K-One

innovate

"You imagine, we make it happen"

Annual Report 2014

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K-One
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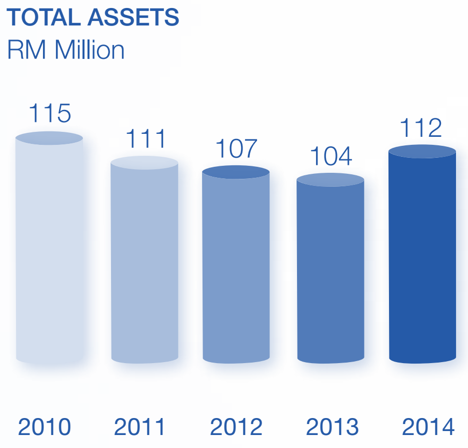
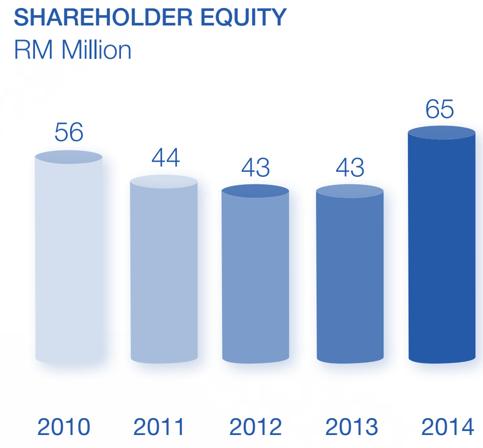
PAST FINANCIAL INFORMATION SUMMARY





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)

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
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 SS22/21
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: +603 7728 1111
Fax: +603 7728 6212

GROUP PRINCIPAL BANKERS
HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad
CIMB Bank Berhad

WEBSITE
www.k-one.com

CORPORATE STRUCTURE

K-One
innovate

- 100% K-One Resources Sdn Bhd
- 100% K-One eLearning Sdn Bhd
- 100% K-One International Ltd
- 100% EMB Technology Sdn Bhd
  - 100% K-One Industry Sdn Bhd
    - 100% K-One Manufacturing Sdn Bhd
- 100% Big'Ant (M) Sdn Bhd
- 100% K-One Technology (Korea) Sdn Bhd (Deregistered voluntarily on 25 November 2014)
- 100% K-One Electronics Sdn Bhd (formerly known as Syslink Sdn Bhd)

DIRECTORS' PROFILE

Ir. Edwin Lim Beng Fook

Executive Chairman,
Malaysian, Age 57

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 Employees' Share Option Scheme Committee and 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 a top nominee in both the Emerging and Technology Entrepreneur categories in the Ernst & Young Entrepreneur of the Year Awards 2005 and 2006 respectively.

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 Tyco Electronics).

His global experience in the electronics industry started when he was engaged to lead AMP as its Country General Manager in 1992, building up the Malaysian operation from a sales outfit of RM20 million sales turnover in 1992 to RM250 million sales turnover in 1999, on top of which established from greenfield AMP's manufacturing facility and Research & Development Centre in 1995. 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 two years for which he was responsible for approximately RM150 million sales turnover.

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, K-One eLearning Sdn Bhd and K-One Technology (Korea) Corporation.

Dato' Martin Lim Soon Seng

Chief Executive Officer
Malaysian, Age 52

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

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

He is a member of the Employees' Share Option Scheme Committee.

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

His directorships in other companies in the K-One Group are 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, K-One International Ltd and K-One Technology (Korea) Corporation.

DIRECTORS' PROFILE

BJØRN BRÅTEN
Non-Independent Non-Executive Director
Norwegian, Age 57

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 62

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 Co-Ordinator 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 48

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.

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 2014.

BUSINESS PERFORMANCE FOR 2014

Group sales closed at RM186.1 million for 2014, representing an increase of 9% over sales of RM171.3 million for 2013. The growth was expected as, overall, key existing customers locked in sustainable business, despite under an uncertain and volatile global economy. New customers in the healthcare industry have begun to show emerging contribution.

Profitability was the strongest on record for the Group, registering profit attributable to equity holders of the parent company of RM11.9 million for 2014. This marked a convincing turnaround as compared to the RM1 million profit in 2013. The significant increase in profit was attributed to improved margins on new products launched, materials cost reduction, productivity improvement and prudent management of overheads.

PROSPECTIVE BUSINESS OUTLOOK

The US economy is showing signs of recovery in 2015, thus, spurring the strength of the US dollar. However, it cannot be said for Europe, Japan and China which are finding it challenging to put their economies on a sustainable growth path. Therefore, overall, in my opinion, the global economy will remain to be unpredictable, with the US recovery powering it but on the other hand, will be weighed down by the lethargic and sporadic recovery of the other leading major economies.

We anticipate the good vibes relating to the Group's business performance of 2014 to extend to 2015. However, we also caution the uncertainties presented by the global economy moving forward which may pose business challenges hence dampening growth. The global business environment has become more volatile than before, a case in point was the tumble of the oil price at the end of 2014 which changed the business landscape somewhat.

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 2014.

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 2014.

SALES & FINANCIALS

The Group registered sales of RM186.1 million in 2014 as compared to RM171.3 million in 2013, representing sales growth of approximately 9%. Sales in 2014 was robust, fuelled by new product launches vis-à-vis mobile phone accessories and to a lesser extent, medical/ healthcare products.

Profit attributable to owners of the parent company surged from RM1 million in 2013 to RM11.9 million in 2014, which represents a 1,190% profit growth. The turnaround realized in 2013 extended to 2014, this time around in a convincing stance. The significant increase in profit was achieved on the back of materials cost reduction, productivity improvement, overheads and expenses control, launching of new products with better margins for both existing and new customers and last but not least, sales increase over the preceding year.

DESIGN & DEVELOPMENT

A substantial amount of efforts were put into the development of mobile phone accessories in the like of covers and induction chargers. There was also development and face-lifting of electronic headlamps to boost market demand.

In view of the increasing market potential on healthcare related wearable products and headphones respectively, the Group's engineers commenced to focus on the development of such products towards the later part of 2014.

MANUFACTURING

The ERP system (EPICOR 9) was run "live" throughout 2014. There were challenges and teething problems along the way which were mostly resolved with the guidance of the software principal.

Implementation of the ERP system enables the Group to conduct its business and manufacturing activities in a more efficient, cost effective and productive manner.

Fortunately, the implementation of the minimum wage policy has been mitigated by improved productivity and efficiency.

Taking a crucial step forward to secure business in the medical devices segment, the Group will initiate and work towards getting itself ISO 13485 certified by the end of 2015. This ISO 13485 certification is a necessity to secure development and manufacturing businesses from major medical devices OEMs.

CEO'S OPERATIONS REVIEW
(continued)

HUMAN RESOURCE

The Group continues to maintain prudence in the hiring of new staff although it has relaxed its hiring freeze to include engineers, on top of business development staff. With expanding business potential, it has decided to bring on board additional engineers to cope with new projects from existing customers and new fields such as healthcare products.

Emphasis was placed on skill and teamwork training as reflected by the courses organized for the staff throughout 2014.

CORPORATE SOCIAL RESPONSIBILITY

Various CSR programs were organized as illustrated in our Corporate Social Responsibility (CSR) chapter.

ACKNOLEDGEMENT

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 with us in making 2014 a fruitful year.

Dato' Martin Lim Soon Seng
CEO

CORPORATE SOCIAL RESPONSIBILITY (CSR)



We are committed in sustaining our business. At the same time, we are also not compromising on our long term commitment in giving back to the community and society at large.

In our continuous effort to strengthen our commitment towards operating ethically in an economically, socially and environmentally sustainable manner, the Group once again pledged its commitment to the 10 principles of the UN Global Compact relating to human rights, labour standards, the environment and anti-corruption. Secondly, the Group is also committed to the multinational customers' code of conduct with regards to Policies of Environmental and Social Responsibilities. As a major supplier to a number of multinational customers around the world, the Group is obliged to honour this code of conduct.

We stand by our long term commitment in putting business sustainability in conjuction with corporate social responsibility at the very heart of our business.

CARING FOR OUR STAFF

Integral to the K-One Group is the Management's commitment towards health and safety of staff at the workplace. The Group actively inculcates this message through regular health and safety awareness campaign and training which help ensure all staff are not injured or caused to be ill by the work performed and at the same time develop a positive health and safety culture.

In May 2014, external professional First Aid trainers were brought in to conduct training in First Aid cum Cardio Pulmonary Resuscitation (CPR) for staff at our offices and factories in Petaling Jaya and Ipoh respectively. A total of forty staff successfully completed the First Aid cum CPR training. During the training, staff were taught First Aid basics such as emergency care for wounds and bleeding, fractures and dislocations, poisoning, burns and practical lessons on CPR.

On 7- 8 August 2014, twenty-one staff of the Group completed "The Basics of Goods and Services Tax (GST) and Accounting" course held in the FMM Institute Perak. The training programme was organised to prepare for the embracing of the impending implementation of GST come 1 April 2015 which is expected to have minimal impact on the Group's operation as it is deemed to be zero-rated.

The training programme purports to equip the Group's staff to understand the key elements of GST and its mechanism. During the two days training which was conducted by a certified professional from the Federation of Malaysian Manufacturers, the programme was tailored to educate the staff with all necessary procedures and control in order to ensure that the GST mechanism is efficiently implemented into the relevant sections of the Group's business with minimal impact on day-to-day operation.

As the saying goes, it takes people to create business results. Whilst the Group embraces diversity in our workforce, this compelled on-going efforts to enhance communication and co-operation amongst staff in order to nurture harmony and teamwork which are essential for a high performing team culture. Subsequent to the earlier team building activities held at the Felda Residence Trolak, Sungkai, Perak in 2013, the Management resolved to step-up efforts to promote teamwork and commitment to re-emphasize the Group's core values.

As the Management strongly felt that another team building retreat would renew team spirit and infuse the awareness of team dynamics as well as reinforce the message that a team is a powerful entity, hence, on 7- 8 November 2014, sixty key staff from the Petaling Jaya Headquarters and the Ipoh plants converged in Adeline's Villa, Gopeng, Perak for a time of rejuvenation of team spirit and re-pledging the Group's core values. The retreat with the theme "One Team One Dream" was aimed to achieve a balanced value proposition by providing the staff with a platform to understand each other in a relaxed environment and at the same time bolster their sense of belonging to the Group.

CORPORATE
SOCIAL RESPONSIBILITY (CSR)
(continued)

On 16 January 2015, the Group held its annual dinner at the Indulgence Restaurant in Ipoh, Perak attended by about one hundred staff from the Petaling Jaya Headquarters as well as staff from the Ipoh factories. The annual dinner provided the opportunity for the Group to pay tribute to the staff for their dedication and hard work which enabled the Group to push past many challenges throughout the years and rise above the occasion. The Group also presented Service Awards to honour long service staff for their loyalty in staying with the Group through good and bad times. It was a night aimed to bring together every staff to celebrate their excellent performance and contribution towards the Group's milestone.

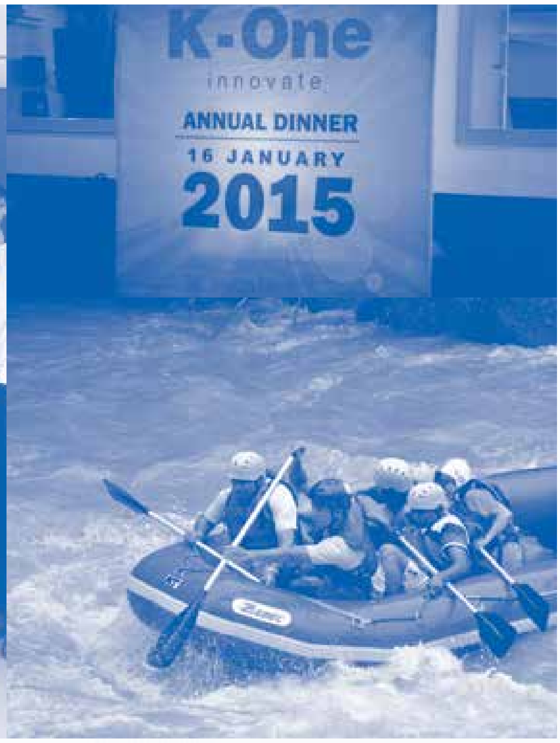
CARING FOR THE COMMUNITY

On 28 October 2014, forty third year Mechatronic Engineering undergraduates and three accompanying staff from Universiti Sains Malaysia (USM) visited the K-One Group Headquarters in Petaling Jaya where the Group's epicentre of D&D is located. The visiting students were from the School of Electrical and Electronic Engineering pursuing their degree in Mechatronic Engineering.

During the visit, the students were introduced to the K-One Group as a leading one-stop technology solution provider in design, development, project management and manufacturing. The students were brought on a tour to the D&D laboratories and were introduced to the state-of-the art testing and experimental equipment.

The Group's emphasis in innovation, design and development has earned itself to be one of the leading one-stop technology solution providers of electronic end products which are exported worldwide. The students were also made to understand on career opportunities within the industry and the critical attributes needed for an engineer to excel in a design and development environment.

Last but not least, the K-One Group continues to provide livelihood to the less fortunate by employing them on a full time basis. We are committed to behave responsibly and to contribute towards economic development in where we operate and conduct our business.



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 statement sets out how the Company will adopt 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 operation.

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 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.

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 the 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 Chairman and the Chief Executive Officer are separated and clearly defined, with each position being held by two (2) different individuals.

STATEMENT ON CORPORATE GOVERNANCE
(continued)

Board Meetings

The attendance of the Board meetings by the Directors during the financial year ended 31 December 2014 is as follows:

		ATTENDANCE BY DIRECTORS	
DATE OF MEETING	TOTAL NO. DIRECTORS	EXECUTIVE	NON-EXECUTIVE
19 February 2014	5	2	3
7 May 2014	5	2	3
22 August 2014	5	2	3
30 October 2014	5	2	3

Details of attendance by individual Directors:

	ATTENDANCE BY DIRECTORS	PERCENTAGE OF ATTENDENCE
Ir. Edwin Lim Beng Fook	4/4	100%
Dato' Martin Lim Soon Seng	4/4	100%
Bjørn Bråten	4/4	100%
Loi Kim Fah	4/4	100%
Goh Chong Chuang	4/4	100%

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 20 to 23 of this Annual Report.

(b) Nomination Committee and Remuneration Committee

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

ii. Board Balance

The Board consists of five (5) Directors, of which two (2) are Executive Directors, two (2) 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. The 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.

STATEMENT ON CORPORATE GOVERNANCE
(continued)

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 caliber, experience and personal qualities. In this respect, the Board is recommending and will be seeking shareholders' approval in the coming 14th Annual General Meeting to extend the tenureship of Independent Directors Loi Kim Fah and Goh Chong Chuang respectively as they have served more than nine (9) years in their individual respective 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 an element of objectivity to the Board;

(b) They have vast experience in their respective fields. 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. 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 Group's Board. 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;

(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 timely notices for each Board meeting and Board papers are issued prior to the Board meetings to enable the Directors to review and consider the agenda to be discussed in the Board meeting. This will include 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 that Board meeting procedures are adhered to and that applicable rules and regulations are complied with.

iv. 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 & Dato' Martin Lim Soon Seng

DATE	ORGANIZER	TOPIC
6 May 2014	*Bursa Malaysia*	Advocary Sessions On Corporate Disclosure For Directors

Loi Kim Fah

DATE	ORGANIZER	TOPIC
12-13 August 2014	*Lembaga Hasil Dalam Negeri Malaysia*	National Tax Conference 2014
27 October 2014	*Lembaga Hasil Dalam Negeri Malaysia*	Seminar Percukaian Kebangsaan 2014
28 November 2014	*Malaysian Institute of Accountants*	*The 2015 Budget Seminar*

STATEMENT ON CORPORATE GOVERNANCE
(continued)

Goh Chong Chuang

DATE	ORGANIZER	TOPIC
29 October 2014	*Croplife Malaysia*	Urban Pest Management - Healthier Life Style, Healthier Living Environment
8 November 2014	*Loi Tax Consultants Services Sdn Bhd*	Step-By-Step GST Training

v. 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.

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;

(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 should be properly 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 Bjørn Bråten	Independent Non-Executive Director Non-Independent Non-Executive Director

vi. 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.

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 remuneration of Executive Directors;

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

STATEMENT ON CORPORATE GOVERNANCE
(continued)

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 Loi Kim Fah	Executive Director Independent Non-Executive Director

Detail of Directors' Remuneration

Details of Directors' remuneration for the financial year ended 31 December 2014, 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	-	84,000
Salaries & Bonuses	1,266,864*	-
Benefit-in-kind	14,000	-
Allowance	-	10,000
Total	**1,280,864**	**94,000**

* 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
Below RM50,000	-	2
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	-
RM500,001 – RM550,000	-	-
RM550,001 – RM600,000	-	-
RM600,001 – RM650,000	2	-
Total	**2**	**2**

C. SHAREHOLDERS

Dialogue between the Company and Investors

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. Regular discussions were also held between the senior management and shareholders, selected investment analysts and investors, highlighting to them the Group's performance.

Annual General Meeting

The forthcoming Annual General Meeting ('AGM') is the Company's tenth 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 and corporate developments in the Group, 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 the 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, 1965 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 on Internal Control is furnished on pages 18 and 19 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 2014, the cost incurred in respect of the internal audit review performed by in-house Internal Auditors was RM 123,668

iv. Relationship with Auditors

The Company maintains a transparent and professional relationship with the Company's Auditors in seeking their professional advice towards ensuring compliance with the accounting standards. Key features underlying the relationships of the Auditors through the Audit Committee is described on pages 20 to 23 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD RESPONSIBILITIES

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

Towards this end, the Board has received assurance from the Chief Executive Officer and the Finance Director that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects based on the risk management and internal control systems of the Group.

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

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

FORMAL ORGANISATIONAL STRUCTURE

- The Group has in place a well defined organizational 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.

REGULAR PERFORMANCE REPORTING

- Quarterly management reports are generated to facilitate the Board and the senior management in performing financial and operating reviews on the various operating units of the companies within the Group. The reports comprise comparison of results of current period and 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 sales opportunity tracking. Other matters being discussed are collections, marketing strategy to be adopted for new product launches, feedback on progress of product design and development and highlights on shortcomings or problems together with the proposed corrective actions and potential risks that may affect the achievements of the Group's business objectives together with the proposed mitigating plans.

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.

NTERNAL AUDIT FUNCTION

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.

There are inherent limitations in any system of internal controls. Thus, the system of internal controls put in place by the management can only reduce but not eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board strives to ensure that necessary steps are taken to enhance the system of internal controls.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(continued)

AUDIT COMMITTEE

The Audit Committee was set up with a view to assist and provide the Board with added focus in discharging its duties. For 2014, the Audit Committee met four (4) times with the Board to review the operation and financial performance of the Group. Henceforth, the Audit Committee will continue to convene quarterly meetings to advise the Board on findings and improvements of the internal controls of the Group.

INTERNAL AUDIT

The Group has since the beginning of 2007 set up an Internal Audit Department which reports directly to the Audit Committee. During the year, there were no weaknesses in the system of internal control that has resulted in any material losses, contingencies or uncertainties which would require disclosure in the Company's Annual Report.

RISK MANAGEMENT

To further strengthen the risk management process, the Group has formed a Risk Management Committee since end 2012, comprising of Heads of Divisions with the objective of reviewing, minimizing or avoiding major risks. The Risks 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.

AUDIT
COMMITTEE REPORT

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

Chairman	Loi Kim Fah	Independent Non-Executive Director
Members	Goh Chong Chuang Bjørn Bråten	Independent Non-Executive Director Non-Independent Non-Executive Director

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 is not a member of MIA:

(a) he must have at least three (3) years’ working experience; and:

- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or

- he 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 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 must have at least seven (7) 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 fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The Board must review the terms of office and performance of the Audit Committee and each of its members at least once in every three (3) years 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 should provide sufficient written notice to the Company so that a replacement may be appointed before he 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 should normally attend meetings. Other Board members may attend meetings upon the invitation of the Audit Committee. The Audit Committee may choose to meet with External Auditors without the presence of any executive Board member if it sees deemed fit.

AUDIT COMMITTEE REPORT
(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) To review with the External Auditors on the following and report the same to the Board of Directors of the Company:

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

AUDIT COMMITTEE REPORT
(continued)

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

- review the adequacy of the scope, functions, competency and resources and setting of performance standards of the internal audit function;
- review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- review the 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;
- 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) To provide assurance to the Board of Directors on the effectiveness of the system of internal controls and risk management practices of the Group.

(d) To review with management:

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

(e) To review related party transaction (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.

(f) To review the 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 changes;
- significant and unusual events;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(g) To review and report 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.

(h) To make recommendations concerning the appointment of External Auditors and their remuneration to the Board.

(i) To verify that the allocation of options pursuant to the Employees' Share Option Scheme of the Company is in accordance with the criteria for allocation established under the scheme at the end of each financial year.

(j) To promptly report 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 2014. 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
Loi Kim Fah	Chairman/Independent Non-Executive Director	4/4	100%
Goh Chong Chuang	Member/Independent Non-Executive Director	4/4	100%
Bjørn Bråten	Member/Non-Independent Non-Executive Director	4/4	100%

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

(a) Reviewing the quarterly financial results' announcements before recommending them for the Board's approval.

(b) Reviewing the presentation of the financial statements of the Group with the External Auditors to ensure adequacy of disclosure of information essential to a fair and full presentation of the financial affairs of the Group for recommendation to the Board for approval.

(c) Reviewing 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 are:

- 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 favorable to the related parties than those generally available to the public; and
- not detrimental to the minority shareholders of the Company.

(d) Reporting to the Board of Directors on its activities and significant findings and results.

(e) Reviewing the Internal Audit Reports on findings and recommendations and management's response thereto to ensure adequate remedial actions have been taken.

As there was no allocation of options in respect of the Employees' Share Option Scheme of the Company during the financial year under review, no verification on the allocation of options was carried out by the Audit Committee.

INTERNAL AUDIT FUNCTION

An Internal Audit Department under an Associate Group Internal Audit Director 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 main role of the Internal Audit Department is to review the effectiveness of the systems of risk management and internal controls within the Group and to recommend any necessary improvements.

OTHER INFORMATION

SHARE BUY BACK

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

OPTIONS, WARRANTS OR CONVERTIBLES SECURITIES

There were 43,238,852 warrants exercised at RM0.22 each for conversion to ordinary shares during the financial year.

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 were 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.

PROFIT GUARANTEE

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

MATERIAL CONTRACTS INVOLVING DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

There were 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 27 of the Notes to the Financial Statements on page 74 of this Annual Report.

CONTENTS

K-One
innovate

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 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are in research, design and development of electronic end-products and sub-systems for the 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
Profit for the financial year	11,878,261	7,553,621
Profit attributable to:		
Owners of the Company	11,878,261	7,553,621

DIVIDENDS

Since the end of the previous financial year, an interim single tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 31 December 2015 amounting to RM2,139,933 was declared on 9 March 2015 and will be paid on 30 April 2015. The financial statements for the current financial year do not reflect the interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

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 made out, 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 that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

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

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 made out, 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; or

(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; 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.

DIRECTORS' REPORT
(continued)

ISSUE OF SHARES OR DEBENTURES

During the financial year, the following issue of shares was made by the Company

Class	Number	Term of Issue	Purpose of Issue
Ordinary shares of RM0.10 each	43,238,852	Exercise of warrants at exercise price of RM0.22 each	Exercise of warrants by warrant holders – primarily substantial shareholders

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

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

The Company has not issued any new debentures during the financial year.

WARRANTS AND EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

The details of K-One Technology Berhad's Warrants and ESOS are disclosed in Note 25 to the financial statements.

The ESOS has expired on 30 December 2010. However, the ESOS was extended for a further period of five (5) years from the date of expiry.

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

DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company during the financial year are as follows:

	Number of Ordinary Shares of RM0.10 Each			
	At 1.1.2014	Exercise of Warrants	Sold	At 31.12.2014
Direct interest				
Lim Beng Fook	71,955,990	17,988,998	(21,200,000)	68,744,988
Lim Soon Seng	54,958,460	13,739,615	(11,500,000)	57,198,075
Bjørn Bråten	46,034,955	11,508,739	(12,300,000)	45,243,694
Goh Chong Chuang	528,220	-	(120,000)	408,220
Loi Kim Fah	89,100	-	-	89,100

DIRECTORS' INTERESTS (CONTINUED)

By virtue of his interest in the Company, Lim Beng Fook is also deemed to have interest in the shares of all subsidiary companies to the extent the Company has an interest.

The following are the unexercised options and warrants as at 31 December 2014 granted to the Directors to subscribe for the ordinary shares of RM0.10 each of the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") and warrants constituted under the Deed Poll respectively.

	Exercise price	Number of Option over Ordinary Shares of RM0.10 Each At 1.1.2014	Exercised	Granted	At 31.12.2014
Direct interest					
Lim Beng Fook	0.10	2,088,000	-	-	2,088,000
Lim Soon Seng	0.10	2,047,500	-	-	2,047,500

None of the other directors holding office at the end of the financial year were granted any options under the ESOS.

	Number of Warrant B (2012/2015) over Ordinary Shares of RM0.10 each				
	At 1.1.2014	Exercised	Granted	Sold	At 31.12.2014
Direct interest					
Lim Beng Fook	17,988,998	(17,988,998)	-	-	-
Lim Soon Seng	13,739,615	(13,739,615)	-	-	-
Bjørn Bråten	11,508,739	(11,508,739)	-	-	-
Goh Chong Chuang	132,055	-	-	(90,000)	42,055
Loi Kim Fah	22,275	-	-	-	22,275

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 the 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 27 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 other than those arising from the warrants and the share options granted under the ESOS.

DIRECTORS' REPORT
(continued)

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution dated 14 April 2015.

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 34 to 83 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 2014 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 84 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 14 April 2015

LIM BENG FOOK

LIM SOON SENG

STATUTORY DECLARATION

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

I, **LEONG CHOI LING**, 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 34 to 83 and the supplementary information set out on page 84 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 14 April 2015

LEONG CHOI LING

Before me

Tan Kim Chooi (W 661)
Commissioner for Oath

INDEPENDENT AUDITORS' REPORT

To the members of K-One Technology Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of K-One Technology Berhad, which comprise the statements of financial position as at 30 December 2014 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 a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 83.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to 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 that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 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.

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 financial statements and the auditors' report of the subsidiary of which we have not acted as auditors as indicated in Note 14 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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.

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

INDEPENDENT AUDITORS' REPORT
To the members of K-One Technology Berhad

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 84 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.

OTHER MATTERS

The financial statements of the Group and of the Company for the financial year ended 31 December 2014 were audited by another firm of chartered accountants whose report dated 23 April 2014 expressed an unmodified audit opinion.

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
2967/07/15 (J)
Chartered Accountant

Kuala Lumpur
14 April 2015

STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For The Financial Year Ended 31 December 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM	RM	RM	RM
Revenue	4	186,096,888	171,251,150	12,409,204	3,800,946
Cost of sales	5	(160,414,830)	(162,791,969)	(2,737,031)	(2,930,863)
Gross profit		25,682,058	8,459,181	9,672,173	870,083
Other income		1,452,638	4,375,510	102,990	48,232
Administrative expenses		(8,681,413)	(6,028,712)	(609,407)	(1,434,953)
Sales and distribution cost		(1,702,784)	(1,087,727)	(79,987)	(89,778)
Other operating expenses		(3,712,451)	(3,187,510)	(1,532,148)	(402,154)
		(14,096,648)	(10,303,949)	(2,221,542)	(1,926,885)
Profit/(Loss) from operations		13,038,048	2,530,742	7,553,621	(1,008,570)
Finance costs	6	(474,787)	(1,384,405)	-	-
Profit/(Loss) before tax	7	12,563,261	1,146,337	7,553,621	(1,008,570)
Tax expense	10	(685,000)	(133,181)	-	-
Profit/(Loss) for the financial year		11,878,261	1,013,156	7,553,621	(1,008,570)
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation		20,466	(17,068)	-	-
Total comprehensive income/(loss) for the financial year		11,898,727	996,088	7,553,621	(1,008,570)
Profit/(Loss) attributable to:					
Owners of the Company		11,878,261	1,013,156	7,553,621	(1,008,570)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		11,898,727	996,088	7,553,621	(1,008,570)
Earnings per ordinary share attributable to owners of the Company					
Basic (sen)	11	3.13	0.27		
Diluted (sen)	11	2.83	0.21		

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 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	16,240,519	17,210,492	4,381,025	4,169,886
Intangible assets	13	512,784	916,995	329,938	696,474
Investment in subsidiaries	14	-	-	43,651,024	9,224,845
Goodwill on consolidation	15	5,545,761	5,545,761	-	-
		22,299,064	23,673,248	48,361,987	14,091,205
Current assets					
Inventories	16	13,531,071	20,806,198	-	332,169
Receivables and deposits	17	43,298,975	46,534,673	1,134,483	49,569,450
Dividend receivable		-	-	9,000,000	-
Tax assets		222,939	300,205	18,969	10,664
Cash and bank balances	18	33,131,457	13,102,936	82,332	1,425,783
		90,184,442	80,744,012	10,235,784	51,338,066
TOTAL ASSETS		112,483,506	104,417,260	58,597,771	65,429,271
EQUITY AND LIABILITIES					
Share capital	19	41,778,705	37,454,820	41,778,705	37,454,820
Reserves	20	23,089,577	6,002,188	16,170,415	3,428,132
Total equity		64,868,282	43,457,008	57,949,120	40,882,952
LIABILITIES					
Non-current liabilities					
Borrowings	21	-	1,074,550	-	-
Deferred tax liability	22	760,200	130,700	-	-
		760,200	1,205,250	-	-
Current liabilities					
Payables and accruals	23	46,855,024	40,977,641	648,651	24,546,319
Borrowings	21	-	18,773,217	-	-
Tax payables		-	4,144	-	-
		46,855,024	59,755,002	648,651	24,546,319
Total liabilities		47,615,224	60,960,252	648,651	24,546,319
TOTAL EQUITY AND LIABILITIES		112,483,506	104,417,260	58,597,771	65,429,271

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 2014

	Attributable to Owners of the Company					
		Non-distributable			Distributable	
	Share Capital RM	Share Premium RM	Warrant Reserve RM	Foreign Exchange Reserve RM	Retained Earnings RM	Total Equity RM
At 1 January 2013	37,454,820	3,595,812	1,404,556	(103,135)	108,867	42,460,920
Comprehensive income						
Profit for the financial year	-	-	-	-	1,013,156	1,013,156
Other comprehensive income						
Foreign currency translation difference	-	-	-	(17,068)	-	(17,068)
Total comprehensive income	-	-	-	(17,068)	1,013,156	996,088
At 31 December 2013	37,454,820	3,595,812	1,404,556	(120,203)	1,122,023	43,457,008
Comprehensive income						
Profit for the financial year	-	-	-	-	11,878,261	11,878,261
Other comprehensive income						
Foreign currency translation difference	-	-	-	20,466	-	20,466
Total comprehensive income	-	-	-	20,466	11,878,261	11,898,727
Transactions with owners						
Issuance of shares pursuant to exercise of warrants	4,323,885	5,837,246	(648,584)	-	-	9,512,547
At 31 December 2014	41,778,705	9,433,058	755,972	(99,737)	13,000,284	64,868,282

STATEMENT OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2014

	← Attributable to Owners of the Company →				
		← Non-distributable →			
	Share Capital Equity RM	Share Premium RM	Warrant Reserve RM	Accumulated Losses/ Distributable Retained Earnings RM	Total RM
At 1 January 2013	37,454,820	3,595,812	1,404,556	(563,666)	41,891,522
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(1,008,570)	(1,008,570)
At 31 December 2013	37,454,820	3,595,812	1,404,556	(1,572,236)	40,882,952
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	7 ,553,621	7,553,621
Transactions with owners					
Issuance of shares pursuant to exercise of warrants	4,323,885	5,837,246	(648,584)	-	9,512,547
At 31 December 2014	41,778,705	9,433,058	755,972	5,981,385	57,949,120

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 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Cash Flows from Operating Activities					
Profit/(loss) before tax		12,563,261	1,146,337	7,553,621	(1,008,570)
Adjustments for:					
Impairment losses on trade receivables		715,661	-	-	-
Impairment losses on trade receivables - no longer required		-	(291,895)	-	-
Impairment loss on amounts due from subsidiary		-	-	1,234,686	-
Amortisation of computer software		95,759	66,042	38,644	20,919
Depreciation of property, plant and equipment		2,446,139	2,327,255	147,019	240,967
Dividend income		-	-	(9,000,000)	-
Bad debt written off		-	361,693	-	-
Interest expense		474,787	1,384,405	-	-
Inventories written off		-	65,270	-	-
Gain on disposal of non-current assets classified as held for sale		-	(337,044)	-	-
Gain on disposal of property, plant and equipments		(57,203)	(299)	(13,499)	-
Interest income		(32,872)	(864)	-	-
Net unrealised gain on foreign exchange		(879,873)	(293,446)	(6,388)	(10,167)
Intercompany debts written off		-	-	-	4,778
Operating profit/(loss) before working capital changes		15,325,659	4,427,454	(45,917)	(752,073)
Inventories		7,275,127	17,877,980	332,169	2,593
Receivables		4,591,749	(9,348,057)	448,569	(6,219,807)
Payables		3,647,217	3,068,110	254,419	4,769,730
Cash generated from/(used in) operations		30,839,752	16,025,487	989,240	(2,199,557)
Interest paid		(474,787)	(1,384,405)	-	-
Tax paid		(83,458)	(75,001)	(8,305)	-
Tax refunded		101,080	92,319	-	16,000
Net cash from/(used in) operating activities carried down		30,382,587	14,658,400	980,935	(2,183,557)

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2014 (Continued)

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Net cash from /(used in) operating activities brought down		30,382,587	14,658,450	980,935	(2,183,557)
Cash Flows from Investing Activities					
Acquisition of property,plant and equipment		(1,501,682)	(4,233,474)	(358,159)	(15,989)
Purchase of intangible assets		(219,440)	(232,500)	(200,000)	-
Interest received		32,872	864	-	-
Advance to subsidiaries		-	-	(9,863,249)	-
Proceeds from disposal of:					
- property, plant and equipment		83,114	300	13,500	-
- intangible assets		527,892	-	527,892	-
- non-current assets classified as held for sale		-	1,900,000	-	-
Net cash used in investing activities		(1,077,244)	(2,564,810)	(9,880,016)	(15,989)
Cash Flows from Financing Activities					
Repayment of short term borrowings		(14,183,497)	(6,224,732)	-	-
Repayment of term loan		(1,512,098)	(621,622)	-	-
Proceeds from issuance of shares		9,512,547	-	9,512,547	-
Repayment to subsidiaries		-	-	(2,021,008)	-
Payment of hire purchase		(111,298)	(213,317)	-	-
Net cash (used in)/from financing activities		(6,294,346)	(7,059,671)	7,491,539	-
Net increase/(decrease) in cash and cash equivalents		23,010,997	5,033,919	(1,407,542)	(2,199,546)
Effect of exchange rate fluctuations on cash and cash equivalents		1,058,398	(51,609)	64,091	-
Cash and cash equivalents at beginning of financial year		9,062,062	4,079,752	1,425,783	3,625,329
Cash and cash equivalents at end of financial year	18	33,131,457	9,062,062	82,332	1,425,783

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014

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 SS22/21, 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 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 14 April 2015.

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.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as otherwise disclosed in the summary of significant accounting policies.

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 the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(c).

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(i) Adoption of Amendments/Improvements to MFRSs and New IC Int

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

Amendments/Improvements to MFRSs	
MFRS 10	Consolidated Financial Statements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 127	Separate Financial Statements
MFRS 132	Financial Instruments: Presentation
MFRS 136	Impairment of Assets
MFRS 139	Financial Instruments: Recognition and Measurement

New IC Int	
IC Int 21	Levies

The adoption of the above amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (continued)

(ii) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRSs and amendments/ improvements to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") 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 MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 8	Operating Segments	1 July 2014
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 July 2014/ 1 January 2016
MFRS 119	Employee Benefits	1 July 2014
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	1 January 2016
MFRS 138	Intangible Assets	1 July 2014/ 1 January 2016
MFRS 140	Investment Property	1 July 2014
MFRS 141	Agriculture	1 January 2016

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

MFRS 9 Financial Instruments

MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (continued)

(ii) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (continued)

MFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

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 statement 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 statement of financial position.

Impairment
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.

Hedge accounting
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.
- 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 Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (continued)

(ii) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (continued)

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

Amendments to MFRS 1 relate to the International Accounting Standards Board's ("IASB") Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

Amendment to MFRS 3 Business Combinations

Amendment to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendment to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provides additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The Amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendment to MFRS 8 Operating Segments

Amendment to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (continued)

(ii) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (continued)

Amendment to MFRS 13 Fair Value Measurement

Amendment to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

Amendment to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 clarify the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:
- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation / amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendment to MFRS 124 Related Party Disclosures

Amendment to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

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

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

The main consequence of the Amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), as defined in MFRS 3 Business Combinations. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

2. BASIS OF PREPARATION (CONTINUED)

(b) 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.

(c) Significant accounting estimates and judgements

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 10) – 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 (Note 12 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. Management estimates the useful lives of these property, plant and equipments 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 15) – 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) Inventories (Note 16) – the saleability of inventories are reviewed by 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.

(v) Impairment loss on receivables (Note 17) – 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.

(vi) 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, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

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

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
31 December 2014 (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 date. 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 operation. 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 operation, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

(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 under construction are not depreciated until these assets are ready for their intended use.

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

Leasehold land	Over 35 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.

The 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

(m) 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, cost includes 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.

(n) 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 have categorised their financial assets in loans and receivables.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial assets (continued)

(i) Loans and receivables (continued)

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.

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.

(o) 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.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term highly liquid investments which are subject to an insignificant risk of changes in value. For the purposes of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Share capital

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. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(r) 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.

(s) 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.

(t) 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 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

4. REVENUE

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Research, design and development of electronic end-products and sub-systems	3,091,534	3,799,995	3,091,534	3,799,995
Manufacturing of electronic end-products and sub-systems	182,687,684	156,946,513	-	-
Sales of electronic service/products	317,670	951	317,670	951
Dividend income from subsidiaries	-	-	9,000,000	-
Development and manufacturing of wire harness and electronic related accessories	-	10,503,691	-	-
	186,096,888	171,251,150	12,409,204	3,800,946

5. COST OF SALES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Research, design and development of electronic end-products and sub-systems	2,404,862	2,928,270	2,404,862	2,928,270
Cost of electronic end-products and sub-systems	157,677,799	148,374,071	-	-
Cost of electronic service/products	332,169	2,593	332,169	2,593
Cost of wire harness and electronic related accessories	-	11,487,035	-	-
	160,414,830	162,791,969	2,737,031	2,930,863

6. FINANCE COSTS

	Group	
	2014 RM	2013 RM
Bankers' acceptance	276,643	551,794
Bank overdraft interest	45,515	234,399
Hire purchase interest	2,353	13,387
Receivable financing interest	-	350,354
Revolving credit interest	41,061	45,875
Term loan interest	86,181	106,123
Trust receipt interest	23,034	82,473
	474,787	1,384,405

7. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Impairment loss on:				
- trade receivables	715,661	-	-	-
- amounts due from subsidiaries	-	-	1,234,686	-
Impairment loss on receivables no longer required	-	(291,895)	-	-
Amortisation of computer software	95,759	66,042	38,644	20,919
Auditors' remuneration				
- current year	138,415	142,569	40,000	30,000
- under provision in prior year	-	(600)	-	-
- other services	9,000	-	-	-
Bad debts written off	-	361,693	-	-
Depreciation of property, plant and equipment	2,446,139	2,327,255	147,019	240,967
Directors' fees (Note 9)	84,000	48,000	84,000	48,000
Directors' other emoluments	1,276,864	950,800	10,000	715,600
Foreign currency exchange gain				
- realised	(301,142)	(275,794)	(54,063)	(9,025)
- unrealised	(879,873)	(293,446)	(6,388)	(10,167)
Intercompanies' debt written off	-	-	-	4,778
Inventories written off	-	65,270	-	-
Rental of equipment	31,475	6,870	6,775	6,870
Rental of photocopier machine	2,535	1,170	-	-
Rental of office	6,000	-	-	-
Staff premises rental	50,000	30,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014 (CONTINUED)

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Factory rental	113,700	109,200	-	-
Fire insurance claim	-	(3,302,251)	-	-
Interest income	(32,872)	(864)	-	-
Gain on disposal of property, plant and equipment	(57,203)	(299)	(13,499)	-
Gain on disposal of non-current asset classifed as held for sale	-	(337,044)	-	-
Rental income of rooftop	(29,040)	(29,040)	(29,040)	(29,040)

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Directors' other emoluments	1,276,864	950,800	10,000	715,600
EPF	757,765	720,932	103,819	235,050
Salaries and bonus	6,463,482	6,451,040	890,423	1,802,044
SOCSO	70,444	68,146	6,863	15,812
Other personnel costs	614,086	199,949	42,577	31,837
	9,182,641	8,390,867	1,053,682	2,800,343

9. DIRECTORS' REMUNERATION

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Executive:				
Salary and other emoluments	1,266,864	940,800	-	705,600
Benefits-in-kind	14,000	28,000	-	-
	1,280,864	968,800	-	705,600
Non-executive:				
Fees	84,000	48,000	84,000	48,000
Allowances	10,000	10,000	10,000	10,000
Total directors' remuneration	1,374,864	1,026,800	94,000	763,600

10. TAX EXPENSE

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Current tax:				
Malaysian income tax:				
Current financial year	55,500	1,800	-	-
Underprovision in prior financial years	-	681	-	-
	55,500	2,481	-	-
Deferred tax (Note 22) :				
Origination and reversal of temporary differences	684,000	130,700	-	-
Relating to changes in tax rate	(3,200)	-	-	-
Overprovision in prior financial years	(51,300)	-	-	-
	629,500	130,700	-	-
Tax expense	685,000	133,181	-	-

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

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Profit/(Loss) before tax	12,563,261	1,146,337	7,553,621	(1,008,570)
Tax at the Malaysian statutory income tax rate of 25%	3,140,800	286,600	1,888,400	(252,100)
Tax effect on non-deductible expenses	284,800	100,400	385,100	94,700
Tax effect on non-taxable income	-	(58,500)	(2,250,000)	-
Tax effect of changes in tax rate	(3,200)	-	-	-
Effect of deferred tax at different tax rate	(117,600)	-	(1,000)	-
Effect of different tax rate in foreign subsidiary	-	(57,300)	-	-
Deferred tax asset not recognised during the financial year	-	769,200	-	157,400
Utilisation of deferred tax assets previously not recognised	(2,568,500)	(907,900)	(22,500)	-
(Over)/Underprovision in prior years				
- current tax	-	681	-	-
- deferred tax	(51,300)	-	-	-
	685,000	133,181	-	-

The Group has unabsorbed tax losses and unutilised capital allowances of approximately RM589,600 (2013: RM12,664,900) and RM Nil (2013: RM1,644,200) respectively whilst the Company has unabsorbed tax losses and unutilised capital allowances of approximately RM482,600 (2013: RM552,800) and RM Nil (2013: RM333,300) respectively available for set-off against future taxable profits.

Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year. The domestic statutory income tax rate would be reduced to 24% from the current year's rate of 25% with effect from the year of assessment 2016. The computation of deferred tax as at 31 December 2014 has reflected these changes.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

11. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the 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	
	2014 RM	2013 RM
Profit for the financial year attributable to owners of the Company	11,878,261	1,013,156
Weighted average number of ordinary shares outstanding during the financial year	379,201,154	374,548,200
Basic earnings per ordinary share (sen)	3.13	0.27

(b) Diluted

The diluted earnings per share of the Group is calculated by dividing the Group's net 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.

	2014 RM	2013 RM
Profit for the financial year attributable to owners of the Company	11,878,261	1,013,156
Weighted average number of ordinary shares:	379,201,154	374,548,200
Effect of dilution from share options and warrants	41,247,687	100,726,050
Adjusted weighted average number of ordinary shares in issue and issuable	420,448,841	475,274,250
Diluted earnings per ordinary share (sen)	2.83	0.21

Since the end of the financial year, employees of the Group have exercised their share options to acquire 7,073,500 ordinary shares and 5,247,200 warrants have been exercised to acquire 5,247,200 ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

12. 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	Construction in progress RM	Total RM
Cost								
At 1 January 2014	1,433,333	1,680,000	4,816,667	7,551,963	863,948	11,823,252	2,422,307	30,591,470
Additions	-	-	-	102,055	-	1,266,309	133,318	1,501,682
Disposals	-	-	-	-	(840,948)	(438,087)	-	(1,279,035)
Reclassification	-	-	-	-	-	2,555,625	(2,555,625)	-
Effect of movement in exchange rates	-	-	-	1,817	-	-	-	1,817
At 31 December 2014	1,433,333	1,680,000	4,816,667	7,655,835	23,000	15,207,099	-	30,815,934
Accumulated Depreciation								
At 1 January 2014	-	144,000	333,280	6,552,778	863,944	5,486,976	-	13,380,978
Charge for the financial year	-	48,000	107,185	419,024	-	1,871,930	-	2,446,139
Disposals	-	-	-	-	(840,946)	(412,178)	-	(1,253,124)
Effect of movement in exchange rates	-	-	-	1,422	-	-	-	1,422
At 31 December 2014	-	192,000	440,465	6,973,224	22,998	6,946,728	-	14,575,415
Net Carrying Amount								
At 31 December 2014	1,433,333	1,488,000	4,376,202	682,611	2	8,260,371	-	16,240,519
Cost								
At 1 January 2013	1,433,333	1,680,000	4,816,667	7,487,044	867,697	9,315,701	759,152	26,359,594
Additions	-	-	-	62,768	-	2,507,551	1,663,155	4,233,474
Disposals	-	-	-	-	(3,749)	-	-	(3,749)
Effect of movement in exchange rates	-	-	-	2,151	-	-	-	2,151
At 31 December 2013	1,433,333	1,680,000	4,816,667	7,551,963	863,948	11,823,252	2,422,307	30,591,470
Accumulated Depreciation								
At 1 January 2013	-	96,000	226,096	5,846,123	738,587	4,149,478	-	11,056,284
Charge for the financial year	-	48,000	107,184	705,468	129,105	1,337,498	-	2,327,255
Disposals	-	-	-	-	(3,748)	-	-	(3,748)
Effect of movement in exchange rates	-	-	-	1,187	-	-	-	1,187
At 31 December 2013	-	144,000	333,280	6,552,778	863,944	5,486,976	-	13,380,978
Net Carrying Amount								
At 31 December 2013	1,433,333	1,536,000	4,483,387	999,185	4	6,336,276	2,422,307	17,210,492

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM	Buildings RM	Furniture and fittings, office equipment and renovation RM	Motor vehicles RM	Plant and machinery and testing equipment RM	Total RM
Cost						
At 1 January 2014	1,433,333	2,866,667	2,126,979	143,000	200,753	6,770,732
Additions	-	-	-	-	358,159	358,159
Disposals	-	-	-	(143,000)	-	(143,000)
At 31 December 2014	1,433,333	2,866,667	2,126,979	-	558,912	6,985,891
Accumulated Depreciation						
At 1 January 2014	-	171,999	2,096,752	142,999	189,096	2,600,846
Charge for the financial year	-	57,333	18,849	-	70,837	147,019
Disposals	-	-	-	(142,999)	-	(142,999)
At 31 December 2014	-	229,332	2,115,601	-	259,933	2,604,866
Net Carrying Amount						
At 31 December 2014	1,433,333	2,637,335	11,378	-	298,979	4,381,025
Cost						
At 1 January 2013	1,433,333	2,866,667	2,110,990	143,000	200,753	6,754,743
Additions	-	-	15,989	-	-	15,989
At 31 December 2013	1,433,333	2,866,667	2,126,979	143,000	200,753	6,770,732
Accumulated Depreciation						
At 1 January 2013	-	114,666	1,922,358	142,999	179,856	2,359,879
Charge for the financial year	-	57,333	174,394	-	9,240	240,967
At 31 December 2013	-	171,999	2,096,752	142,999	189,096	2,600,846
Net Carrying Amount						
At 31 December 2013	1,433,333	2,694,668	30,227	1	11,657	4,169,886

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the above property, plant and equipment are:

(a) Plant and machinery under finance lease arrangements are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Machinery and equipment				
Cost	-	635,662	-	-
Net carrying amount	-	103,135	-	-

(b) Freehold land and buildings of the Group and the Company charged to financial institution for credit facilities granted to the Group as mentioned in Note 21. The net carrying amount of assets pledged for bank borrowings are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Freehold land	1,433,333	1,433,333	1,433,333	1,433,333
Leasehold land	1,488,000	1,536,000	-	-
Office buildings	4,376,202	4,483,387	2,637,335	2,694,668
	7,297,535	7,452,720	4,070,668	4,128,001

(c) Construction in progress
These are in respect of preparation or making of moulds.

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

13. INTANGIBLE ASSETS

	Group		Company	
Computer software	2014 RM	2013 RM	2014 RM	2013 RM
Cost				
At beginning of financial year	1,602,468	1,369,968	1,213,737	1,213,737
Addition during the financial year	219,440	232,500	200,000	-
Disposal during the financial year	(547,942)	-	(547,942)	-
At end of the financial year	1,273,966	1,602,468	865,795	1,213,737
Accumulated amortisation				
At beginning of financial year	685,473	619,431	517,263	496,344
Charge during the financial year	95,759	66,042	38,644	20,919
Disposal during the financial year	(20,050)	-	(20,050)	-
At end of financial year	761,182	685,473	535,857	517,263
Net carrying amount	512,784	916,995	329,938	696,474

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES

	Company 2014 RM	Company 2013 RM
Unquoted shares, at cost		
In Malaysia	9,554,844	9,554,844
Outside Malaysia	161,775	161,775
	9,716,619	9,716,619
Less: Impairment loss	(491,774)	(491,774)
	9,224,845	9,224,845
Quasi loans	34,426,179	-
	43,651,024	9,224,845

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 2014	Effective ownership interest/voting right 2013
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 Technology (Korea Corporation) ^	South Korea	Dormant	-	
K-One International Limited *	Hong Kong	Dormant	100%	100%
Subsidiary of EMB Technology Sdn. Bhd.				
K-One Industry Sdn. Bhd.	Malaysia	Design and development of manufacturing process/tools and manufacturing of electronics end products and sub-systems	100%	100%
Subsidiary of K-One Industry Sdn. Bhd.				
K-One Manufacturing Sdn. Bhd.	Malaysia	Development and manufacturing of electronic products and sub-systems	100%	100%

* Subsidiary audited by firm of auditors other than Baker Tilly Monteiro Heng.
^ Deregistered on 25 November 2014.

15. GOODWILL ON CONSOLIDATION

	Group 2014 RM	Group 2013 RM
Goodwill on consolidation	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 2014 RM	Group 2013 RM
Development and manufacturing of wire harness and electronic related accessories	5,523,218	5,523,218
Sales of digital pens and paper	22,543	22,543
	5,545,761	5,545,761

The recoverable amount of a CGU is determined based on value-in-use calculations using 5 years of cash flow projections from financial budgets and projections approved by the management. Cash flows beyond the five-year period are extrapolated using the growth rates stated below.

The goodwill allocated to the sales of digital pens and paper activity is not significant in comparison with the Group's total carrying amount of goodwill.

Key assumptions used in the value-in-use calculations based on five-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% (2013: 24%) are based on management's past experience.

(iii) Growth rates – Revenue growth rate of 2% (2013: 2%) for the next 5 years are based on the Company's estimates of the sector and industry trends, general market and economic conditions. No growth rate (2013: Nil) was extrapolated beyond the 5-year period as the management does not anticipate significant growth.

(iv) Pre-tax discount rate – Discount rate of 14% (2013: 7%) 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.

No impairment loss was required for the goodwill assessed as its recoverable amount was in excess of its carrying amount.

In assessing the value-in-use, the management does not foresee any possible changes in the above key assumptions that would cause the carrying amounts of goodwill to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

16. INVENTORIES

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
At cost				
Raw materials	12,213,895	19,455,852		
Finished goods	1,317,176	1,018,177	-	-
	13,531,071	20,474,029	-	-
At net realisable value				
Finished goods	-	332,169	-	332,169
	13,531,071	20,806,198	-	332,169

During the financial year, inventories of the Group recognised as cost of goods sold amounted to RM158,009,968 (2013: RM159,863,699).

17. RECEIVABLES AND DEPOSITS

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Current					
Trade					
Trade receivables	(a)	43,401,117	45,572,791	409,241	641,245
Less: Allowance for impairment loss		(715,661)	-	-	-
		42,685,456	45,572,791	409,241	641,245
Non-trade					
Other receivables		1,055,043	1,047,904	803,324	819,774
Less: Allowance for impairment loss		(796,774)	(796,774)	(796,774)	(796,774)
		258,269	251,130	6,550	23,000
Amounts due from subsidiaries	(b)	-	-	1,896,447	48,634,890
Less: allowance for impairment loss		-	-	(1,234,686)	-
		-	-	661,761	48,634,890
Deposits		88,320	75,420	16,280	16,280
Prepayments		266,930	635,332	40,651	254,035
		43,298,975	46,534,673	1,134,483	49,569,450

(a) Trade receivables

(i) Credit term of trade receivables

The normal credit terms extended to customers range from 30 to 90 days (2013: 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:

17. RECEIVABLES AND DEPOSITS (CONTINUED)

(ii) Ageing analysis of trade receivables (continued)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Neither past due nor impaired	34,922,319	42,736,697	394,601	510,176
1 to 30 days past due not impaired	6,046,858	1,478,949	9,856	85,169
31 to 60 days past due not impaired	782,868	69,523	1,395	1,550
61 to 90 days past due not impaired	427,170	348,930	2,341	42,800
91 to 120 days past due not impaired	139,089	-	-	-
More than 121 days past due not impaired	367,152	938,692	1,048	1,550
	7,763,137	2,836,094	14,640	131,069
Impaired	715,661	-	-	-
	43,401,117	45,572,791	409,241	641,245

<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.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

<u>Receivables that are past due but not impaired</u>

The Group and the Company have trade receivables amounting to RM7,763,137 and RM14,640 (2013: RM2,836,094 and RM131,069) 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	
	2014 RM	2013 RM
At beginning of financial year	-	291,895
Additions	715,661	-
No longer required for the financial year	-	(291,895)
At end of financial year	715,661	-

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

17. RECEIVABLES AND DEPOSITS (CONTINUED)

(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 amounts due from subsidiaries were:

	Company	
	2014 RM	2013 RM
At beginning of financial year	-	-
Additions	1,234,686	-
At end of financial year	1,234,686	-

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances	33,131,457	13,102,936	82,332	1,425,783
Bank overdraft - secured (Note 21)	-	(4,040,874)	-	-
	33,131,457	9,062,062	82,332	1,425,783

19. SHARE CAPITAL

	Group/Company			
	2014		2013	
	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	374,548,200	37,454,820	374,548,200	37,454,820
Issued pursuant to exercise of warrants	43,238,852	4,323,885	-	-
At end of financial year	417,787,052	41,778,705	374,548,200	37,454,820

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

During the financial year, the issued and paid-up share capital increased from RM37,454,820 to RM41,778,705 by way of exercise of 43,238,852 warrants for 43,238,852 new ordinary shares of RM0.10 each at a subscription price of RM 0.22 per share. These newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.

20. RESERVES

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Non-distributable:				
Share premium	9,433,058	3,595,812	9,433,058	3,595,812
Warrant reserve	755,972	1,404,556	755,972	1,404,556
Foreign exchange reserve	(99,737)	(120,203)	-	-
Distributable:	-			
Retained earnings/(accumulated losses)	13,000,284	1,122,023	5,981,385	(1,572,236)
	23,089,577	6,002,188	16,170,415	3,428,132

Share premium

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

Warrants reserve

Proceeds from the issuance of warrants are credited to warrants reserve which is non-distributable as cash dividends. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

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.

21. BORROWINGS

	Group	
	2014	2013
	RM	RM
Current Secured		
Bankers' acceptance	-	8,717,739
Finance lease liabilities	-	111,298
Revolving credit	-	940,000
Term loans	-	437,548
Foreign currency trust receipts (USD)	-	4,525,758
Bank overdraft	-	4,040,874
	-	18,773,217
Non-current Secured		
Term loans	-	1,074,550
	-	19,847,767

The short term borrowings (bank overdraft, bankers' acceptance, revolving credit and foreign currency trust receipts) in the previous financial year were secured by way of:

(a) first legal charge over the Group's freehold land, leasehold land and buildings; and
(b) a corporate guarantee by the Company.

The short term borrowings bore effective interest at rates ranging from 1.25% to 7.61% per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014 (CONTINUED)

21. BORROWINGS (CONTINUED)

The term loan in the previous financial year was secured by way of:
(a) first legal charge over the Group's freehold land, leasehold land and buildings; and
(b) a corporate guarantee by the Company.

The term loan bore effective interest at a rate of 6.60% per annum.

The maturity profile of bank borrowings of the Group are as follows:

	Group	
	2014 RM	2013 RM
Bank borrowings		
(excluding finance lease liabilities and bank overdraft)		
- not later than 1 year	-	14,621,045
- later than 1 year but not later than 2 years	-	467,317
- later than 2 years but not later than 5 years	-	607,233
	-	15,695,595
Finance lease liabilities		
Future minimum lease payments		
- not later than 1 year	-	125,730
	-	125,730
Finance charges	-	(14,432)
	-	111,298
Present value of minimum lease payments		
- not later than 1 year	-	111,298
	-	111,298

22. DEFERRED TAX LIABILITIES

	Group	
	2014 RM	2013 RM
Deferred tax liabilities		
At beginning of financial year	130,700	-
Recognised in profit or loss (Note 10)	629,500	130,700
At end of financial year	760,200	130,700

Deferred tax liabilities are attributable to the following:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Difference between the carrying amount of property, plant and equipment and its tax base	711,000	560,800	63,400	-
Deductible temporary differences in respect of expense	(70,000)	-	-	-
Taxable temporary differences in respect of income	209,700	90,500	-	-
Unutilised re-investment allowance	(1,400)	-	-	-
Unabsorbed tax losses	(89,100)	(520,600)	(63,400)	-
	760,200	130,700	-	-

22. DEFERRED TAX LIABILITIES (CONTINUED)

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

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Difference between the carrying amounts of property, plant and equipment and its tax base	-	1,420,800	-	573,800
Taxable temporary difference in respect of income	-	51,700	-	-
Unrealised foreign currency exchange loss	-	(21,300)	-	-
Unutilised capital allowance	-	(1,644,200)	-	(333,300)
Unutilised re-investment allowance	-	(232,200)	-	-
Unabsorbed tax losses	(218,300)	(10,495,800)	(218,300)	(552,800)
	(218,300)	(10,921,000)	(218,300)	(312,300)

23. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2014	2013	2014	2013
		RM	RM	RM	RM
Trade					
Trade payables	(a)	46,025,268	40,526,616	415,114	271,070
Non-trade					
Other payables		166,023	143,475	76,715	28,458
Amount due to a director	(b)	2,354	2,354	2,351	2,351
Amount due to subsidiaries	(c)	-	-	1,959	24,198,480
Accruals		652,519	296,336	143,652	37,100
Deposit received		8,860	8,860	8,860	8,860
		829,756	451,025	233,537	24,275,249
		46,855,024	40,977,641	648,651	24,546,319

(a) Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2013: 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.

24. DIVIDEND

An interim single tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 31 December 2015 amounting to RM2,139,933 was declared on 9 March 2015 and will be paid on 30 April 2015. The financial statements for the current financial year do not reflect the interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

25. WARRANTS AND EMPLOYEE BENEFITS

Warrants

The warrants (Warrant B) were constituted under the Deed Poll dated 29 August 2012.

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 close of business on the warrants is three (3) years from the date of issuance of the warrants; 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.

The movements in the Company's warrants to subscribe for new ordinary shares of RM0.10 each during the financial year are as follows:

	Number of warrants		
	At 1 January 2014	Exercised	At 31 December 2014
Number of warrants	93,637,050	(43,238,852)	50,398,198

The weighted average quoted price of shares of the Company at the time when the warrants were exercised was RM0.48 (2013: Nil).

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. The ESOS is governed by the by-laws which were approved by the shareholders on 30 November 2005.

The ESOS has expired on 30 December 2010. However, the ESOS Committee has reviewed, discussed and approved that the ESOS be extended for a further period of five (5) years from the date of expiry.

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;

25. WARRANTS AND EMPLOYEE BENEFITS (CONTINUED)

Employees' share option scheme ("ESOS") (continued)

(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.

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:

	2014		2013	
	No.	WAEP(RM)	No.	WAEP(RM)
Outstanding at 1 January/31 December	7,089,000	0.10	7,089,000	0.10
Exercisable at 31 December	7,089,000	0.10	7,089,000	0.10

	Exercise Price RM	Exercise Period RM
Share Options		
2014		
First Grant	0.10	30.12.2005 - 30.12.2015
2013		
First Grant	0.10	30.12.2005 - 30.12.2015

Fair value of share option granted

As allowed by the transitional provisions in MFRS 2 "Share-based payment", the recognition and measurement principles have not been applied to these grants.

26. CORPORATE GUARANTEE

	Company 2014 RM	Company 2013 RM
Corporate guarantees for credit facilities granted to subsidiaries: -		
- K-One Industry Sdn. Bhd.	28,756,000	35,756,000
- K-One Manufacturing Sdn. Bhd.	-	11,000,000
- K-One Electronics Sdn. Bhd.	-	3,200,000
	28,756,000	49,956,000

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

27. 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, companies in which the directors have substantial financial interest and key management personnel.

(b) Related party transactions

	Group	
	2014 RM	2013 RM
Paid or payable to a director of the Company		
Rental of factory	60,000	60,000

	Company	
	2014 RM	2013 RM
Receivable from subsidiary		
Gross dividend	9,000,000	-

(c) Related party balances

Information on the outstanding balances with related parties at the end of the reporting period are disclosed in Notes 17 and 23.

(d) Compensation of key management personnel

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Directors of the Company				
Fees	84,000	48,000	84,000	48,000
Salaries and other emoluments (including estimated monetary value of benefits-in-kind)	1,160,064	878,000	10,000	715,600
Post-employment benefits	130,800	100,800	-	-
	1,374,864	1,026,800	94,000	763,600

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Group 2014 Financial assets	Loans and receivables RM	Total RM
Receivables and deposits	43,032,045	43,032,045
Cash and bank balances	33,131,457	33,131,457
	76,163,502	76,163,502

Group 2014 Financial liabilities	Financial liabilities at amortised cost RM	Total RM
Payables and accruals	46,855,024	46,855,024
Borrowings	-	-
	46,855,024	46,855,024

Group 2013 Financial assets	Loans and receivables RM	Total RM
Receivables and deposits	45,899,341	45,899,341
Cash and bank balances	13,102,936	13,102,936
	59,002,277	59,002,277

Group 2013 Financial liabilities	Financial liabilities at amortised cost RM	Total RM
Payables and accruals	40,977,641	40,977,641
Borrowings	19,847,767	19,847,767
	60,825,408	60,825,408

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Company 2014 Financial assets	Loans and receivables RM	Total RM
Receivables and deposits	1,093,832	1,093,832
Cash and bank balances	82,332	82,332
	1,176,164	1,176,164

Company 2014 Financial liabilities	Financial liabilities at amortised cost RM	Total RM
Payables and accruals	648,651	648,651

Company 2013 Financial assets	Loans and receivables RM	Total RM
Receivables and deposits	49,315,415	49,315,415
Cash and bank balances	1,425,783	1,425,783
	50,741,198	50,741,198

Company 2013 Financial liabilities	Financial liabilities at amortised cost RM	Total RM
Payables and accruals	24,546,319	24,546,319

29. 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:

(a) 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.

(b) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting. The carrying amounts of long term floating rate loans are reasonable approximation of fair values as the loans will be re-priced to market interest rate on or near the reporting date.

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.

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.

Analysis of financial instruments by remaining contractual maturities
The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount RM	Total Contractual Cash flows RM	On demand or within one year RM	One to five years RM
2014				
Group				
Financial liabilities:				
Trade and other payables	46,855,024	46,855,024	46,855,024	-
Company				
Financial liabilities:				
Trade and other payables	648,651	648,651	648,651	-

	Carrying amount RM	Total Contractual Cash flows RM	On demand or within one year RM	One to five years RM
2013				
Group				
Financial liabilities:				
Trade and other payables	40,977,641	40,977,641	40,977,641	-
Borrowings	19,847,767	19,847,767	18,773,217	1,074,550
	60,825,408	60,825,408	59,750,858	1,074,550
Company				
Financial liabilities:				
Trade and other payables	24,546,319	24,546,319	24,546,319	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(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 and by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

At the reporting date, approximately 74% (2013: 76%) of the gross trade receivables were from four (2013: three) 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Malaysia	85,062	265,346	78,720	182,260
Africa	-	9,977	-	-
Asia (excluding Malaysia)	16,334,218	12,736,762	2,959	-
Europe	25,422,911	31,936,819	327,562	458,985
United States of America	843,265	623,887	-	-
	42,685,456	45,572,791	409,241	641,245

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to its subsidiaries.

The Company monitors on an ongoing basis the repayments made by its the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM Nil (2013: RM15,695,595) representing the outstanding credit facilities of the subsidiaries guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on its repayment.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Credit risk (continued)

Financial guarantee (continued)

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 subsidiaries' borrowings in view of the securities pledged by the subsidiaries and it was not probable that the counterparties to financial guarantee contracts will claim under the contracts.

(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 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	Borrowings	Total
2014					
USD	41,993,504	14,990,626	(41,724,012)	-	15,260,118
Euro	11	23,736	(535,195)	-	(511,448)
GBP	589,224	-	(12,630)	-	576,594
SGD	-	-	(397)	-	(397)
HKD	30,548	92,058	(6,309)	-	116,297
KRW	3,726	172,133	(14,347)	-	161,512
CHF	17,654	-	-	-	17,654
	42,634,667	15,278,553	(42,292,890)	-	15,620,330
2013					
USD	43,580,664	12,429,925	(33,588,246)	(4,525,758)	17,896,585
Euro	1,011,760	7,596	(575,807)	-	443,549
GBP	793,655	-	-	-	793,655
HKD	27,743	87,312	(5,492)	-	109,563
KRW	3,605	166,551	(5,897)	-	164,259
CHF	17,637	-	-	-	17,637
	45,435,064	12,691,384	(34,175,442)	(4,525,758)	19,425,248
Company					
2014					
USD	330,521	33,228	(135,922)	-	227,827
2013					
USD	458,985	1,284,646	(57,647)	-	1,685,984

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

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

		Group		Company	
		Profit for the financial year Increase/(Decrease)			
		2014 RM	2013 RM	2014 RM	2013 RM
USD/RM	- Strengthen by 5%	572,300	894,800	8,500	84,300
USD/RM	- Weaken by 5%	(572,300)	(894,800)	(8,500)	(84,300)
EURO/RM	- Strengthen by 5%	(19,200)	22,200	-	-
EURO/RM	- Weaken by 5%	19,200	(22,200)	-	-
GBP/RM	- Strengthen by 5%	21,600	39,700	-	-
USD/RM	- Weaken by 5%	(21,600)	(39,700)	-	-

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company are exposed to interest rate risk in respect of its bank overdraft and other borrowings which will fluctuate as a result of changes in market interest rates. The Group manages its interest rate exposure by actively reviewing its debts portfolio to ensure favourable rates are obtained.

Sensitivity analysis for interest rate risk

At the end of the previous financial year, if average interest rates increase/decrease by 1% with all other variables held constant, the Group's profit net of tax will be lower/higher by approximately RM198,500.

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 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 executive directors. 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.

31. SEGMENT INFORMATION (CONTINUED)

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 chief operation decision maker. 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.

	Research, design and development and sales RM	Manufacturing RM	Investment holding RM	Elimination RM	Consolidated RM
2014					
Total external revenue	3,409,204	182,687,684	-	-	186,096,888
Inter-segment revenue	-	-	-	-	-
Total segment revenue	3,409,204	182,687,684	-	-	186,096,888
Segment result	(211,693)	13,300,040	(50,299)	-	13,038,048
Finance costs					(474,787)
Tax expense					(685,000)
Profit for the financial year					11,878,261
Other information					
Segment assets	5,266,018	106,546,657	447,892	-	112,260,567
Unallocated corporate assets					222,939
Consolidated total assets					112,483,506
Segment liabilities	644,341	46,159,884	48,445	-	46,852,670
Unallocated corporate liability					762,554
Consolidated total liabilities					47,615,224
Capital expenditure	558,159	1,162,963	-	-	1,721,122
Amortisation of computer software	38,644	57,115	-	-	95,759
Depreciation of property, plant and equipment	147,018	2,291,590	7,531	-	2,446,139
Impairment loss on trade receivables	-	715,661	-	-	715,661

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014 (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

	Research, design and development and sales RM	Manufacturing RM	Investment holding RM	Elimination RM	Consolidated RM
2013					
Total external revenue	3,800,946	167,450,204	-	-	171,251,150
Inter-segment revenue	-	3,037,719	-	(3,037,719)	-
Total segment revenue	3,800,946	170,487,923		(3,037,719)	171,251,150
Segment result	(1,008,570)	3,460,069	79,243	-	2,530,742
Finance costs					(1,384,405)
Tax expense					(133,181)
Profit for the financial year					1,013,156
Other information					
Segment assets	7,558,872	96,088,831	469,352	-	104,117,055
Unallocated corporate assets					300,205
Consolidated total assets					104,417,260
Segment liabilities	345,488	40,602,559	27,240	-	40,975,287
Unallocated corporate liability					19,984,965
Consolidated total liabilities					60,960,252
Capital expenditure	15,989	4,449,985	-	-	4,465,974
Amortisation of computer software	20,919	44,343	780	-	66,042
Bad debt written off	-	361,693	-	-	361,693
Depreciation of property, plant and equipment	240,967	2,075,688	10,600	-	2,327,255
Inventories written off	-	-	65,270	-	65,270
Impairment loss on trade receivables - no longer required	(291,895)	-	-	-	(291,895)

Geographical information

The Group's business is derived mainly from three geographical areas. About 99% (2013: 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. The manufacturing activities are mainly conducted in Malaysia.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014 (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

	Revenue		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Malaysia	1,311,576	2,280,573	20,340,735	21,214,915
Europe	102,275,533	105,791,279	-	-
United States of America	2,673,925	3,358,775	-	-
Australia	179,825	9,134	-	-
Asia (excluding Malaysia)	79,527,861	59,716,042	1,958,329	2,458,333
Africa	78,606	26,012	-	-
Middle East	49,562	69,335	-	-
	186,096,888	171,251,150	22,299,064	23,673,248

Information about major customers

The Group has 6 (2013: 3) major international customers (each with revenue equal or more than 10% of the Group revenue) from the manufacturing segment contributing total revenue of approximately RM135,765,000 (2013: RM147,236,000).

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 2014 and 2013.

The Group and the Company monitor capital by reiewing various financial ratios to ensure they are at acceptable levels and within industry norms. Incidentally, the Group is not subject to any externally imposed capital requirements.

	Revenue		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Loans and borrowings	-	19,847,767	-	-
Payables, deposits and accruals	46,852,670	40,975,287	644,341	345,488
Amount due to a director	2,354	2,354	2,351	2,351
Amount due to subsidiaries	-	-	1,959	24,198,480
Less: Cash and bank balances	(33,131,457)	(13,102,936)	(82,332)	(1,425,783)
Net debt	13,723,567	47,722,472	566,319	23,120,536
Equity attributable to owners of the Company, representing total equity	64,868,282	43,457,008	57,949,120	40,882,952
Capital management ratio	21.2%	109.8%	1.0%	56.6%

33. COMPARATIVE FIGURES

The comparative figures have been audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng.

SUPPLEMENTARY INFORMATION ON
REALISED AND UNREALISED PROFIT OR LOSSES

The following analysis of realised and unrealised retained earnings/(accumulated losses) of the Group and of the Company at 31 December 2014 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.

	Revenue		**Company**	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries				
- realised	6,699,205	(4,586,484)	5,974,997	(1,582,403)
- unrealised	119,673	162,746	6,388	10,167
	6,818,878	(4,423,738)	5,981,385	(1,572,236)
Add: Consolidation adjustments	6,181,406	5,545,761	-	-
Total retained earnings	13,000,284	1,122,023	5,981,385	(1,572,236)

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 2014

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 31/12/2014 (RM '000)
66, Jalan SS22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	25	6,000	4.7.2006	2,035
68, Jalan SS22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	25	6,000	4.7.2006	2,035
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	25	45,000	9.8.2007	3,227

ANALYSIS OF SHAREHOLDINGS
(Continued)

Authorised Share Capital	:	RM150,000,000
Issued and Fully Paid-Up Share Capital	:	RM42,798,665.20
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One (1) vote per shareholder on a show of hands One (1) vote per share on a poll

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 2 APRIL 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
Less than 100	20	0.99	814	0
100 to 1,000	99	4.89	50,599	0.01
1,001 to 10,000	632	31.22	4,421,291	1.03
10,001 to 100,000	996	49.21	39,535,795	9.24
100,001 to less than 5% of issued shares	274	13.54	220,831,896	51.60
5% and above of issued shares	3	0.15	163,146,257	38.12
Total	**2,024**	**100**	**427,986,652**	**100**

DIRECTORS' SHAREHOLDINGS AS AT 2 APRIL 2015

	DIRECT		INDIRECT	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Lim Beng Fook	65,832,988	15.38	-	-
Lim Soon Seng	56,245,575	13.14	-	-
Bjørn Bråten	45,243,694	10.57	-	-
Loi Kim Fah	89,000	0.02	-	-
Goh Chong Chuang	408,220	0.1	-	-

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 2 APRIL 2015

	DIRECT		INDIRECT	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Lim Beng Fook	65,832,988	15.38	-	-
Lim Soon Seng	56,245,575	13.14	-	-
Bjørn Bråten	45,243,694	10.57	-	-

ANALYSIS OF SHAREHOLDINGS
(continued)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 2 APRIL 2015

NO.	NAMES	NO. OF SHARES OF RM0.10 EACH	% OF ISSUED CAPITAL
1.	Lim Beng Fook	65,832,988	15.38
2.	Lim Soon Seng	52,069,575	12.17
3.	Bjørn Bråten	45,243,694	10.57
4.	CitiGroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad For CIMB Islamic Small Cap Fund*	15,504,900	3.62
5.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad For CIMB-Principal Small Cap Fund (240218)*	15,252,700	3.56
6.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd For RHB-OSK Kidsave Trust (3621)*	14,000,000	3.27
7.	CitiGroup Nominees (Asing) Sdn Bhd *Exempt An For Citibank New York (Norges Bank 14)*	10,995,100	2.57
8.	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trsutee Berhad - Kenanga Growth Fund*	9,230,500	2.16
9.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ting Siew Pin (8118995)*	6,554,700	1.53
10.	Lim Moi Moi	6,438,000	1.50
11.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for Manulife Investment CM Shariah Flexi FD (270785)*	5,604,500	1.31
12.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd For RHB-OSK Growth And Income Focus Trust (4892)*	5,400,000	1.26
13.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investments Small Cap Fund*	4,200,000	0.98
14.	Lim Soon Seng	4,176,000	0.98
15.	Lars Peter Vennstrom	3,500,000	0.82
16.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investments My Focus Fund*	3,453,700	0.81
17.	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB-Principal Asset Management Berhad For Manulife Insurance (Malaysia) Berhad - (Equity Fund)*	3,331,600	0.78
18.	Mak Tian Meng	3,000,000	0.70
19.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investments Dana Dinamik*	2,998,400	0.70
20.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investments Dana Al-ILHAM*	2,856,100	0.67
21.	Tokio Marine Life Insurance Malaysia Bhd *As Beneficial Owner (TMEF)*	2,600,000	0.61
22.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ting Siew Pin (CEB)*	2,411,800	0.56
23.	Hong Kea Choon	2,036,000	0.48

ANALYSIS OF SHAREHOLDINGS
(Continued)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 2 APRIL 2015

NO.	NAMES	NO. OF SHARES OF RM0.10 EACH	% OF ISSUED CAPITAL
24.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Koh Kin Lip (MY0502)*	2,000,000	0.47
25.	RHB Capital Nominees (Tempatan) Sdn Bhd *Baskaran A/L Govinda Nair*	2,000,000	0.47
26.	Ting Siew Pin	2,000,000	0.47
27.	CIMSEC Nominees (Asing) Sdn Bhd *Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)*	1,966,400	0.46
28.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *RHB Trustees Berhad For Kenanga Asia Pacific Total Return Fund (TSTAC/CLNT)*	1,898,000	0.44
29.	UOBM Nominees (Tempatan) Sdn Bhd *UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Aggressive Fund*	1,710,500	0.40
30.	CIMB Islamic Nominees (Tempatan) Sdn Bhd *CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund*	1,692,500	0.40
	TOTAL	**299,957,657**	**70.10**

ANALYSIS OF WARRANT SHAREHOLDINGS
(Continued)

No. Of Warrants In Issue	:	47,272,098	
No. Of Warrants Holders	:	1,331	
Exercise Price Of Warrants	:	RM0.22 Per Share	
Voting Rights	:	One (1) Vote Per Warrant Holder On A Show Of Hands One (1) Vote Per Warrant On A Poll	In the meeting of warrants holders

ANALYSIS BY SIZE OF WARRANT HOLDINGS AS AT 2 APRIL 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
Less than 100	248	18.63	11,079	0.02
100 to 1,000	134	10.07	79,927	0.17
1,001 to 10,000	436	32.76	2,056,678	4.35
10,001 to 100,000	417	31.33	16,568,289	35.05
100,001 to less than 5% of issued shares	96	7.21	28,556,125	60.41
5% and above of issued shares	0	0	0	0
Total	**1,331**	**100**	**47,272,098**	**100**

DIRECTORS' WARRANT HOLDINGS AS AT 2 APRIL 2015

	DIRECT		INDIRECT	
NAME	NO. OF WARRANTS	%	NO. OF WARRANTS	%
Loi Kim Fah	22,275	0.05	-	-

ANALYSIS OF WARRANT SHAREHOLDINGS
(Continued)

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS AS AT 2 APRIL 2015

NO.	NAMES	NO. OF WARRANTS	% OF ISSUED WARRANTS
1.	Law King Yong	1,639,000	3.47
2.	Koh Soon Kiat	1,303,000	2.76
3.	Poah Har Choy	1,285,050	2.72
4.	Kenanga Nomineed (Tempatan) Sdn Bhd *Pledged Securities Account For Ng Tiam Ming (008)*	1,109,000	2.35
5.	How Huey Yin	995,000	2.10
6.	RHB Capital Nominees (Tempatan) Sdn Bhd *Baskaran A/L Govinda Nair*	750,000	1.59
7.	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tan Poh Hwa*	684,400	1.45
8.	Chee Kok Yean	600,000	1.27
9.	Chow Chan Foon	570,000	1.21
10.	Fang Yeong Cheun	550,000	1.16
11.	Lars Peter Vennstrom	550,000	1.16
12.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB For Tan Kok Pin @ Kok Khong (PB)*	510,700	1.08
13.	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lim Bee Choo (LIM5732C)*	450,000	0.95
14.	Tey Chon Seng	446,000	0.94
15.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ting Kong Wee*	400,000	0.85
16.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Chong Keong*	400,000	0.85
17.	Tan Sin Su	400,000	0.85
18.	Baskaran A/L Govinda Nair	367,500	0.78
19.	Yap Mee Hong	342,500	0.72
20.	Vincent Tan Sei Keong	320,000	0.68
21.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tan Bee Yook (008)*	310,000	0.66
22.	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Khoo Sek Pin*	300,000	0.63
23.	Looi Seok Le	300,000	0.63
24.	Pang Shu Jing	300,000	0.63
25.	Tsai, Chung-Hsi	300,000	0.63
26.	Wong Chee Sang	300,000	0.63
27.	Yee Yoon Hee	298,000	0.63
28.	Maybank Nominees (Tempatan) Sdn Bhd Ting See Eng	292,000	0.62
29.	Tam Kong Faht	291,050	0.62
30.	Tan Lee Khuai	290,505	0.61
	TOTAL	**16,653,705**	**35.23**

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be held at the Greens II Function Room, Main Wing at Level 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 20 May 2015 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 2014 together with the Directors' and Auditors' Reports attached thereon. — **Please refer to Note B on this Agenda**

2. To approve the payment of Directors' fees of RM84,000 for the financial year ended 31 December 2014. — **Resolution 1**

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 — **Resolution 2**

   3.2 Goh Chong Chuang — **Resolution 3**

4. 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 4**

SPECIAL BUSINESS

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

5. **Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965** — **Resolution 5**

   "**THAT** subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, 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 **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6. **Authority for Mr. Goh Chong Chuang to Continue in Office as Independent Non-Executive Director** — **Resolution 6**

   "**THAT** subject to the passing of the above Ordinary Resolution 3, 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."

7. **Authority for Mr. Loi Kim Fah to Continue in Office as Independent Non-Executive Director** — **Resolution 7**

   "**THAT** 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."

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING
(continued)

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

"**THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to purchase and/or hold up to ten percent (10%) of the 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 and share premium reserves of the Company, be allocated by the Company for the Proposed Share Buy-Back. The retained profits and share premium reserves of the Company stood at RM5,981,385 and RM9,433,058 respectively for the financial year ended 31 December 2014.

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 ("AGM") 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 AGM 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."

9. 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, 1965.

BY ORDER OF THE BOARD
K-ONE TECHNOLOGY BERHAD

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

Date: 27 April 2015

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING
(continued)

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, 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 2014

This Audited Financial Statements in Agenda 1 is meant for discussion only as the approval of shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

EXPLANATORY NOTE ON SPECIAL BUSINESS OF THE AGENDA

1. Authority to Issue and Allot Shares pursuant to Section 132D of the Companies Act, 1965 (Resolution 5)

The proposed Resolution 5 under item 5 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the 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 Thirteenth Annual General Meeting held on 20 June 2014. 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.

Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Thirteenth Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING
(continued)

2. Authority to Continue in Office as Independent Non-Executive Directors of the Company Pursuant to the Malaysian Code On Corporate Governance 2012 (Resolutions 6 and 7)

(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 Fourteenth Annual General Meeting. However, he has met the independence criteria as set out in Chapter 1 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("AMLR"). The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on Page 14 of this Annual Report.

(b) Mr. Loi Kim Fah

Mr. Loi Kim Fah was appointed as an Independent Non-Executive Director of the Company on 3 February 2005 and has therefore served for more than nine (9) years as at the forthcoming Fourteenth 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 14 of this Annual Report.

3. Proposed Shareholders' Mandate for Share Buy-Back (Resolution 8)

The Resolution 8 proposed under item 8 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 Malaysia Securities Berhad. For further information on the Proposed Shareholders' Mandate for Share Buy-Back, please refer to the Circular to Shareholders dated 27 April 2015 enclosed together with the Company's 2014 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 13 May 2015.Only a depositor whose name appears on the Record of Depositors as at 13 May 2015 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

STATEMENT ACCOMPANYING NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election in Agenda 3.1 (Lim Beng Fook) and Agenda 3.2 (Goh Chong Chuang) of the Notice of the Fourteenth Annual General Meeting are laid out in the Directors' Profile appearing on pages 5 to 6 of this Annual Report.

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K-One

innovate

K-One Technology Berhad

(539757-K) Incorporated in Malaysia)

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 __________

____

(FULL NAME)

of ____

(FULL ADDRESS)

or failing whom, ____

(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 Fourteenth Annual General Meeting of the Company to be held at Greens II Functions Room, Main Wing at Level 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 20 May 2015 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
Resolution 1	Approval of the payment of Directors' fees of RM84,000 for the financial year ended 31 December 2014.		
	Re-election of the following Directors who are retiring in accordance with Article 104 of the Company's Articles of Association:-		
Resolution 2	Ir. Lim Beng Fook		
Resolution 3	Mr. Goh Chong Chuang		
Resolution 4	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 5	Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965.		
Resolution 6	Authority for Mr. Goh Chong Chuang to continue to act as Independent Non-Executive Director.		
Resolution 7	Authority for Mr. Loi Kim Fah to continue to act as Independent Non-Executive Director.		
Resolution 8	Proposed 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_______________ 2015.

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, 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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K-One Technology Berhad (539757-K)
Unit 07-02, Level 7, Persoft Tower
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1st fold here

K-One

innovate

K-One Technology Berhad (539757-K)
66 & 68, Jalan SS22/21, Damansara Jaya, 47400 Petaling Jaya, Selangor, Malaysia.
Tel: +603 7728 1111 Fax: +603 7728 6212 Website: www.k-one.com