885,356 | - | 1,027,632 | 64,178,522 |

The annexed notes form an integral part of, and should be read in conjunction with these financial statements.

# Statements of Cash Flows

**For the financial year ended 31 December 2016**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| **Cash Flows from Operating Activities** | | | | | |
| (Loss)/Profit before tax | | **(9,051,340)** | 10,710,224 | **(3,966,441)** | 1,339,236 |
| Adjustments for: | | | | | |
| Impairment on goodwill | | **5,545,761** | - | **-** | - |
| Impairment on investment in subsidiary | | **-** | - | **4,353,912** | - |
| Amortisation of computer software | | **128,927** | 107,762 | **71,938** | 47,440 |
| Depreciation of property, plant and equipment | | **2,466,379** | 3,088,303 | **59,298** | 406,897 |
| Bad debts written off | | **-** | 1,714 | **-** | - |
| Inventories written off | | **-** | 1,627,530 | **-** | - |
| Property, plant and equipment written off | | **3,657,942** | 2,571 | **-** | - |
| Intangible assets written off | | **23** | - | **-** | - |
| Gain on disposal of property, plant and equipment | | **-** | (28,698) | **-** | - |
| Interest income | | **(1,081,109)** | (307,320) | **(849,165)** | (34,009) |
| Income from short term cash investment | | **(193,009)** | (244,668) | **(193,009)** | (244,668) |
| Net unrealised loss/(gain) on foreign exchange | | **1,063,419** | 459,274 | **(36,631)** | (39,294) |
| **Operating profit/(loss) before working capital changes** | | **2,536,993** | 15,416,692 | **(560,098)** | 1,475,602 |
| Inventories | | **(319,146)** | 2,720,745 | **-** | - |
| Receivables | | **7,966,511** | 13,986,843 | **599,179** | (891,417) |
| Payables | | **(7,398,397)** | (25,872,856) | **(87,001)** | (370,625) |
| **Cash generated from/(used in) operations** | | **2,785,961** | 6,251,424 | **(47,920)** | 213,560 |
| Interest received | | **1,081,109** | 307,320 | **849,165** | 34,009 |
| Tax paid | | **(1,524,344)** | (83,235) | **(157,521)** | (7,062) |
| Tax refunded | | **49,757** | 143,459 | **-** | 18,969 |
| **Net cash from operating activities** | | **2,392,483** | 6,618,968 | **643,724** | 259,476 |

The annexed notes form an integral part of, and should be read in conjunction with these financial statements.

## Statements of Cash Flows (continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Cash Flows from Investing Activities** | | | | | |
| Acquisition of property, plant and equipment | | **(940,733)** | (763,404) | **(4,880)** | (42,180) |
| Purchase of intangible assets | | **(5,000)** | (8,000) | **-** | - |
| Dividend received | | **-** | - | **-** | 9,000,000 |
| Income from short term cash investment | | **193,009** | 244,668 | **193,009** | 244,668 |
| Repayment from /(Advance to) subsidiaries | | **-** | - | **23,302,413** | (982,218) |
| Placement of deposit with licenced banks | | **(6,000,000)** | - | **(6,000,000)** | - |
| Proceeds from disposal of: | | | | | |
| - property, plant and equipment | | **-** | 28,702 | **-** | - |
| Short term cash investments | | **(23,000,000)** | - | **(23,000,000)** | - |
| Net cash (used in)/from investing activities | | **(29,752,724)** | (498,034) | **(5,509,458)** | 8,220,270 |
| **Cash Flows from Financing Activities** | | | | | |
| Proceeds from issuance of shares | | **-** | 11,222,204 | **-** | 11,222,205 |
| Dividend paid | | **-** | (2,139,933) | **-** | (2,139,933) |
| Advances from subsidiaries | | **-** | - | **731,337** | 1,120,183 |
| Net cash from financing activities | | **-** | 9,082,271 | **731,337** | 10,202,455 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(27,360,241)** | 15,203,205 | **(4,134,397)** | 18,682,201 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | **(1,134,087)** | 3,810,528 | **10,846** | 25,316 |
| Cash and cash equivalents at beginning of financial year | | **52,145,190** | 33,131,457 | **18,789,849** | 82,332 |
| **Cash and cash equivalents at end of financial year** | 18 | **23,650,862** | 52,145,190 | **14,666,298** | 18,789,849 |

# Notes to the Financial Statements
31 December 2016

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is Unit 07-02, Level 7, Persoft Tower, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan.

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

The Company is principally engaged in research, design and development of electronic end-products and sub-systems for the healthcare, medical, IoT, industrial, communication, computer and consumer electronics industries. The principal activities of the subsidiaries are set out in Note 14. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were approved and authorised for issue in accordance with a Board of Directors' resolution dated 31 March 2017.

## 2. BASIS OF PREPARATION

### (a) 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"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

### (b) Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs

| | |
|---|---|
| MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| MFRS 7 | Financial Instruments: Disclosures |
| MFRS 10 | Consolidated Financial Statements |
| MFRS 11 | Joint Arrangements |
| MFRS 12 | Disclosure of Interest in Other Entities |
| MFRS 101 | Presentation of Financial Statements |
| MFRS 116 | Property, Plant and Equipment |
| MFRS 119 | Employee Benefits |
| MFRS 127 | Separate Financial Statements |
| MFRS 128 | Investments in Associates and Joint Ventures |
| MFRS 138 | Intangible Assets |
| MFRS 141 | Agriculture |

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.

## 2. BASIS OF PREPARATION (CONTINUED)

### (c) New MFRSs, amendments/improvments to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

| | | Effective for financial periods beginning on or after |
|---|---|---|
| New MFRS | | |
| MFRS 9 | Financial Instruments | 1 January 2018 |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 16 | Leases | 1 January 2019 |
| Amendments/Improvements to MFRSs | | |
| MFRS 1 | First-time adoption of MFRSs | 1 January 2018 |
| MFRS 2 | Share-based Payment | 1 January 2018 |
| MFRS 4 | Insurance Contracts | 1 January 2018 |
| MFRS 10 | Consolidated Financial Statements | Deferred |
| MFRS 12 | Disclosures of Interests in Other Entities | 1 January 2017 |
| MFRS 107 | Statement of Cash Flows | 1 January 2017 |
| MFRS 112 | Income Taxes | 1 January 2017 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2018 / Deferred |
| MFRS 140 | Investment Property | 1 January 2018 |
| New IC Int | | |
| IC Int 22 | Foreign Currency Transaction and Advance Consideration | 1 January 2018 |

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

***MFRS 9 Financial Instruments***

Key requirements of MFRS 9:-

MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

## 2. BASIS OF PREPARATION (CONTINUED)

### (c) New MFRSs, amendments/improvments to MFRSs and new IC Int that have been issued, but yet to be effective (Continued)

***MFRS 9 Financial Instruments (Continued)***

Key requirements of MFRS 9 (Continued):-

MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

***MFRS 15 Revenue from Contracts with Customers***

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

- Identify the contracts with a customer;
- Identify the performance obligation in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

***MFRS 16 Leases***

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

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

***Amendments to MFRS 1 First-time Adoption of MFRSs***

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 Financial Instruments: Disclosure, MFRS 119 Employee Benefits and MFRS 10 Consolidated Financial Statements because they are no longer applicable.

***Amendments to MFRS 2 Share-based Payment***

Amendments to MFRS 2 provide specific guidance on the accounting for:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and

(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

## 2. BASIS OF PREPARATION (CONTINUED)

### (c) New MFRSs, amendments/improvments to MFRSs and new IC Int that have been issued, but yet to be effective (Continued)

***Amendments to MFRS 12 Disclosure of Interests in Other Entities***

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10 to B16.

***Amendments to MFRS 107 Statement of Cash Flows***

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

***Amendments to MFRS 112 Income Taxes***

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

***IC Int 22 Foreign Currency Transactions and Advance Consideration***

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

### (d) 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 the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

### (e) 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 the summary of significant accounting policies.

### (f) Significant accounting estimates and judgements

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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. It also requires the Company to exercise judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Company's best knowledge of current events and actions, actual results may differ.

## 2. BASIS OF PREPARATION (CONTINUED)

### (f) Significant accounting estimates and judgements (Continued)

Significant areas of estimation, uncertainty and critical judgements in applying accounting principles that have significant effect on the amount recognised in the financial statements are described in the following notes:

(i) Tax expense (Note 9) – significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.

(ii) Depreciation of property, plant and equipment and amortisation of intangible assets (Notes 11 and 13) – the cost of property, plant and equipment and intangible assets are depreciated or amortised on a straight line basis over the assets' useful lives. The management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years and computer software to be 5 years based on past experience with similar assets or/and common life expectancies of the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets resulting in revision of future depreciation or amortisation charges.

The Group and the Company anticipate that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

(iii) Impairment of goodwill (Note 12) – significant judgement is used in the estimation of the present value of future cash flows generated by the cash-generating units which involve uncertainties and are based on assumptions used and judgement made regarding estimates of future cash flows and discount rate.

(iv) Impairment on investment in subsidiaries (Note 14) - the company assesses impairment of investment in subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable, i.e. the carrying amount of the investment is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost of disposal for that investment and its value-in-use.

(v) Inventories (Note 15) – the saleability of inventories are reviewed by the management on a periodic basis. This review involves comparison of the carrying value of the inventory items with the respective net realisable value. The purpose is to ascertain whether a write down to net realisable value is required to be made.

(vi) Impairment loss on receivables (Note 16) – the Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

(vii) Determination of functional currency - functional currency is the currency of the primary economic environment in which the Company operates. When indicators of the primary economic environment are mixed, the management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

#### (i) 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.

#### (ii) 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 on 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (Continued)

#### (ii) Accounting for business combinations (Continued)

**Acquisition on or after 1 January 2012**

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

(i) The fair value of the consideration transferred; plus

(ii) The recognised amount of any non-controlling interests in the acquiree; plus

(iii) If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

(iv) The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

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

**Acquisition between 1 January 2007 and 31 December 2011**

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

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

**Acquisition prior to 1 January 2007**

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

#### (iii) 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 presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the financial year between non-controlling interests and the equity shareholders of the Company.

# Notes to the Financial Statements (continued)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of consolidation (Continued)**

**(iii) Non-controlling interests (Continued)**

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

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

**(iv) Changes in group composition**

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

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

**(v) 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.

**(b) Foreign currency**

**(i) Foreign currency transactions**

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency (Continued)

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

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

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiaries is taken to the consolidated statement of comprehensive income.

### (c) Revenue recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

#### (i) Sale of goods
Revenue is recognised upon delivery of goods and customer acceptance, if any, when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (ii) Services
Revenue from services are recognised when the services are rendered.

#### (iii) Interest income
Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

#### (iv) 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.

#### (v) Dividend income
Dividend income is recognised when the right to receive payment is established.

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

### (d) Tax expense

Tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

# Notes to the Financial Statements (continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Tax expense (Continued)

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. 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 be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside of profit or loss is recognised outside of profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

### (e) Employee Benefits

#### (i) Short Term Employee Benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial period when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

#### (ii) Defined Contribution Plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

### (f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Leases

#### (i) Finance lease – the Group as lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease is capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

#### (ii) Operating lease – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (iii) Operating lease – the Group as lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### (h) Property, plant and equipment

#### (i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Property, plant and equipment (Continued)

#### (iii) Depreciation (Continued)

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

| | |
|---|---|
| Leasehold land | Over 60 years |
| Buildings | 2% |
| Furniture and fittings, office equipment and renovation | 15% to 40% |
| Motor vehicles | 20% |
| Plant and machinery and testing equipment | 20% |

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

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

### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost allocated to cash generating units and is not amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

### (j) Intangible assets

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

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

### (k) Impairment of non-financial assets

The carrying amounts of non-financial assets other than, deferred tax assets, inventories and non-current assets classified as held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost of disposal and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to.

An impairment loss is recognised whenever the carrying amount of an item of assets exceeds its recoverable amount. An impairment loss is recognised as an expense in profit or loss except for assets that are previously revalued and where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

# Notes to the Financial Statements (continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Impairment of non-financial assets (Continued)

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

### (l) 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.

### (m) Financial assets

Financial assets 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

#### (i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

#### (ii) Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

# Notes to the Financial Statements (continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Financial assets (Continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

### (n) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**(i) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with licensed banks with maturity not more than 3 months and short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

### (p) Share capital

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

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

### (q) Warrant reserve

Proceeds from the issuance of warrants, net of issue cost or amount allocated in relation to the issuance of warrants, are credited to warrants reserve which is non-distributable as cash dividend. Warrants reserve is transferred to the share premium account upon the exercise of warrant and the warrant reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, 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. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### (i) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### (s) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief operation decision maker of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

### (t) Earnings per share

#### (i) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

#### (ii) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

### (u) 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Financial guarantee contracts (Continued)

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date or the amount initially recognised less cumulative amortisation.

### (v) Fair value measurement

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

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, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting date.

For the purpose of fair value disclosures, the Group had determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## Notes to the Financial Statements (continued)

### 4. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| Research, design and development of electronic end-products and sub-systems | **1,351,871** | 2,952,947 | **1,351,871** | 2,952,947 |
| Manufacturing of electronic end-products and sub-systems | **80,512,315** | 143,109,500 | **-** | - |
| | **81,864,186** | 146,062,447 | **1,351,871** | 2,952,947 |

### 5. COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| Research, design and development of electronic end-products and sub-systems | **1,377,247** | 2,520,839 | **1,377,247** | 2,520,839 |
| Cost of electronic end-products and sub-systems | **72,966,460** | 125,335,326 | **-** | - |
| | **74,343,707** | 127,856,165 | **1,377,247** | 2,520,839 |

# Notes to the Financial Statements (continued)

## 6. (LOSS)/PROFIT BEFORE TAX

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Impairment on investment in subsidiary | **-** | - | **4,353,912** | - |
| Amortisation of computer software | **128,927** | 107,762 | **71,938** | 47,440 |
| Auditors' remuneration | | | | |
| - current year | **120,000** | 136,000 | **48,000** | 40,000 |
| - other services | **9,000** | 9,000 | **9,000** | 9,000 |
| Bad debts written off | **-** | 1,714 | **-** | - |
| Depreciation of property, plant and equipment | **2,466,379** | 3,088,303 | **59,298** | 406,897 |
| Directors' fees | **132,000** | 96,000 | **132,000** | 96,000 |
| Directors' other emoluments | **1,552,658** | 1,517,640 | **14,000** | 10,000 |
| Foreign currency exchange loss/(gain) | | | | |
| - realised | **(103,381)** | (4,446,583) | **31,382** | (328,474) |
| - unrealised | **1,063,419** | 459,274 | **(36,631)** | (39,294) |
| Property, plant and equipment written off | **3,657,942** | 2,571 | **-** | - |
| Intangible asset written off | **23** | - | **-** | - |
| Inventories written off | **-** | 1,627,530 | **-** | - |
| Impairment of goodwill | **5,545,761** | - | **-** | - |
| Rental of equipment | **7,969** | 7,767 | **6,214** | 5,154 |
| Rental of office | **-** | 3,000 | **-** | - |
| Staff premises rental | **49,919** | 57,500 | **-** | - |
| Factory rental | **82,750** | 89,100 | **-** | - |
| Income from short term cash investment | **(193,009)** | (244,668) | **(193,009)** | (244,668) |
| Interest income | **(1,081,109)** | (307,320) | **(849,165)** | (34,009) |
| Gain on disposal of property, plant and equipment | **-** | (28,698) | **-** | - |
| Rental income of premises | **(71,040)** | (31,460) | **(29,040)** | (31,460) |

## 7. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Executive directors' salary and other emoluments | **1,526,888** | 1,507,640 | **-** | - |
| EPF | **551,388** | 704,004 | **96,070** | 144,316 |
| Salaries and bonus | **4,496,470** | 6,078,349 | **783,711** | 1,167,940 |
| SOCSO | **49,408** | 108,052 | **9,432** | 10,032 |
| Other personnel costs | **291,159** | 172,043 | **3,499** | 33,829 |
| | **6,915,313** | 8,570,088 | **892,712** | 1,356,117 |

## 8. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Executive:** | | | | |
| Salary and other emoluments | **1,526,888** | 1,507,640 | **-** | - |
| Benefits-in-kind | **11,770** | 7,750 | **-** | - |
| | **1,538,658** | 1,515,390 | **-** | - |
| **Non-executive:** | | | | |
| Fees | **132,000** | 96,000 | **132,000** | 96,000 |
| Allowances | **14,000** | 10,000 | **14,000** | 10,000 |
| Total directors' remuneration | **1,684,658** | 1,621,390 | **146,000** | 106,000 |

# Notes to the Financial Statements (continued)

## 9. TAX EXPENSE/(CREDIT)

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| **Current tax:** | | | | |
| Malaysian income tax: | | | | |
| Current financial year | **266,948** | 791,700 | **212,175** | - |
| (Over)/Underprovision in prior financial years | **(176,524)** | (46,818) | **13,490** | - |
| | **90,424** | 744,882 | **225,665** | - |
| Deferred tax (Note 21) : | | | | |
| Origination and reversal of temporary differences | **(293,351)** | (847,100) | **-** | (494,700) |
| Reversal of deferred tax assets | **617,100** | - | **494,700** | - |
| Overprovision in prior financial years | **(239,549)** | (326,800) | **-** | - |
| | **84,200** | (1,173,900) | **494,700** | (494,700) |
| Tax expense/(credit) | **174,624** | (429,018) | **720,365** | (494,700) |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| (Loss)/Profit before tax | **(9,051,340)** | 10,710,224 | **(3,966,441)** | 1,339,236 |
| Tax at the Malaysian statutory income tax rate of 24% (2015: 25%) | **(2,172,300)** | 2,677,600 | **(951,900)** | 334,800 |
| Tax effect on non-deductible expenses | **1,635,613** | 290,800 | **1,137,051** | 87,100 |
| Tax effect on non-taxable income | **(86,608)** | (635,700) | **(86,608)** | (39,900) |
| Effect of deferred tax at different tax rate | **-** | (61,700) | **-** | (15,300) |
| Recognition of deferred tax assets previously not recognised | **-** | (494,700) | **-** | (494,700) |
| Utilisation of deferred tax assets previously not recognised | **-** | (1,831,700) | **-** | (366,700) |
| Reversal of deferred tax assets | **617,100** | - | **494,700** | - |
| Deferred tax assets not recognised during the financial year | **596,892** | - | **113,632** | - |
| (Over)/Underprovision in prior years | | | | |
| - current tax | **(176,524)** | (46,818) | **13,490** | - |
| - deferred tax | **(239,549)** | (326,800) | **-** | - |
| | **174,624** | (429,018) | **720,365** | (494,700) |

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

During the financial year, the Group and the Company utilised brought forward unabsorbed tax losses to set off against chargeable income resulting in tax savings of approximately RM231,616 and RM Nil (2015: RM1,864,300 and RM411,100) respectively.

## 10. (LOSS)/EARNINGS PER ORDINARY SHARE

### (a) Basic

Basic (loss)/earnings per ordinary share for the financial year is calculated by dividing the (loss)/profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

| | Group | |
|---|---|---|
| | **2016 RM** | **2015 RM** |
| (Loss)/Profit for the financial year attributable to owners of the Company | **(9,225,964)** | 11,139,242 |
| Weighted average number of ordinary shares outstanding during the financial year | **472,665,342** | 431,370,112 |
| Basic (loss)/earnings per ordinary share (sen) | **(1.95)** | 2.58 |

### (b) Diluted

The diluted (loss)/earnings per share of the Group is calculated by dividing the Group's net (loss)/profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares in issue, adjusted to assume the conversion of all dilutive potential ordinary shares, i.e. warrants and share options. A calculation is done to determine the number of shares that could have been acquired at market price based on the monetary value of the subscription rights attached to the outstanding warrants and share options.

| | Group | |
|---|---|---|
| | **2016 RM** | **2015 RM** |
| (Loss)/Profit for the financial year attributable to owners of the Company | **(9,225,964)** | 11,139,242 |
| Weighted average number of ordinary shares: | **472,665,342** | 431,370,112 |
| Effect of dilution from share options and warrants | **-** | 17,572,769 |
| Adjusted weighted average number of ordinary shares in issue and issuable | **472,665,342** | 448,942,881 |
| Diluted (loss)/earnings per ordinary share (sen) | **(1.95)** | 2.48 |

Other than those disclosed in Note 33, there have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

# Notes to the Financial Statements (continued)

## 11. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM | Short term Leasehold land RM | Buildings RM | Furniture and fittings, office equipment and renovation RM | Motor vehicles RM | Plant and machinery and testing equipment RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2016 | 1,433,333 | 1,680,000 | 4,932,800 | 8,170,988 | 23,000 | 15,249,719 | 29,287 | 31,519,127 |
| Additions | - | - | 158,081 | 681,568 | - | - | 101,084 | 940,733 |
| Written off | - | - | - | (1,129,908) | (23,000) | (11,672,026) | - | (12,824,934) |
| Effect of movement in exchange rates | - | - | - | 1,464 | - | - | - | 1,464 |
| At 31 December 2016 | 1,433,333 | 1,680,000 | 5,090,881 | 7,724,112 | - | 3,577,693 | 130,371 | 19,636,390 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 January 2016 | - | 240,000 | 547,650 | 7,172,459 | 22,998 | 9,622,518 | - | 17,605,625 |
| Charge for the financial year | - | 48,000 | 107,185 | 340,223 | - | 1,970,971 | - | 2,466,379 |
| Written off | - | - | - | (1,098,162) | (22,998) | (8,045,832) | - | (9,166,992) |
| Effect of movement in exchange rates | - | - | - | 1,464 | - | - | - | 1,464 |
| At 31 December 2016 | - | 288,000 | 654,835 | 6,415,984 | - | 3,547,657 | - | 10,906,476 |
| **Net Carrying Amount** | | | | | | | | |
| At 31 December 2016 | 1,433,333 | 1,392,000 | 4,436,046 | 1,308,128 | - | 30,036 | 130,371 | 8,729,914 |
| **Cost** | | | | | | | | |
| At 1 January 2015 | 1,433,333 | 1,680,000 | 4,816,667 | 7,655,835 | 23,000 | 15,207,099 | - | 30,815,934 |
| Additions | - | - | 116,133 | 513,764 | - | 104,220 | 29,287 | 763,404 |
| Disposals | - | - | - | - | - | (61,600) | - | (61,600) |
| Written off | - | - | - | (4,682) | - | - | - | (4,682) |
| Effect of movement in exchange rates | - | - | - | 6,071 | - | - | - | 6,071 |
| At 31 December 2015 | 1,433,333 | 1,680,000 | 4,932,800 | 8,170,988 | 23,000 | 15,249,719 | 29,287 | 31,519,127 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 January 2015 | - | 192,000 | 440,465 | 6,973,224 | 22,998 | 6,946,728 | - | 14,575,415 |
| Charge for the financial year | - | 48,000 | 107,185 | 195,732 | - | 2,737,386 | - | 3,088,303 |
| Disposals | - | - | - | - | - | (61,596) | - | (61,596) |
| Written off | - | - | - | (2,111) | - | - | - | (2,111) |
| Effect of movement in exchange rates | - | - | - | 5,614 | - | - | - | 5,614 |
| At 31 December 2015 | - | 240,000 | 547,650 | 7,172,459 | 22,998 | 9,622,518 | - | 17,605,625 |
| **Net Carrying Amount** | | | | | | | | |
| At 31 December 2015 | 1,433,333 | 1,440,000 | 4,385,150 | 998,529 | 2 | 5,627,201 | 29,287 | 13,913,502 |

# Notes to the Financial Statements (continued)

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Freehold land RM | Buildings RM | Furniture and fittings, office equipment and renovation RM | Plant and machinery and testing equipment RM | Total RM |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2016 | 1,433,333 | 2,866,667 | 2,126,979 | 601,092 | 7,028,071 |
| Additions | - | - | 4,880 | - | 4,880 |
| At 31 December 2016 | 1,433,333 | 2,866,667 | 2,131,859 | 601,092 | 7,032,951 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2016 | - | 286,665 | 2,124,085 | 601,013 | 3,011,763 |
| Charge for the financial year | - | 57,333 | 1,965 | - | 59,298 |
| At 31 December 2016 | - | 343,998 | 2,126,050 | 601,013 | 3,071,061 |
| **Net Carrying Amount** | | | | | |
| At 31 December 2016 | 1,433,333 | 2,522,669 | 5,809 | 79 | 3,961,890 |
| **Cost** | | | | | |
| At 1 January 2015 | 1,433,333 | 2,866,667 | 2,126,979 | 558,912 | 6,985,891 |
| Additions | - | - | - | 42,180 | 42,180 |
| At 31 December 2015 | 1,433,333 | 2,866,667 | 2,126,979 | 601,092 | 7,028,071 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2015 | - | 229,332 | 2,115,601 | 259,933 | 2,604,866 |
| Charge for the financial year | - | 57,333 | 8,484 | 341,080 | 406,897 |
| At 31 December 2015 | - | 286,665 | 2,124,085 | 601,013 | 3,011,763 |
| **Net Carrying Amount** | | | | | |
| At 31 December 2015 | 1,433,333 | 2,580,002 | 2,894 | 79 | 4,016,308 |

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the above property, plant and equipment are:

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| Freehold land | **1,433,333** | 1,433,333 | **1,433,333** | 1,433,333 |
| Office buildings | **2,522,669** | 2,580,002 | **2,522,669** | 2,580,002 |
| | **3,956,002** | 4,013,335 | **3,956,002** | 4,013,335 |

(b) Capital work in progress
These are in respect of preparation or making of moulds and renovation of buildings.

(c) Short term leasehold land has remaining unexpired lease period of less than 50 years.

## 12. GOODWILL ON CONSOLIDATION

| | Group | |
|---|---|---|
| | **2016 RM** | **2015 RM** |
| Goodwill on consolidation | **5,545,761** | 5,545,761 |
| Less: Impairment loss | **(5,545,761)** | - |
| | **-** | 5,545,761 |

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 has been allocated to the Group's CGU according to the principal activities as follows:

| | Group | |
|---|---|---|
| | **2016 RM** | **2015 RM** |
| Development and manufacturing of wire harness and electronic related accessories | **-** | 5,523,218 |
| Sales of digital pens and paper | **-** | 22,543 |
| | **-** | 5,545,761 |

During the financial year, goodwill on consolidation is fully impaired as the Group does not expect any significant cash flows from the above segments with its exit from the mobile phone accessories' original design manufacturing business.

In the previous financial year, the recoverable amount of a CGU is determined based on value-in-use calculations using four years of cash flow projections from financial budgets and projections approved by the management. Cash flows beyond the four-year period are extrapolated using the growth rates as stated below.

The goodwill allocated to the sales of digital pens and paper activity is immaterial in comparison with the Group's total carrying amount of goodwill.

# Notes to the Financial Statements (continued)

## 12. GOODWILL ON CONSOLIDATION (CONTINUED)

In the previous financial year, key assumptions used in the value-in-use calculations based on four-year cash flow projection in respect of impairment test for goodwill on the development and manufacturing of wire harness and electronic related accessories activity are:

(i) Revenue – Revenue is based on existing customer base and management's estimate.

(ii) Budgeted gross margins – Gross margins of 5% are based on management's past experience.

(iii) Growth rates – Revenue growth rate of 5% for the next 4 years are based on the Company's estimates of the sector and industry trends, general market and economic conditions. No growth rate was extrapolated beyond the 4-year period as the management does not anticipate significant growth.

(iv) Pre-tax discount rate – Discount rate of 20% reflects the current market assessment of the risks specific to the segment. This is the benchmark used by the management to assess operating performance and to evaluate future investment proposals.

## 13. OTHER INTANGIBLE ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| **Computer software** | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| **Cost** | | | | |
| At beginning of financial year | **1,281,966** | 1,273,966 | **865,795** | 865,795 |
| Addition during the financial year | **5,000** | 8,000 | **-** | - |
| Written off during the financial year | **(121,135)** | - | **-** | - |
| At end of the financial year | **1,165,831** | 1,281,966 | **865,795** | 865,795 |
| **Accumulated amortisation** | | | | |
| At beginning of financial year | **868,944** | 761,182 | **583,297** | 535,857 |
| Charge during the financial year | **128,927** | 107,762 | **71,938** | 47,440 |
| Written off during the financial year | **(121,112)** | - | **-** | - |
| At end of financial year | **876,759** | 868,944 | **655,235** | 583,297 |
| Net carrying amount | **289,072** | 413,022 | **210,560** | 282,498 |

# Notes to the Financial Statements (continued)

## 14. INVESTMENT IN SUBSIDIARIES

| | Note | Company 2016 RM | Company 2015 RM |
|---|---|---|---|
| Unquoted shares, at cost | | | |
| In Malaysia | | **9,554,844** | 9,554,844 |
| Outside Malaysia | | | |
| At beginning of financial year | | **1** | 161,775 |
| Written off | | **-** | (161,774) |
| At end of financial year | | **1** | 1 |
| | | **9,554,845** | 9,554,845 |
| Less: Impairment | | | |
| At beginning of financial year | | **(330,000)** | (491,774) |
| Impairment during the year | (a) | **(4,353,912)** | - |
| Written off | | **-** | 161,774 |
| At end of financial year | | **(4,683,912)** | (330,000) |
| | | **4,870,933** | 9,224,845 |
| Quasi loans | (b) | **10,930,067** | 34,214,590 |
| | | **15,801,000** | 43,439,435 |

(a) An impairment on investments in subsidiary amounting to RM4,353,912 (2015: RM Nil) has been recognised during the financial year to write down its carrying value to the recoverable amount.

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

Details of the subsidiaries are as follows:

| Name of Company | Principal place of business/ Country of incorporation | Principal Activities | Effective ownership interest/voting right 2016 | Effective ownership interest/voting right 2015 |
|---|---|---|---|---|
| EMB Technology Sdn. Bhd. | Malaysia | Investment holding | 100% | 100% |
| Big' Ant (M) Sdn. Bhd. | Malaysia | Ceased operation | 100% | 100% |
| K-One Electronics Sdn. Bhd. | Malaysia | Development and manufacturing of wire harness and electronic related accessories | 100% | 100% |
| K-One Resources Sdn. Bhd. | Malaysia | Ceased operation | 100% | 100% |
| K-One eLearning Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| K-One International Limited * | Hong Kong | Dormant | 100% | 100% |
| **Subsidiary of EMB Technology Sdn. Bhd.** | | | | |

# Notes to the Financial Statements (continued)

## 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Name of Company | Principal place of business/ Country of incorporation | Principal Activities | Effective ownership interest/voting right 2016 | Effective ownership interest/voting right 2015 |
|---|---|---|---|---|
| K-One Industry Sdn. Bhd. | Malaysia | Design and development of manufacturing process/tools and manufacturing of electronics end- products and sub-systems | 100% | 100% |
| **Subsidiary of K-One Industry Sdn. Bhd.** | | | | |
| K-One Manufacturing Sdn. Bhd. | Malaysia | Development and manufacturing of electronic products and sub-systems | 100% | 100% |

* Audited by auditors other than Baker Tilly Monteiro Heng.

## 15. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| **At cost** | | | | |
| Raw materials | **8,747,603** | 8,455,063 | **-** | - |
| Finished goods | **754,339** | 727,733 | **-** | - |
| | **9,501,942** | 9,182,796 | **-** | - |

During the financial year, inventories of the Group recognised as cost of goods sold amounted to RM74,343,707 (2015: RM127,856,165).

# Notes to the Financial Statements (continued)

## 16. RECEIVABLES AND DEPOSITS

| | Note | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|---|
| **Current** | | | | | |
| **Trade** | | | | | |
| Trade receivables | (a) | **18,675,833** | 26,592,909 | **658,976** | 1,342,451 |
| Less: Allowance for impairment | | **-** | (156,812) | **-** | - |
| | | **18,675,833** | 26,436,097 | **658,976** | 1,342,451 |
| **Non-trade** | | | | | |
| Other receivables | | **138,016** | 190,999 | **92,036** | 2,856 |
| GST refundable | | **825,758** | 600,012 | **4,965** | 8,296 |
| | | **963,774** | 791,011 | **97,001** | 11,152 |
| Amounts due from subsidiaries | (b) | **-** | - | **3,055,457** | 3,073,349 |
| Less: Allowance for impairment | | **-** | - | **(1,234,686)** | (1,234,686) |
| | | **-** | - | **1,820,771** | 1,838,663 |
| Deposits | | **82,064** | 84,712 | **16,280** | 16,144 |
| Prepayments | | **257,945** | 252,173 | **30,437** | 7,482 |
| | | **19,979,616** | 27,563,993 | **2,623,465** | 3,215,892 |

### (a) Trade receivables

#### (i) Credit term of trade receivables

The normal credit terms extended to customers range from 30 to 90 days (2015: 30 to 90 days).

#### (ii) Ageing analysis of trade receivables

The ageing analysis of trade receivables as at the end of the reporting period are as follows:

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Neither past due nor impaired | **16,874,237** | 20,949,345 | **594,646** | 894,274 |
| 1 to 30 days past due not impaired | **1,157,379** | 4,245,944 | **5,604** | 76,414 |
| 31 to 60 days past due not impaired | **291,608** | 147,792 | **-** | 4,992 |
| 61 to 90 days past due not impaired | **307,094** | 250,238 | **57,382** | 54,805 |
| 91 to 120 days past due not impaired | **43,173** | 275,067 | **-** | 66,144 |
| More than 121 days past due not impaired | **2,342** | 567,711 | **1,344** | 245,822 |
| | **1,801,596** | 5,486,752 | **64,330** | 448,177 |
| Impaired | **-** | 156,812 | **-** | - |
| | **18,675,833** | 26,592,909 | **658,976** | 1,342,451 |

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

## 16. RECEIVABLES AND DEPOSITS (CONTINUED)

### (a) Trade receivables (Continued)

#### (ii) Ageing analysis of trade receivables (Continued)

Receivables that are past due but not impaired
The Group and the Company have trade receivables amounting to RM1,801,596 and RM64,330 (2015: RM5,486,752 and RM448,177) respectively that are past due at the reporting date but not impaired because there have been no significant changes in the credit quality of the debtors and the amounts are still considered recoverable. These trade receivables that are past due but not impaired are unsecured in nature

#### (iii) Receivables that are impaired

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

| | Group 2016 RM | Group 2015 RM |
|---|---|---|
| At beginning of financial year | 156,812 | 715,661 |
| Written off | (156,812) | (558,849) |
| At end of financial year | - | 156,812 |

Trade receivables that are individually determined to be impaired at the reporting date related to customers' disagreement pertaining to discrepancies involving pricing, quantity and other delivery terms. These receivables are not secured by any collateral or credit enhancements.

### (b) Amounts due from subsidiaries

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand in cash and cash equivalents.

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

| | Company 2016 RM | Company 2015 RM |
|---|---|---|
| At beginning / end of financial year | 1,234,686 | 1,234,686 |

## 17. SHORT TERM CASH INVESTMENTS

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Cash management fund with investment management companies | **23,000,000** | - | **23,000,000** | - |

# Notes to the Financial Statements (continued)

## 18. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Cash and bank balances | **14,312,662** | 52,145,190 | **6,728,098** | 18,789,849 |
| Deposit placed with licenced banks | **15,338,200** | - | **13,938,200** | - |
| | **29,650,862** | 52,145,190 | **20,666,298** | 18,789,849 |
| Less: Non short term fixed deposits | **(6,000,000)** | - | **(6,000,000)** | - |
| | **23,650,862** | 52,145,190 | **14,666,298** | 18,789,849 |

The fixed deposits of the Group and the Company bear effective interest at rates ranging from 0.25% to 3.60% (2015: Nil) per annum and with maturity periods of 1 month to 7 months (2015: Nil).

## 19. SHARE CAPITAL

| | Group/Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Number of shares | RM | Number of shares | RM |
| **Authorised:** | | | | |
| **Ordinary shares of RM0.10 each** | | | | |
| At beginning / end of financial year | **1,500,000,000** | **150,000,000** | 1,500,000,000 | 150,000,000 |
| **Issued and fully paid:** | | | | |
| **Ordinary shares of RM0.10 each** | | | | |
| At beginning of financial year | **472,655,342** | **47,265,534** | 417,787,052 | 41,778,705 |
| Issued pursuant to exercise of ESOS | **-** | **-** | 7,073,500 | 707,350 |
| Issued pursuant to exercise of warrants | **-** | **-** | 47,794,790 | 4,779,479 |
| At end of financial year | **472,655,342** | **47,265,534** | 472,655,342 | 47,265,534 |

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

## 20. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Non-distributable:- | | | | |
| Share premium | **15,885,356** | 15,885,356 | **15,885,356** | 15,885,356 |
| Foreign exchange reserve | **2,531** | (4,677) | **-** | - |
| Distributable:- | | | | |
| Retained earnings | **12,812,679** | 22,038,643 | **1,027,632** | 5,714,438 |
| | **28,700,566** | 37,919,322 | **16,912,988** | 21,599,794 |

## 20. RESERVES (CONTINUED)

**Share premium**
The share premium arose from the issue of the Company's shares at a premium.

**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.

**Retained earnings**
The credit in the Section 108 balance as at 31 December 2013 expired in accordance with the Finance Act 2007. With effect from 1 January 2014, the Company will be able to distribute dividends out of its retained earnings under the single tier system.

## 21. DEFERRED TAX ASSETS/(LIABILITIES)

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Deferred tax assets/(liabilities)** | | | | |
| At beginning of financial year | **413,700** | (760,200) | **494,700** | - |
| Recognised in profit or loss (Note 9) | **(84,200)** | 1,173,900 | **(494,700)** | 494,700 |
| At end of financial yea | **329,500** | 413,700 | **-** | 494,700 |

Presented before appropriate offsetting as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Deferred tax assets | **329,800** | 684,000 | **-** | 494,700 |
| Deferred tax liabilities | **(300)** | (270,300) | **-** | - |
| | **329,500** | 413,700 | **-** | 494,700 |

Deferred tax liabilities are attributable to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Difference between the carrying amount of property, plant and equipment and its tax base | **(134,081)** | (430,000) | **-** | (8,900) |
| Deductible temporary differences in respect of expense | **-** | 43,800 | **-** | - |
| Taxable temporary differences in respect of income | **(76,242)** | (10,500) | **-** | (10,500) |
| Unutilised capital allowance | **536,165** | 25,100 | **-** | - |
| Unabsorbed tax losses | **3,658** | 785,300 | **-** | 514,100 |
| | **329,500** | 413,700 | **-** | 494,700 |

# Notes to the Financial Statements (continued)

## 21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Other deductible temporary differences | **18,165** | 7,584 | **16,410** | 7,584 |
| Unutilised capital allowance | **1,368,546** | - | **44,678** | - |
| Unabsorbed tax losses | **4,208,565** | 3,100,642 | **2,907,125** | 2,487,161 |
| | **5,595,276** | 3,108,226 | **2,968,213** | 2,494,745 |

## 22. PAYABLES AND ACCRUALS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Trade** | | | | | |
| Trade payables | (a) | **15,777,015** | 22,741,305 | **110,788** | 43,069 |
| **Non-trade** | | | | | |
| Other payables | | **128,965** | 436,827 | **13,741** | 168,288 |
| Amount due to a director | (b) | **2,354** | 2,354 | **2,351** | 2,351 |
| Amount due to subsidiaries | (c) | **-** | - | **1,836,574** | 1,105,237 |
| Accruals | | **399,608** | 221,595 | **51,295** | 52,611 |
| Deposit received | | **8,860** | 8,860 | **8,860** | 8,860 |
| | | **539,787** | 669,636 | **1,912,821** | 1,337,347 |
| | | **16,316,802** | 23,410,941 | **2,023,609** | 1,380,416 |

### (a) Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2015: 30 to 90 days).

### (b) Amount due to a director

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

### (c) Amount due to subsidiaries

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

## 23. DIVIDEND

| | Group/Company | |
|---|---|---|
| | 2016 RM | 2015 RM |
| **Recognised during the financial year:** | | |
| Dividends on ordinary shares: | | |
| - Interim single tier dividend for the financial year ended 31 December 2015: 0.5 sen per ordinary share of RM0.10 each | **-** | 2,139,933 |

## 24. WARRANTS AND EMPLOYEE BENEFITS

**Warrants**

The warrants (Warrant B) were constituted under the Deed Poll dated 29 August 2012. The warrants expired on 11 December 2015.

The salient features of the above warrants are as follows:

(a) Each of the warrant entitles the holder to the right of exercise of one ordinary share in the Company. The number of warrants are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll;

(b) The exercise price is RM0.22 per share subject to adjustments in accordance with the provisions of the Deed Poll;

(c) The warrants have a maturity period of three (3) years from the date of issuance; thereafter the outstanding warrants will cease to be valid for any purpose;

(d) The new ordinary shares allotted and issued upon exercise of the warrants shall be fully paid and rank pari passu with the then existing ordinary shares of the Company. The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company; and

(e)The warrants are quoted on the ACE Market of Bursa Malaysia Securities Berhad.

**Employees' Share Option Scheme ("ESOS")**

The Company implemented an Employees' Share Option Scheme ("ESOS") which came into effect on 30 December 2005 for a period of five (5) years. However, the ESOS Committee had reviewed, discussed and approved the extention of the ESOS for a further period of five (5) years from the date of expiry. The ESOS expired on 31 December 2015. The ESOS was governed by the by-laws which were approved by the shareholders on 30 November 2005.

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 confirmed employee in the Company and certain of its subsidiary companies;

(b) The total number of shares to be offered under the ESOS and in respect of which options may be granted shall not exceed 10% of the total issued and paid-up capital of the Company at any point in time during the duration of the ESOS, such that not more than 50% of the shares available under the ESOS is allocated in aggregate to the directors and the senior management;

(c) The number of shares that may be offered and allotted to eligible employees under the ESOS is determined at the discretion of the ESOS Committee subject to no individual eligible employee receiving more than 10% of the shares available under the ESOS;

(d) The option exercise price for each ordinary share of RM0.10 each shall be at a discount of not more than ten percent of the five (5)-day weighted average market price of the shares shown in the daily official list issued by Bursa Malaysia Securities Berhad at the time the option is granted or the par value of the shares of RM0.10, whichever is the higher. In the event the ESOS is made to the eligible employees prior to the admission of the Company on the ACE market of Bursa Malaysia Securities Berhad, the option price shall be the higher of the theoretical ex-bonus price after the public issue and bonus issue of RM0.10 or the par value of the shares; and

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

# Notes to the Financial Statements (continued)

## 24. WARRANTS AND EMPLOYEE BENEFITS (CONTINUED)

**Movement of share options during the financial year**

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

| | 2016* | | 2015 | |
|---|---|---|---|---|
| | No. | WAEP (RM) | No. | WAEP (RM) |
| Outstanding at 1 January | - | - | 7,089,000 | 0.10 |
| - Exercised | - | - | (7,073,500) | 0.10 |
| - Lapsed | - | - | (15,500) | 0.10 |
| Outstanding at 31 December | - | - | - | 0.10 |

* The share options expired on 31 December 2015.

## 25. CORPORATE GUARANTEE

| | 2016 RM | 2015 RM |
|---|---|---|
| Corporate guarantees for credit facilities granted to subsidiaries: - | | |
| - K-One Industry Sdn. Bhd. | **22,706,000** | 22,756,000 |

## 26. RELATED PARTY DISCLOSURES

### (a) Identity 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

| | Company | |
|---|---|---|
| | 2016 RM | 2015 RM |
| Paid or payable to directors of the Company | | |
| Rental of factory | **60,000** | 60,000 |

| | Company | |
|---|---|---|
| | 2016 RM | 2015 RM |
| Received or receivable from subsidiaries | | |
| Management fee | **-** | 1,478,178 |

## 26. 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 16 and 22.

### (d) Compensation of key management personnel

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| Directors of the Company | | | | |
| Fees | **132,000** | 96,000 | **132,000** | 96,000 |
| Salaries and other emoluments (including estimated monetary value of benefits-in-kind) | **1,389,218** | 1,363,990 | **14,000** | 10,000 |
| Post-employment benefits | **163,440** | 161,400 | **-** | - |
| | **1,684,658** | 1,621,390 | **146,000** | 106,000 |

## 27. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| **Group 2016 Financial assets** | **Fair value through profit or loss RM** | **Loans and receivables RM** | **Total RM** |
|---|---|---|---|
| Receivables and deposits # | - | 18,895,913 | 18,895,913 |
| Short term cash investments | 23,000,000 | - | 23,000,000 |
| Cash and bank balances | - | 29,650,862 | 29,650,862 |
| | 23,000,000 | 48,546,775 | 71,546,775 |

| **Group 2016 Financial liabilities** | **Financial liabilities at amortised cost RM** | **Total RM** |
|---|---|---|
| Payables and accruals | 16,316,802 | 16,316,802 |

| **Group 2015 Financial assets** | **Loans and receivables RM** | **Total RM** |
|---|---|---|
| Receivables and deposits # | 26,711,808 | 26,711,808 |
| Cash and bank balances | 52,145,190 | 52,145,190 |
| | 78,856,998 | 78,856,998 |

*# Exclude GST refunds and prepayments.*

# Notes to the Financial Statements (continued)

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Categories of financial instruments (Continued)

| Group<br>2015<br>Financial liabilities | Financial liabilities at amortised cost<br>RM | Total<br>RM |
|---|---|---|
| Payables and accruals | 23,410,941 | 23,410,941 |

| Company<br>2016<br>Financial assets | Fair value through profit or loss<br>RM | Loans and receivables<br>RM | Total<br>RM |
|---|---|---|---|
| Receivables and deposits # | - | 2,588,063 | 2,588,063 |
| Short term cash investments | 23,000,000 | - | 23,000,000 |
| Cash and bank balances | - | 20,666,298 | 20,666,298 |
| | 23,000,000 | 23,254,361 | 46,254,361 |

| Company<br>2016<br>Financial liabilities | Financial liabilities at amortised cost<br>RM | Total<br>RM |
|---|---|---|
| Payables and accruals | 2,023,609 | 2,023,609 |

| Company<br>2015<br>Financial assets | Loans and receivables<br>RM | Total<br>RM |
|---|---|---|
| Receivables and deposits # | 3,200,114 | 3,200,114 |
| Cash and bank balances | 18,789,849 | 18,789,849 |
| | 21,989,963 | 21,989,963 |

| Company<br>2015<br>Financial liabilities | Financial liabilities at amortised cost<br>RM | Total<br>RM |
|---|---|---|
| Payables and accruals | 1,380,416 | 1,380,416 |

*# Exclude GST refunds and prepayments.*

# Notes to the Financial Statements (continued)

## 28. CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| Capital expenditures approved and contracted for: | | | | |
| - Property, plant and equipment | **43,322** | - | **-** | - |

## 29. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

### (a) Fair Value of financial instruments

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

#### (i) Cash and bank balances, trade and other receivables and payables

The carrying amounts of cash and bank balance, 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.

### (b) Fair Value hierarchy

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

| | Fair Value Measurement | | | |
|---|---|---|---|---|
| **Group** | **Level 1 RM** | **Level 2 RM** | **Level 3 RM** | **Total RM** |
| **2016** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| - Short term cash investment | **23,000,000** | - | **-** | 23,000,000 |

**2015 - Nil**

During the financial year, there was no transfer between level 1 and level 2 of the fair value measurement hierarchy.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising potential adverse effects on the performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies. The Group and the Company are exposed mainly to liquidity risk, credit risk, foreign currency risk and interest rate risk. Information on the management of the related exposures is detailed below.

### (i) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (i) Liquidity risk (Continued)

The Group and the Company actively manage their operating cash flows by maintaining a sufficient level of cash to meet their working capital requirements and availability of funding through an adequate amount of credit facilities.

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

### (ii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk or the risk of counter parties defaulting, arises mainly from receivables. For other financial assets, the Group minimises credit risk by dealing with high credit rating counterparties and creditworthy financial institutions. The maximum exposure to credit risk is represented by the total carrying amount of these financial assets in the statements of financial position and corporate guarantee provided by the Company to banks on subsidiaries' credit facilities.

Receivables
The Group manages its exposure to credit risk by investing its cash assets safely and profitably by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

At the reporting date, approximately 86% (2015: 84%) of the gross trade receivables were from three (2015: four) customers.

Credit risk concentration profile
The credit risk concentration profile of the Group's and Company's trade receivables at the financial year end by geographical region are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Malaysia | **684,062** | 127,425 | **-** | 91,896 |
| Asia (excluding Malaysia) | **1,646,521** | 9,772,053 | **-** | - |
| Australia | **52,311** | - | **-** | - |
| Europe | **15,511,641** | 16,226,488 | **648,932** | 1,250,555 |
| Middle East | **18,048** | - | **-** | - |
| United States of America | **763,250** | 310,131 | **10,044** | - |
| | **18,675,833** | 26,436,097 | **658,976** | 1,342,451 |

Financial guarantee
The Company has provided unsecured financial guarantees to a bank in respect of banking facilities granted to a subsidiary which is not utilised but available on a standby basis.

At the reporting date, the subsidiary did not have any outstanding credit facilities.

The financial guarantees have not been recognised since the fair value on initial recognition was immaterial as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiary's borrowings in view of the securities pledged by the subsidiary and it was not probable that the counterparties to financial guarantee contracts will claim under the contracts.

# Notes to the Financial Statements (continued)

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (iii) Foreign currency risk

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

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

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

| Group | Trade and other receivables | Cash and bank balances | Trade and other payables | Total |
|---|---|---|---|---|
| **2016** | | | | |
| USD | 16,018,297 | 3,570,373 | (7,793,717) | 11,794,953 |
| Euro | 1,439,064 | 115,900 | (2,600,656) | (1,045,692) |
| GBP | 685,403 | 1,449,353 | (112,187) | 2,022,569 |
| | 18,142,764 | 5,135,626 | (10,506,560) | 12,771,830 |
| **2015** | | | | |
| USD | 25,762,641 | 20,461,507 | (19,171,035) | 27,053,113 |
| Euro | - | 16,761 | (615,657) | (598,896) |
| GBP | 550,128 | 2,953,397 | (89,347) | 3,414,178 |
| SGD | - | - | (913) | (913) |
| HKD | 32,559 | 111,904 | (7,748) | 136,715 |
| | 26,345,328 | 23,543,569 | (19,884,700) | 30,004,197 |

| Company | Trade and other receivables | Cash and bank balances | Trade and other payables | Total |
|---|---|---|---|---|
| **2016** | | | | |
| USD | 658,976 | 1,223,447 | (5,959) | 1,876,464 |
| **2015** | | | | |
| USD | 1,249,988 | 232,438 | (26) | 1,482,400 |

Sensitivity analysis for foreign currency risk

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

# Notes to the Financial Statements (continued)

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (iii) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk (Continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | (Loss)/Profit for the financial year Increase/(Decrease) | | | |
| | | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| USD/RM | - Strengthen by 5% (2015: 5%) | (448,200) | 1,014,500 | (71,300) | 55,600 |
| USD/RM | - Weaken by 5% (2015: 5%) | 448,200 | (1,014,500) | 71,300 | (55,600) |
| EURO/RM | - Strengthen by 1% (2015: 5%) | 7,900 | (22,500) | - | - |
| EURO/RM | - Weaken by 1% (2015: 5%) | (7,900) | 22,500 | - | - |
| GBP/RM | - Strengthen by 13% (2015: 5%) | (199,800) | 128,000 | - | - |
| USD/RM | - Weaken by 13% (2015: 5%) | 199,800 | (128,000) | - | - |

## 31. SEGMENT INFORMATION

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

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

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

**Segment revenue and results**

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

**Segment assets**

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

**Segment liabilities**

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

**Segment capital expenditure**

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

# Notes to the Financial Statements (continued)

## 31. SEGMENT INFORMATION (CONTINUED)

### Segment capital expenditure (Continued)

| | Research, design and development and sales RM | Manufacturing RM | Investment holding RM | Elimination RM | Consolidated RM |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Total external revenue | 1,351,871 | 80,512,315 | - | - | 81,864,186 |
| Inter-segment revenue | - | - | - | - | - |
| **Total segment revenue** | 1,351,871 | 80,512,315 | - | - | 81,864,186 |
| Segment result | 387,471 | (9,264,649) | (174,162) | - | (9,051,340) |
| Finance costs | | | | | - |
| Tax expense | | | | | (174,624) |
| **Loss for the financial year** | | | | | (9,225,964) |
| | | | | | |
| **Other information** | | | | | |
| Segment assets | 48,641,442 | 40,999,960 | 1,510,004 | - | 91,151,406 |
| Unallocated corporate assets | | | | | 1,193,144 |
| **Consolidated total assets** | | | | | 92,344,550 |
| Segment liabilities | 184,684 | 16,076,935 | 52,829 | - | 16,314,448 |
| Unallocated corporate liability | | | | | 64,002 |
| **Consolidated total liabilities** | | | | | 16,378,450 |
| | | | | | |
| Capital expenditure | 4,880 | 329,175 | 611,678 | - | 945,733 |
| Amortisation of computer software | 71,938 | 56,989 | - | - | 128,927 |
| Depreciation of property, plant and equipment | 59,298 | 2,406,873 | 208 | - | 2,466,379 |
| Impairment of goodwill | - | 5,545,761 | - | - | 5,545,761 |
| Property, plant and equipment written off | - | 3,657,942 | - | - | 3,657,942 |

## 31. SEGMENT INFORMATION (CONTINUED)

### Segment capital expenditure (Continued)

| | Research, design and development and sales RM | Manufacturing RM | Investment holding RM | Elimination RM | Consolidated RM |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Total external revenue | 2,952,947 | 143,109,500 | - | - | 146,062,447 |
| Inter-segment revenue | - | 261,068 | - | (261,068) | - |
| **Total segment revenue** | 2,952,947 | 143,370,568 | - | (261,068) | 146,062,447 |
| Segment result | 1,339,237 | 9,578,891 | (207,904) | - | 10,710,224 |
| Finance costs | | | | | - |
| Tax credit | | | | | 429,018 |
| **Profit for the financial year** | | | | | 11,139,242 |
| **Other information** | | | | | |
| Segment assets | 24,465,884 | 83,377,320 | 921,060 | - | 108,764,264 |
| Unallocated corporate assets | | | | | 811,844 |
| **Consolidated total assets** | | | | | 109,576,108 |
| Segment liabilities | 272,828 | 23,110,987 | 24,772 | - | 23,408,587 |
| Unallocated corporate liability | | | | | 982,665 |
| **Consolidated total liabilities** | | | | | 24,391,252 |
| Capital expenditure | 50,180 | 721,224 | - | - | 771,404 |
| Amortisation of computer software | 47,440 | 60,322 | - | - | 107,762 |
| Depreciation of property, plant and equipment | 406,897 | 2,676,923 | 4,483 | - | 3,088,303 |
| Inventories written off | - | 1,627,530 | - | - | 1,627,530 |

### Geographical information

The Group's business is derived mainly from three geographical areas. About 99% (2015: 99%) of the business activities are derived from outside Malaysia. The Group primarily exports design and development services and finished goods of electronic end-products and sub-systems to Europe, USA and Asia (excluding Malaysia). The manufacturing activities are mainly conducted in Malaysia.

# Notes to the Financial Statements (continued)

## 31. SEGMENT INFORMATION (CONTINUED)

### Geographical information (Continued)

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

| | Revenue | | Non-Current Assets | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| Malaysia | **506,000** | 461,000 | **9,018,986** | 17,777,089 |
| Europe | **66,537,000** | 75,511,000 | **-** | - |
| Asia (excluding Malaysia) | **11,169,000** | 67,484,000 | **-** | 2,095,196 |
| United States of America | **3,446,000** | 2,544,000 | **-** | - |
| Oceania | **173,000** | 46,000 | **-** | - |
| Middle East | **33,186** | 16,447 | **-** | - |
| | **81,864,186** | 146,062,447 | **9,018,986** | 19,872,285 |

### Information about major customers

The Group has 3 (2015: 4) major international customers (each with revenue equal or more than 10% of the Group revenue) from the manufacturing segment contributing total revenue of approximately RM63,505,552 (2015: RM100,310,699).

## 32. 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 2016 and 2015.

The Group and the Company monitor capital by reviewing various financial ratios to ensure they are at acceptable levels and within industry norms.

The Group and the Company do not have any borrowings as at the financial years ended 31 December 2016 and 2015. 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.

## 33. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

### (i) Acquisition of shares

On 17 March 2017, the Company entered into a Share Sale Agreement ("SSA") with Datin Sri Fuziah binti Mohd Nor, Dato' Mohammad Fadzllee bin Mustapa and Mohammad Fadzlan bin Mustapa ("Vendors") to acquire 4,500,000 ordinary shares in AHM Consultancy & Security Services Sdn. Bhd., representing 30% of the issued and paid up capital for a purchase consideration of RM8,700,000. The acquisition is expected to be completed within 4 months from the date of the SSA. The Vendors have provided a profit guarantee of RM14,000,000 over a period of two years commencing from 1 January 2017 to 31 December 2018. The acquisition is yet to be completed at the date of authorisation of these financial statements.

## 33. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

### (ii) Private placement

On 15 March 2017, the Company announced the completion of its private placement exercise with the listing and quotation of the 46,488,980 placement shares which were issued at RM0.14 each.

### (iii) Employees' Share Option Scheme

On 7 March 2017, the Company implemented the Employees' Share Option Scheme ("ESOS").

On 13 March 2017, the Company offered a total of 130,000,000 options over new shares ("Options") to the Directors and eligible employees of the Group under its ESOS with an exercise price of RM0.165 per share. The said ESOS will expire on 7 March 2022 and may be extended for another 5 years at the discretion of the ESOS Committee.

### (iv) Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism set 31 January 2017 as the date on which the Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of the Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of authorised share capital;
- shares issued will have no par or nominal value; and
- share premium will become part of share capital.

In addition, the financial statements' disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

# Supplementary Information on Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained earnings of the Group and of the Company as at 31 December 2016 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| Total retained earnings/(accumulated losses) of the Company and its subsidiaries | | | | |
| - realised | **7,657,217** | 15,923,168 | **991,001** | 5,180,444 |
| - unrealised | **(733,919)** | (45,574) | **36,631** | 533,994 |
| | **6,923,298** | 15,877,594 | **1,027,632** | 5,714,438 |
| Add: Consolidation adjustments | **5,889,381** | 6,161,049 | **-** | - |
| Total retained earnings | **12,812,679** | 22,038,643 | **1,027,632** | 5,714,438 |

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not applied for any other purpose.

# List of Properties
As at 31 December 2016

| 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 31/12/2016 (RM '000) |
|---|---|---|---|---|---|---|
| 66, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor | 4-Storey shoplot: Office | Freehold | 27 | 6,000 | 4.7.2006 | 1,978 |
| 68, Jalan SS 22/21 Damansara Jaya 47400 Petaling Jaya Selangor | 4-Storey shoplot: Office | Freehold | 27 | 6,000 | 4.7.2006 | 1,978 |
| 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 | 27 | 45,000 | 9.8.2007 | 3,031 |

# Analysis of Shareholdings
As at 3 April 2017

| | | |
|---|---|---|
| Authorised Share Capital | : | RM150,000,000 |
| Issued and Fully Paid-Up Share Capital | : | RM47,265,534 |
| Class of Shares | : | Ordinary shares of RM0.10 each |
| Voting Rights | : | One (1) vote per share on a poll |

## ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 3 APRIL 2017

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| Less than 100 | 25 | 0.59 | 944 | 0.00 |
| 100 to 1,000 | 161 | 3.83 | 88,053 | 0.02 |
| 1,001 to 10,000 | 1,114 | 26.46 | 8,036,422 | 1.55 |
| 10,001 to 100,000 | 2,347 | 55.75 | 97,469,201 | 18.77 |
| 100,001 to less than 5% of issued shares | 560 | 13.3 | 229,133,955 | 44.14 |
| 5% and above of issued shares | 3 | 0.07 | 184,415,747 | 35.52 |
| **Total** | **4,210** | **100.00** | **519,144,322** | **100.00** |

## DIRECTORS' SHAREHOLDINGS AS AT 3 APRIL 2017

| Name | DIRECT | | INDIRECT | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Lim Beng Fook | 87,102,478 | 16.78 | - | - |
| Lim Soon Seng | 77,515,065 | 14.93 | - | - |
| Bjørn Bråten | 45,243,694 | 8.72 | - | - |
| Goh Chong Chuang | 408,220 | 0.08 | - | - |
| Loi Kim Fah | 111,300 | 0.02 | - | - |
| Anita Chew Cheng Im | - | - | - | - |
| Azlam Shah bin Alias | - | - | - | - |

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 3 APRIL 2017

| Name | DIRECT | | INDIRECT | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Lim Beng Fook | 87,102,478 | 16.78 | - | - |
| Lim Soon Seng | 77,515,065 | 14.93 | - | - |
| Bjørn Bråten | 45,243,694 | 8.72 | - | - |

# Analysis of Shareholdings (continued)

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 3 APRIL 2017

| No. | Names | No. of Shares of RM0.10 Each | % of Issued Capital |
|---|---|---|---|
| 1. | Lim Soon Seng | 73,339,065 | 14.13 |
| 2. | Lim Beng Fook | 65,832,988 | 12.68 |
| 3. | Bjørn Bråten | 45,243,694 | 8.72 |
| 4. | Lim Beng Fook | 21,269,490 | 4.10 |
| 5. | Lim Moi Moi | 6,338,000 | 1.22 |
| 6. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Ling Yoke Tek (10MG00001) | 4,500,000 | 0.87 |
| 7. | Lim Soon Seng | 4,176,000 | 0.80 |
| 8. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Ang He Yam | 3,000,000 | 0.58 |
| 9. | CIMSEC Nominees (Asing) Sdn Bhd<br>Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients) | 2,854,600 | 0.55 |
| 10. | Wong Ah Yong | 2,700,000 | 0.52 |
| 11. | Lars Peter Vennstrom | 2,600,000 | 0.50 |
| 12. | Goo Khoon Eng | 2,555,600 | 0.49 |
| 13. | Lim Weng Hoov | 2,515,000 | 0.48 |
| 14. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB Bank For Koh Kin Lip (MY0502) | 2,073,900 | 0.40 |
| 15. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB Bank For Loh Kok Hoong (MY0401) | 2,063,600 | 0.40 |
| 16. | Law Chin Chiang | 2,019,000 | 0.39 |
| 17. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Lim Zhong Yong | 2,000,000 | 0.39 |
| 18. | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Baskaran A/L Govinda Nair | 2,000,000 | 0.39 |
| 19. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Chong Keong | 1,933,200 | 0.37 |
| 20. | Liew Seong Kin | 1,810,000 | 0.35 |
| 21. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB Bank For Yoong Sin Kuen (MY1568) | 1,663,100 | 0.32 |
| 22. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Parlisamy A/L Muthusamy | 1,658,300 | 0.32 |
| 23. | Chow Seng Kitt | 1,600,000 | 0.31 |
| 24. | Tey Kim Lay | 1,557,600 | 0.30 |

# Analysis of Shareholdings (continued)

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 3 APRIL 2017 (continued)**

| No. | Names | No. of Shares of RM0.10 Each | % of Issued Capital |
|---|---|---|---|
| 25. | Baskaran A/L Govinda Nair | 1,500,000 | 0.29 |
| 26. | Yue Lain Hong | 1,450,000 | 0.28 |
| 27. | Maybank Nominees (Tempatan) Sdn Bhd<br>Koay Cheng Hock | 1,395,000 | 0.27 |
| 28. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Loh Kok Hoong (MG0000392) | 1,350,000 | 0.26 |
| 29. | Cheong Kong Huat | 1,316,800 | 0.25 |
| 30. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Loh Kok Hoong | 1,303,600 | 0.25 |

# Notice of the Sixteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Sixteenth Annual General Meeting of the Company will be held at Greens I, Ground Floor, Golf Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 26 May 2017 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 2016 together with the Directors' and Auditors' Reports attached thereon. **Please refer to Note B on this Agenda**

2. To approve the following payments to Directors:-

   a) Aggregate Directors' fees and allowances of RM 146,000 for the financial year ended 31 December 2016; and **Resolution 1**

   b) Aggregate Directors' fees and allowances of an amount not exceeding RM300,000 from 1 January 2017 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service of the Directors. **Resolution 2**

3. To re-elect the following Directors who are retiring in accordance with Article 104 of the Company's Articles of Association:-

   3.1 Lim Beng Fook; and **Resolution 3**

   3.2 Lim Soon Seng. **Resolution 4**

4. To re-elect Dato' Azlam Shah bin Alias who is retiring in accordance with Article 91 of the Company's Articles of Association. **Resolution 5**

5. To re-appoint Messrs Baker Tilly Monteiro Heng as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

### SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications, the following Resolutions:-

6 **Proposed Allocation of Options to Dato' Azlam Shah bin Alias** **Resolution 7**

**"THAT** pursuant to the approval given by the shareholders at the Extraordinary General Meeting held on 20 January 2017 for the establishment of an Employees' Share Option Scheme of up to thirty percent (30%) of the total Issued and Paid-Up Share Capital of the Company (excluding Treasury Shares) ("the Said ESOS"), authority be and is hereby given to the Board at any time and from time to time to offer and to grant Dato' Azlam Shah bin Alias, being an Independent Non-Executive Director of the Company, Options to subscribe for new shares under the Said ESOS as they shall deem fit subject always to the Proviso (a), (b), (c) and (d) and to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the By-Laws.

**AND THAT** the Board be and is hereby further authorised to allot and issue such number of new Shares pursuant o the Said ESOS to Dato' Azlam Shah bin Alias from time to time pursuant to the exercise of such Options."

# Notice of the Sixteenth Annual General Meeting (continued)

7. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** **Resolution 8**

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

8. **Authority for Mr. Goh Chong Chuang to Continue in Office as Independent Non-Executive Director** **Resolution 9**

"Mr. Goh Chong Chuang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby authorised to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

9. **Authority for Mr. Loi Kim Fah to Continue in Office as Independent Non-Executive Director** **Resolution 10**

"Mr. Loi Kim Fah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby authorised to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

10. **Proposed Renewal of Shareholders' Mandate for Share Buy-Back** **Resolution 11**

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

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

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

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

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

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

BY ORDER OF THE BOARD
**K-ONE TECHNOLOGY BERHAD**

**Ng Yim Kong (LS 0009297)**
Company Secretary
Selangor Darul Ehsan

Date: 28 April 2017

***Notes:***

A. Proxy

1. *A member of the Company entitled to be present and to vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.*

2. *A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.*

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

4. *If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.*

5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), 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 a 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 Unit 07-02, Level 7, Persoft Tower, 6B Persiaran Tropicana, Tropicana Golf & Country Club, 47410 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

B. *Audited Financial Statements for the Financial Year Ended 31 December 2016*

   *The Audited Financial Statements in Agenda 1 is meant for discussion only as the approval of the shareholders is not required pursuant to the provision of Section 248(2) and 340(1) of the Companies Act, 2016. Hence, this Agenda is not put forward for voting by the shareholders of the Company.*

# Notice of the Sixteenth Annual General Meeting (continued)

## EXPLANATORY NOTE ON SPECIAL BUSINESS OF THE AGENDA

1. **Proposed Allocation of Options to Dato' Azlam Shah bin Alias (Resolution 7)**

   The proposed Resolution 7 under item 6 of above, if passed, will empower the Directors of the Company to offer and grant to Dato' Azlam Shah bin Alias who was appointed as Independent Non-Executive Director on 2 February 2017, Options to subscribe for new Shares under the Said ESOS and to allot and issue such number of new shares to him from time to time pursuant to the exercise of such Options.

2. **Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (Resolution 8)**

   The proposed Resolution 8 under item 7 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the issued capital 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 sought to grant authority to Directors to issue and allot shares is a renewal of the mandate that was approved by the Shareholders at the Fifteenth Annual General Meeting held on 20 May 2016. 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.

   Pursuant to the mandate granted to the Directors at the Fifteenth Annual General Meeting, the Company had via the Extraordinary General Meeting held on 20 January 2017 approved the Private Placement of 47,265,534 new ordinary shares, of which 46,488,980 ordinary shares had been subscribed and listed on Bursa Malaysia Securities Berhad on 14 March 2017, raising a total fund of RM6,508,457 which would be utilised as the Company's working capital.

3. **Authority to Continue in Office as Independent Non-Executive Directors of the Company Pursuant to the Malaysian Code On Corporate Governance 2012 (Resolutions 9 and 10)**

   (a) Mr. 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 nine (9) years as at the forthcoming Sixteenth Annual General Meeting. However, he has met the independence criteria as set out in Chapter 1 of the AMLR. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on Page 20 of this Annual Report.

   (b) Mr. Loi Kim Fah

   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 nine (9) years as at the forthcoming Sixteenth Annual General Meeting. However, he has met the independence criteria as set out in Chapter 1 of the AMLR. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on Page 20 of this Annual Report.

4. **Proposed Renewal of Shareholders' Mandate for Share Buy-Back (Resolution 11)**

   The Resolution 11 proposed under item 10 above is to seek the authority for the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company on Bursa Securities. For further information on the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, please refer to the Statement to Shareholders which is included in the Company's 2016 Annual Report.

## GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 60(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

# Proposed Renewal of Authority for Share Buy-Back of up to 10% of the Issued and Paid-Up Share Capital of the Company

("Proposed Renewal of Authority for Share Buy-Back")

**Definitions**

| | | |
|---|---|---|
| **Act** | : | The Companies Act, 2016 |
| **AGM** | : | Annual General Meeting |
| **Board** | : | The Board of Directors of K-One Technology Berhad |
| **Bursa Securities** | : | Bursa Malaysia Securities Berhad (635998-W) |
| **Chief Executive Officer** | : | The principal executive officer of the corporation for the time being, by whatever name called, and whether or not he is a director |
| **Code** | : | Malaysian Code on Take-Overs and Mergers, 2010 |
| **Director** | : | Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Director of K-One Tech, its subsidiary or holding company or a Chief Executive Officer of K-One Tech, its subsidiary or holding company. |
| **EPS** | : | Earnings Per Share |
| **"K-One Tech" or "the Company"** | : | K-One Technology Berhad (539757-K) |
| **"K-One Group" or "the Group"** | : | K-One Tech and its subsidiaries |
| **"K-One Shares" or the "Shares"** | : | Ordinary Shares of RM0.10 each in K-One Tech |
| **Listing Requirements** | : | ACE Market Listing Requirements of Bursa Securities |
| **Major Shareholder** | : | A person who has an interest or interests in one (1) or more voting shares in the company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is:-<br>(a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the company; or<br>(b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company.<br>For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 of the Act. A Major Shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company or any other corporation which is its subsidiary or holding company |
| **NA** | : | Net Assets |

# Proposed Renewal of Authority for Share Buy-Back (continued)

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

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

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

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

# Proposed Renewal of Authority for Share Buy-Back (continued)

**1. Introduction**

K-One Tech had on 17 April 2017 announced its intention to seek shareholders' approval of the "Proposed Renewal of Authority for Share Buy-Back" at the forthcoming Sixteenth Annual General Meeting ("16th AGM") of the Company.

The purpose of this Statement is to provide you with the relevant information on the "Proposed Renewal of Authority for Share Buy-Back" and to seek your approval of the ordinary resolution to be tabled at the forthcoming 16th AGM of the Company.

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

**2. Rationale for renewal of authority from the shareholders of the Company to enable the Company to purchase and/or hold up to ten percent (10%) of its issued and paid-up share capital pursuant to Section 127 of the Companies Act, 2016 ("Proposed Renewal of Authority for Share Buy-Back")**

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

(a) The earnings per share of the Group may be enhanced (in the case where the shares so purchased are cancelled), and thereby long term investors are expected to enjoy a corresponding increase in the value of their investments in the Company;

(b) If the purchased shares are kept as treasury shares, the treasury shares may be realised with potential gain without affecting the total issued and paid-up share capital of the Company. Alternatively, the purchased shares can be distributed as share dividends to reward the shareholders of the Company; and

(c) The Company may be able to stabilize the supply and demand of its shares in the open market, thereby supporting its fundamental value.

**3. Retained Profits**

Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2016, the retained profits of the Company and the Group stood at RM1,027,632 and RM12,812,679 respectively.

**4. Funding**

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

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

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

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

# Proposed Renewal of Authority for Share Buy-Back (continued)

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

The effects of the proposed share buy-back on the shareholdings of the Directors and substantial shareholders based on the Record of Depositors of the Company as at 3 April 2017 are set out below based on the following assumptions:-

(a) The proposed share buy-back is implemented in full, i.e. up to 10% of the enlarged issued and paid-up share capital or 47,265,534 of the Company's shares are purchased; and

(b) The shares so purchased are from shareholders other than the substantial shareholders and Directors of the Company.

| | As At 3 April 2017 | | | | After the Proposed Share Buy-Back | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| Directors | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Lim Beng Fook | 87,102,478 | 16.78 | - | - | 87,102,478 | 18.46 | - | - |
| Lim Soon Seng | 77,515,065 | 14.93 | - | - | 77,515,065 | 16.43 | - | - |
| Bjørn Bråten | 45,243,694 | 8.72 | - | - | 45,243,694 | 9.59 | - | - |
| Goh Chong Chuang | 408,220 | 0.08 | - | - | 408,220 | 0.09 | - | - |
| Loi Kim Fah | 111,300 | 0.02 | - | - | 111,300 | 0.02 | - | - |
| Anita Chew Cheng Im | - | - | - | - | - | - | - | - |
| Azlam Shah bin Alias | - | - | - | - | - | - | - | - |
| **Substantial Shareholders** | | | | | | | | |
| Lim Beng Fook | 87,102,478 | 16.78 | - | - | 87,102,478 | 18.46 | - | - |
| Lim Soon Seng | 77,515,065 | 14.93 | - | - | 77,515,065 | 16.43 | - | - |
| Bjørn Bråten | 45,243,694 | 8.72 | - | - | 45,243,694 | 9.59 | - | - |

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

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

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

(a) As the "Proposed Renewal of Authority for Share Buy-Back" can only be made out of the retained profits of the Company, it may result in the reduction of financial resources available for distribution to the shareholders in the immediate future; and

(b) The amount of financial resources of the Company will decline upon exercising the share buy-back which may result in the Group having to forego feasible investment opportunities that may emerge in the future.

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

# Proposed Renewal of Authority for Share Buy-Back (continued)

**7. Financial Effects of the "Proposed Renewal of Authority for Share Buy-Back"**

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

(a) **Share Capital**

The effect of the share buy-back on the share capital of the Company will depend on the intention of the Board with regard to the purchased shares. As at 31 December 2016, the issued and paid-up share capital of the Company is RM47,265,534 comprising 472,655,342 shares.

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

(b) **NA**

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

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

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

(c) **Working Capital**

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

(d) **EPS**

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

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

(e) **Dividends**

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

# Proposed Renewal of Authority for Share Buy-Back (continued)

**7. Financial Effects of the "Proposed Renewal of Authority for Share Buy-Back" (continued)**

(f) **Shareholdings**

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

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

**8. Implication Under the Code**

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

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

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

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

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

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

**10. Public Shareholding Spread**

Based on the Record of Depositors of the Company as at 3 April 2017, the public shareholding spread of the Company was 59.5%.

**11. Directors' Statement**

This Statement has been seen and approved by the Board on 15 March 2017 and they individually and collectively accept full responsibility for the accuracy of the information given in this Statement and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

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

**12. Directors' Recommendation**

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

# Form of Proxy

*I/*We, ______________________________ (NRIC No./Company No.) ______________
(FULL NAME IN BLOCK LETTERS)

of ____________________________________________________________
(FULL ADDRESS)

being a *member/*members of K-ONE TECHNOLOGY BERHAD (Company No. 539757-K), hereby appoint ______________

______________________________ (NRIC No./Company No.) ______________
(FULL NAME)

of ____________________________________________________________
(FULL ADDRESS)

or failing whom, ______________________________ (NRIC No./Company No.) ______________
(FULL NAME)

of ____________________________________________________________
(FULL ADDRESS)

or failing whom, the CHAIRMAN of the General Meeting as *my/*our Proxy(ies) to vote for *me/*us and on *my/*our behalf at the Sixteenth Annual General Meeting of the Company to be held at Greens I, Ground Floor, Golf Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 26 May 2017 at 9.00 a.m. and at any adjournment thereof *for/*against the resolution(s) to be proposed thereat.

*My/*Our proxy(ies) *is/*are to vote on the Resolutions as indicated below:-

| No. | Resolutions | For | Against |
|---|---|---|---|
| | Approval of the following payments to Directors:- | | |
| Resolution 1 | a) Aggregate Directors' fees and allowances of RM146,000 for the financial year ended 31 December 2016; and | | |
| Resolution 2 | b) Aggregate Directors' fees and allowances of an amount not exceeding RM300,000 from 1 January 2017 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service of the Directors. | | |
| | Re-election of the following Directors who are retiring in accordance with Article 104 of the Company's Articles of Association:- | | |
| Resolution 3 | Lim Beng Fook | | |
| Resolution 4 | Lim Soon Seng | | |
| Resolution 5 | Re-election of Dato' Azlam Shah bin Alias who is retiring in accordance with Article 91 of the Company's Articles of Association. | | |
| Resolution 6 | Proposed Allocation of Options to Dato' Azlam Shah bin Alias | | |
| Resolution 7 | Re-appointment of Messrs Baker Tilly Monteiro Heng as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. | | |
| Resolution 8 | Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016. | | |
| Resolution 9 | Authority for Mr. Goh Chong Chuang to continue to act as Independent Non-Executive Director. | | |
| Resolution 10 | Authority for Mr. Loi Kim Fah to continue to act as Independent Non-Executive Director. | | |
| Resolution 11 | Proposed Renewal of Shareholders' Mandate for Share Buy-Back | | |

[Please indicate with (X) in the spaces provided above as to how you wish your vote to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain at his(her) discretion]

Dated this ______________ day of ________________ 2017.

| Number of Ordinary shares held: |
|---|
| |

______________________________
[Signature/Common Seal of Shareholder(s)]
* Delete if not applicable

**Notes:**

1. A member of the Company entitled to be present and to vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.
2. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), 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 a 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 Unit 07-02, Level 7, Persoft Tower, 6B Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

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AFFIX
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**K-ONE TECHNOLOGY BERHAD** (Company No. 539757-K)

Unit 07-02, Level 7, Persoft Tower
6B Persiaran Tropicana
47410 Petaling Jaya
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K-One

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