K-One
innovate

BOUNDLESS POTENTIAL

K-One Technology Bhd. (539757-K)

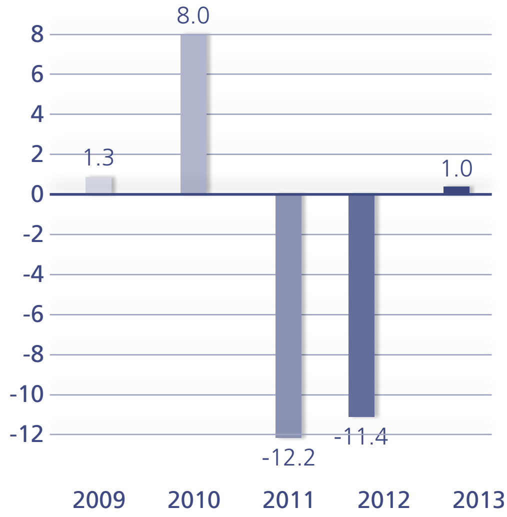
Annual Report 2013

CONTENTS

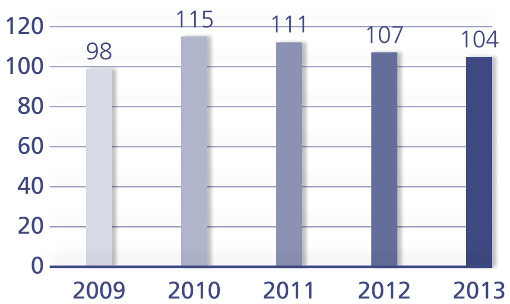
PAST **FINANCIAL** INFORMATION **SUMMARY**

SALES (RM Million)

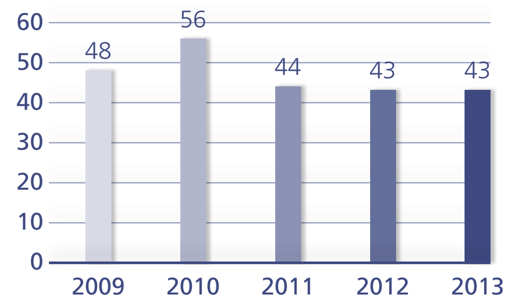
PROFIT (RM Million)



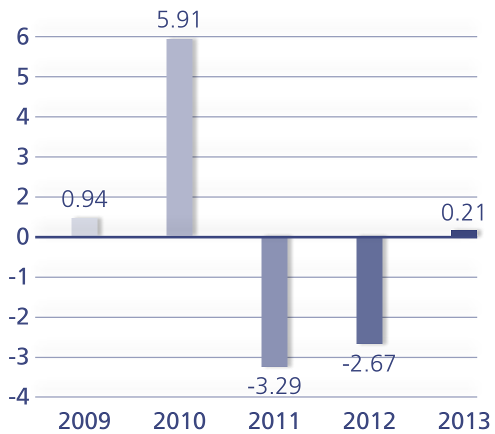
TOTAL ASSETS (RM Million)



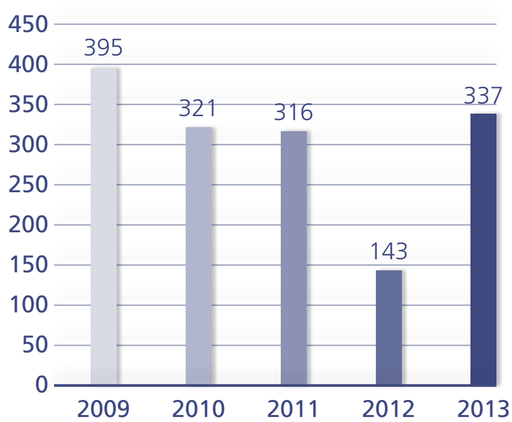
SHAREHOLDER EQUITY (RM Million)



EARNINGS PER SHARE (DILUTED) Sen



HUMAN RESOURCES (No. Of Employees)



CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Ir. Edwin Lim Beng Fook
(Group Executive Chairman)

Dato' Martin Lim Soon Seng
(Group 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 Hasnan THL Wong & Partners
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 e-Learning 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) Corporation

100%
K-One Electronics Sdn Bhd
(formerly known as Syslink Sdn Bhd)

The above are K-One Technology Berhad's group of companies herein referred to as the "K-One Group" or the "Group".

DIRECTORS' **PROFILE**

IR. EDWIN LIM BENG FOOK
Group Executive Chairman
Malaysian, Age 56

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 Group 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
Group Chief Executive Officer
Malaysian, Age 51

Dato' Martin Lim Soon Seng was appointed as the Group 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**
(continued)

BJØRN BRÅTEN
Non-Independent Non-Executive Director
Norwegian, Age 56

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 61

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 14 years 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 47

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.

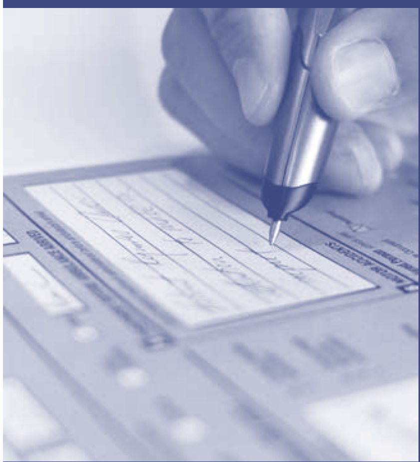
He has been in public practice since 1991 with initial engagements with international accounting firms prior to starting his own practice in 1996. Over the years, he has been involved in the audit of companies in various industries which include securities, banking, finance, construction, aquaculture 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.

He is also currently an Independent Non-Executive Director of Yong Tai Berhad.

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.

GROUP **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 2013.



BUSINESS PERFORMANCE FOR 2013

The Group registered sales of RM171.3 million in 2013 against sales of RM160.8 million in 2012. The increase of 7% was commendable under the circumstances of an uncertain global economy in the first half of 2013, albeit, a better second half.

On the profitability front, the Group turned around by registering a profit attributable to equity holders of the parent company of RM1 million for 2013 against a loss of RM11.4 million in 2012. The turnaround was achieved by the taking of strong measures to reduce materials costs and overheads, expenses control, productivity improvement, launching of new products, signing up of new customers, divestment from loss making businesses (wire-harness) and the rebalancing of customer/ product mix.

PROSPECTIVE BUSINESS OUTLOOK

Over the last few years, the Group had painstakingly implemented numerous measures as indicated above to grow its business and improve its bottom line. It has put itself in conducive conditions to move forward positively. Therefore, the Group expects to experience significant growth in profit and sales in 2014.

Sales is anticipated to be driven by both existing customers and contributions from new customers. We expect to commence 2014 with a significant portion of our product lines being new which therefore command better margins. On the other hand, the Group's costs, productivity, finances, human resources and capabilities had been recalibrated over the last few years to be extremely competitive.

With the US and European economies showing consistent signs of recovery, we are poised to take advantage of the prevailing global economy uplift. We expect the strength of the US dollar to persist in 2014 which will work to the Group's favour as more than 90% of our sales are derived from overseas and denominated in the US dollar.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my deepest appreciation to all our customers, business associates, financiers and shareholders for their continued support and confidence in the Group. I also wish to express my sincere appreciation to the management and staff for their dedication and contribution in 2013.

Ir. Edwin Lim Beng Fook
Group Executive Chairman

GROUP **CEO'S** OPERATIONS **REVIEW**

I WOULD LIKE TO TAKE THIS OPPORTUNITY TO REPORT THE KEY ASPECTS AND PERFORMANCE OF OUR OPERATIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013.

SALES & FINANCIALS

The Group registered sales of RM171.3 million in 2013 against the same of RM160.8 million in 2012, representing an increase of approximately 7%. The sales increase was commendable as it was achieved notwithstanding the divestment of the loss making wire-harness business at the beginning of 2013. In other words, the growth of the core business of design/development and manufacturing of electronics end products more than off-set the reduction in business caused by the voluntary termination of the loss making wire-harness business.

It is encouraging that the Group turned around by registering a profit attributable to owners of the parent company amounting to RM1 million in 2013 as compared to a loss of RM11.4 million in 2012. The turnaround was achieved by having taken strong measures to reduce materials costs, minimize overheads, expenses control, productivity improvement, launching of new products, signing up of new customers, divestment from loss making businesses (wire-harness, etc) and re-balancing of the customer/product mix.

The insurance claim relating to the fire mishap which happened in 2012 had been concluded with reimbursement in 2013.

DESIGN & DEVELOPMENT

The Group secured a few new products from both the existing and new customers for design and/or development. These new products were categorically from the mobile phone accessories, electronic sports headlamps, network cameras and consumer electronic products' sectors. Most of these new products went into mass production towards the end of 2013, with some overflowing to 2014.

MANUFACTURING

Upon divestment of the wire-harness business at the beginning of 2013, the Group closed down its Sg. Petani factory which was specifically catered for this (household appliances segment) business. This decision to voluntarily terminate the preceding loss making business enabled the Group to save on overheads and future losses caused by the wire-harness business .

Following the completion of the study to upgrade the MRP/ERP system, the management and the related staff spent much time to learn and trial run the enhanced ERP system (EPICOR 9) throughout the year (2013). Effective 1 January 2014, the enhanced ERP system (EPICOR 9) was implemented. It is expected to elevate productivity, improve efficiency and provide timely reporting for actions by the management and the associated staff.

HUMAN RESOURCES

Hiring freeze except for business development staff was maintained to keep labor costs trim. Staff were sent for training to promote teamwork and effective leadership and management skills.

The implementation of the minimum wage in January 2013 was a major challenge. The Group mitigated it by further outsourcing the balance of its non-core manufacturing activities which were still profitable whilst reviewing the manufacturing processes of its core manufacturing business with the goal of simplifying the processes, thus reducing manpower engagement.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Various CSR programs were put in place with details being illustrated in our Corporate Social Responsibility (CSR) chapter.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our appreciation to the management, staff, valued customers, vendors, business partners and shareholders for their trust, support and working together with us in turning around the Group in 2013.

Dato' Martin Lim Soon Seng
Group CEO

CORPORATE **SOCIAL** RESPONSIBILITY **(CSR)**

CSR or sometimes termed as Sustainable Responsible Business refers to the continuing commitment by businesses to operate ethically in an economically, socially and environmentally sustainable manner whilst balancing the interests of different shareholders. In this respect, the K-One Group continues to forge ahead with its commitment on CSR programs – both on a long term basis as well as one-offs.

The Group has once again refreshed its participation in the UN Global Compact, a United Nations initiative. We remain committed to the 10 principles of the UN Global Compact relating to human rights, labour standards, the environment and anti-corruption.

The second, is our commitment to the multinational customers' code of conduct with regards to Policies of Environmental and Social Responsibilities. As a major supplier to a number of multinationals around the world, the Group adheres strictly by this code of conduct.

Standing firm in our commitment to enrich the lives of communities in which we operate, and in line with the above, the Group managed to focus in a few staff development and charity initiatives that have taken place throughout the year.

CARING FOR OUR STAFF

We understand that effective leadership is a key contributing factor to a high performance organization. Staff holding key positions are expected to lead and manage in order to drive the Group to greater heights. In April 2013, the Group organised a two day training program on Effective Leadership for a High Performance Organization for its Heads of Divisions, Managers and Directors. The training was conducted by an external consultant who himself has held many leadership roles throughout his career.

During the training session that included workshop and role play, participants learnt about the different traits of leadership quality such as the importance of EQ and leadership by example. Charisma, an ability to inspire others was put into a practical session of role play where selected participants were asked to give a 2-3 minutes speech to their "sub-ordinates" on how to inspire them to work towards the Group's objectives and vision. The Group views both aspects of effective leadership and high performance seriously, particularly among staff at the senior management level. Through effective leadership of its key staff, the Group is one step closer to achieve the status of a high performance organisation.

CORPORATE **SOCIAL** RESPONSIBILITY **(CSR)**
(continued)

A leader can only be effective if there is teamwork. To encourage and build teamwork, in 2013, the Group took its executives for a formal session conducted by external consultants for a two day retreat at the Felda Residence located at Trolak, Perak. The staff went through various simulation exercises and role plays, both indoor and outdoor with the objectives of building trust, understanding and working as a team under challenging and uncertain circumstances. It was an exercise worth going through as at the end of the day, there was improved bonding amongst the staff.

CARING FOR THE COMMUNITY

In January 2014, the Group hosted a joint charity and staff function to usher in the New Year and the impending Chinese New Year which fell on 31 January 2014. The event was held at the Ipoh factory's compound.

About 60 residents from three welfare homes; the Salvation Army Perak Home for the Aged, the Salvation Army Boys' Home and the Salvation Army Children's Home were invited to the event. The function was also attended by all the Group's staff, including those from the factory floor and the Petaling Jaya Headquarters. Invited guests such as the neighbourhood police also joined in the celebration. The attendees were treated to a sumptuous buffet spread of local delicacies and live entertainment by professional entertainers. The evening was made memorable with the lion dance troop performing acrobatic stunts to the delight of the crowd.

On a different note, recognising the prevalence of crimes and in support of the government's efforts to reduce crimes, the Group participated in the recent Community Policing Program's activities organized by the neighbourhood (Taman Rishah, Ipoh) police station. The Community Policing Program was launched by the Royal Malaysian Police in 2008 with the aim of fostering co-operation between the police and the community in identifying community problems and the promotion of public safety. The philosophy behind the Community Policing Program stresses that crime prevention is a responsibility to be borne by both the community and the police, rather than just the police.

In the recent Community Policing Program, K-One's staff joined in the program together with the neighbourhood community. In the three hour event, the police took the initiative to coax the community to come together with the police to share responsibilities pertaining to public safety.

Last but not least, in line with the Group's policy to provide livelihood assistance to the disabled, we continued to hire and train the less fortunate. The Group has since day one been practising this aspect of CSR as a way of helping the needy community.

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

Board Meetings

The attendance of the Board meetings by the Directors during the financial year ended 31 December 2013 is as follows:

		ATTENDANCE BY DIRECTORS	
DATE OF MEETING	TOTAL DIRECTORS	EXECUTIVE	NON-EXECUTIVE
26 February 2013	5	2 (100%)	3 (100%)
29 May 2013	5	2 (100%)	3 (100%)
5 August 2013	5	2 (100%)	3 (100%)
8 November 2013	5	2 (100%)	3 (100%)

Details of attendance by individual Directors:

NAME OF 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 22 to 25 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.

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 13th 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	ORGANISER	TOPIC
13 December 2013	*Bursa Malaysia*	Enchanced Understanding of Risk Management and Internal Control

Loi Kim Fah

DATE	ORGANISER	TOPIC
24-25 June 2013	*Lembaga Hasil Dalam Negeri*	National Tax Conference 2013
28 August 2013	Malaysia Institute of Certified Public Accountants	Quality Control in Practice
14 November 2013	*Lembaga Hasil Dalam Negeri*	*Seminar Percukaian Kebangsaan 2013*

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 or all directorships to be filled by the shareholders or the Board;

(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 Group 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

STATEMENT **ON** CORPORATE **GOVERNANCE**
(continued)

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.

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 2013, 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	-	58,000
Salaries & Bonuses	940,800*	-
Benefit-in-kind	28,000	-
Total	**968,800**	58,000

** includes contributions paid to 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	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 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 ninth 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 20 and 21 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 2013, the cost incurred in respect of the internal audit review performed by in- house Internal Auditors was RM 111,823.

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 22 to 25 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 Group Chief Executive Officer and the Associate Group Finance Director that the Group's risk and management and internal control system is operating adequately and effectively in all material aspects based on the risk management and internal control system of the Group.

The Board is of the view that the risk management and internal control system in place for the year under review is 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 organisational structure with well defined lines of reporting, responsibilities and level of authority to ensure quick response to changes in an ever changing and challenging business environment and to ensure effective supervision of day to day operations.

REGULAR PERFORMANCE REPORTING

- Periodic up-to-date and comprehensive 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 reviews comprise both financial and non-financial key business indicators and variances between budget and operating results.
- Monthly management meetings are chaired by the Group 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.

INTERNAL 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 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 2013, 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.

The Audit Committee on their own, met with the External Auditors twice in 2013.

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. It meets monthly to determine all levels of risks and taking the necessary action to address them as appropriate and on a timely basis so as to minimize their adverse impact.

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. However, the Audit Committee should meet with External Auditors without the presence of any executive Board member at least twice a year.

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.

SUMMARY OF ACTIVITIES

There were four (4) Audit Committee meetings held during the financial year ended 31 December 2013. 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 no convertible securities exercised.

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 31 of the Notes to the Financial Statements on page 90 of this Annual Report.

FINANCIAL STATEMENTS

DIRECTORS' **REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

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 the subsidiary companies are described in Note19 of the Notes to the Financial Statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(loss) before taxation	1,146,337	(1,008,570)
Taxation	(133,181)	-
Net profit/(loss) for the year	1,013,156	(1,008,570)
Attributable to:		
Owners of the parent	1,013,156	(1,008,570)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend any dividend for the year ended 31 December 2013.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND/OR DEBENTURES

No shares and/or debentures were issued during the financial year.

WARRANTS AND EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The details of K-One Technology Berhad's Warrants and Employee Share Option Scheme ("ESOS") are as disclosed in Note 29 of the Notes to the Financial Statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of warrants and option holders, other than the Directors, who have been granted warrants and options to subscribe for the shares of the Company.

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

INFORMATION ON THE FINANCIAL STATEMENTS

Before the Statements of Comprehensive Income and Statements of Financial Position of the Group and the Company were made out, the Directors took reasonable steps :-

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts has been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their value as shown in the accounting records of the Group and the Company have 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:-

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability 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 substantially affect the ability of the Group and the Company to meet its obligations as and when they fall due.

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

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

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

The Directors state that :-

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

In their opinion:-

(a) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) 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 the Company for the financial year in which this report is made.

DIRECTORS' **REPORT**
(continued)

DIRECTORS

The Directors who have held office during the year since the date of the last report are as follows:-

Lim Beng Fook
Lim Soon Seng
Bjørn Bråten
Goh Chong Chuang
Loi Kim Fah

In accordance with Article 104 of the Company's Articles of Association, Lim Soon Seng and Bjørn Bråten, shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

According to the Register of Directors' Shareholdings, particulars of interests of Directors in office at the end of the financial year in shares, warrants and options over shares in the Company and its related corporations are as follows:-

			No. of Ordinary Shares of RM 0.10 each			
Interest in the Company		**At 01.01.13**	**Bought**	**Bonus Issue**	**Sold**	**At 31.12.13**
Lim Beng Fook	- direct	71,955,990	-	-	-	71,955,990
Lim Soon Seng	- direct	54,958,460	-	-	-	54,958,460
Bjørn Bråten	- direct	46,034,955	-	-	-	46,034,955
Goh Chong Chuang	- direct	528,220	-	-	-	528,220
Loi Kim Fah	- direct	89,100	-	-	-	89,100

By virtue of the interest in the Company, Lim Beng Fook and Lim Soon Seng are also deemed to have interest in the shares of all subsidiary companies to the extent the Company has an interest as follows:-

	At 01.01.13	**Bought**	**Ceased**	**At 31.12.13**
EMB Technology Sdn. Bhd.	500,000	-	-	500,000
Big'Ant (M) Sdn. Bhd.	220,000	-	-	220,000
K-One Electronics Sdn. Bhd.	3,400,000	-	-	3,400,000
K-One Resources Sdn. Bhd.	100,000	-	-	100,000
K-One eLearning Sdn. Bhd. (formerly known as K-One Systems Sdn. Bhd.)	10,000	-	-	10,000
K-One Technology (Korea) Corporation	10,000	-	-	10,000
K-One International Limited	2	-	-	2
Big'Ant (Aus) Pty. Ltd.	1,000	-	(1,000)	-
K-One Industry Sdn. Bhd.	3,000,000	-	-	3,000,000
K-One Manufacturing Sdn. Bhd.	500,000	2,500,000	-	3,000,000

DIRECTORS (continued)

The following are the unexercised options and warrants as at 31 December 2013 granted to the Directors to subscribe for the ordinary shares of RM 0.10 each of the Company pursuant to the Company's Employee Share Option Scheme and constituted under the Deed Poll respectively.

		No. of Options over Ordinary Shares of RM 0.10 each				
	Exercise price RM	At 01.01.13	Exercised	Bonus Issue	Granted	At 31.12.13
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 sholding office at the end of the financial year were granted any Options.

	No. of Warrant B (2012/2015) over Ordinary Shares of RM 0.10 each				
	At 01.01.13	Bought	Bonus Issue	Sold/Expired	At 31.12.13
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	-	-	-	132,055
Loi Kim Fah	22,275	-	-	-	22,275

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the share options and warrants granted pursuant to the Company's Employee Share Option Scheme and constituted under the Deed Poll respectively.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in the Notes to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has substantial financial interest other than the benefit arising from the options and warrants over shares in the Company granted to the Directors under the Employee Share Option Scheme and constituted under the Deed Poll respectively.

DIRECTORS' **REPORT**
(continued)

AUDITORS

Messrs Hasnan THL Wong & Partners, the retiring Auditors, have expressed their intention not to seek for re-appointment in the forthcoming Annual General Meeting.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2014.

______________________	)	
LIM BENG FOOK	)	
	)	
	)	
	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
	)	
	)	
______________________	)	
LIM SOON SENG	)	

Petaling Jaya

STATEMENT **BY** DIRECTORS

We, **LIM BENG FOOK** and **LIM SOON SENG**, being two of the Directors of K-ONE TECHNOLOGY BERHAD, do hereby state, in the opinion of the Directors, the accompanying financial statements set out on pages 36 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRSs"), 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 the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 37 of the Notes to the Financial Statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors

LIM BENG FOOK **LIM SOON SENG**

Petaling Jaya
23 April 2014

STATUTORY **DECLARATION**

I, **LEONG CHOI LING**, I/C No. 740507-08-5546, the Officer primarily responsible for the accompanying financial management of **K-ONE TECHNOLOGY BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 36 to 97 are in my opinion 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 by the abovenamed **LEONG CHOI LING**,)
I/C No. 740507-08-5546,)
at Petaling Jaya)
)
on 23 April 2014)

LEONG CHOI LING

Before me:

Ng Say Hung (No. B 185)
Commissioner for Oaths

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 of the Group and the Company as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 97.

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 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 control as the Directors determine is 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 control 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 control. 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 the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with 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 Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 19 of the Notes to the Financial Statements.

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

d) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 37 of the Notes to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information 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 Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

HASNAN THL WONG & PARTNERS
(NO. AF 0942)
CHARTERED ACCOUNTANTS

HASNAN BIN ABDULLAH
CHARTERED ACCOUNTANT
(NO: 1666/12/14 (J))

Petaling Jaya
23 April 2014

CONSOLIDATED **STATEMENT** OF **FINANCIAL** POSITION
as at 31 December 2013

	Note	2013 RM	2012 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	17,210,492	15,303,310
Intangible assets	6	916,995	750,537
Goodwill on consolidation	7	5,545,761	5,545,761
		23,673,248	21,599,608
CURRENT ASSETS			
Inventories	8	20,806,198	38,749,448
Trade receivables	9	45,572,791	32,169,385
Other receivables	10	961,882	4,178,764
Tax in credit		300,205	315,988
Cash and bank balances	11	13,102,936	8,471,094
Asset classified as held for sale	12	-	1,562,956
		80,744,012	85,447,635
TOTAL ASSETS		104,417,260	107,047,243
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade payables		40,526,616	36,243,800
Other payables	13	448,671	1,081,819
Amount due to a Director	14	2,354	2,354
Bank overdraft	11	4,040,874	4,391,342
Borrowings	15	14,732,343	21,189,964
Tax payable		4,144	444
		59,755,002	62,909,723
NON-CURRENT LIABILITIES			
Borrowings	15	1,074,550	1,676,600
Deferred tax liability	16	130,700	-
		1,205,250	1,676,600
TOTAL LIABILITIES		60,960,252	64,586,323
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	17	37,454,820	37,454,820
Reserves	18	6,002,188	5,006,100
		43,457,008	42,460,920
Non-controlling interest		-	-
TOTAL EQUITY		43,457,008	42,460,920
TOTAL EQUITY AND LIABILITIES		104,417,260	107,047,243

The above Consolidated Statement of Financial Position are to be read inconjunction with the notes to the Financial Statements set out on pages 43 to 97.

STATEMENT **OF** FINANCIAL **POSITION**

as at 31 December 2013

	Note	2013 RM	2012 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	4,169,886	4,394,864
Intangible assets	6	696,474	717,393
Investment in subsidiary companies	19	9,224,845	9,224,845
		14,091,205	14,337,102
CURRENT ASSETS			
Inventories	8	332,169	334,762
Trade receivables	9	641,245	618,551
Other receivables	10	293,315	3,495,958
Amount due from subsidiary companies	20	48,634,890	39,234,884
Tax in credit		10,664	26,664
Cash and bank balances	11	1,425,783	3,625,329
		51,338,066	47,336,148
TOTAL ASSETS		65,429,271	61,673,250
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade payables		271,070	77,542
Other payables	13	74,418	259,268
Amount due to a Director	14	2,351	2,351
Amount due to subsidiary companies	20	24,198,480	19,442,567
		24,546,319	19,781,728
TOTAL LIABILITIES		24,546,319	19,781,728
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	17	37,454,820	37,454,820
Reserves	18	3,428,132	4,436,702
TOTAL EQUITY		40,882,952	41,891,522
TOTAL EQUITY AND LIABILITIES		65,429,271	61,673,250

The above Statement of Financial Position are to be read inconjunction with the notes to the Financial Statements set out on pages 43 to 97.

CONSOLIDATED **STATEMENT** OF **COMPREHENSIVE** INCOME

for the financial year ended 31 December 2013

	Note	2013 RM	2012 RM
Revenue	21	171,251,150	160,843,715
Less: Cost of sales		(162,791,969)	(146,145,552)
Gross profit		8,459,181	14,698,163
Add: Other income		4,375,510	363,193
		12,834,691	15,061,356
Less: Sales and distribution costs		(1,087,727)	(1,225,885)
Administrative expenses		(6,028,712)	(10,531,144)
Other operating expenses		(3,187,510)	(12,892,963)
Finance costs	22	(1,384,405)	(1,820,862)
Profit/(loss) before taxation	23	1,146,337	(11,409,498)
Taxation	24	(133,181)	(20,841)
Profit/(loss) for the year		1,013,156	(11,430,339)
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation		(17,068)	(66,753)
Total comprehensive income/(expense) for the year		996,088	(11,497,092)
Profit/(loss) attributable to:			
Owners of the parent		1,013,156	(11,430,339)
Non-controlling interest		-	-
		1,013,156	(11,430,339)
Total comprehensive income/(expense) attributable to:			
Owners of the parent		996,088	(11,497,092)
Non-controlling interest		-	-
		996,088	(11,497,092)
Earning/(loss) per share attributable to owners of the parent:-			
- basic (sen)	25	0.27	(3.14)
- diluted (sen)	25	0.21	(2.67)

The above Consolidated Statement of Comprehensive Income are to be read inconjunction with the notes to the Financial Statements set out on pages 43 to 97.

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2013

	Note	2013 RM	2012 RM
Revenue	21	3,800,946	4,248,996
Less: Cost of sales		(2,930,863)	(3,864,600)
Gross profit		870,083	384,396
Add: Other income		48,232	33,900
		918,315	418,296
Less: Sales and distribution costs		(89,778)	(98,707)
Administrative expenses		(1,434,953)	(736,757)
Other operating expenses		(402,154)	(3,009,458)
Loss before taxation	23	(1,008,570)	(3,426,626)
Taxation	24	-	-
Total comprehensive expense for the year		(1,008,570)	(3,426,626)
Loss attributable to:			
Owners of the parent		(1,008,570)	(3,426,626)
Non-controlling interest		-	-
		(1,008,570)	(3,426,626)

The above Statement of Comprehensive Income are to be read inconjunction with the notes to the Financial Statements set out on pages 43 to 97.

STATEMENTS **OF** CHANGES **IN** EQUITY

for the financial year ended 31 December 2013

Group	Note	SHARE CAPITAL	SHARE PREMIUM	WARRANT RESERVE	FOREIGN EXCHANGE RESERVE	UNAPPROPRIATED PROFITS	TOTAL EQUITY
		ATTRIBUTABLE TO OWNERS OF THE PARENT					
		NON-DISTRIBUTABLE				DISTRIBUTABLE	
		RM	RM	RM	RM	RM	RM
Balance as at 01.01.12		34,185,900	-	-	(36,382)	12,943,762	47,093,280
Private placement	26	3,268,920	3,595,812	-	-	-	6,864,732
Addition during the year		-	-	1,404,556	-	(1,404,556)	-
Total comprehensive expense for the year		-	-	-	(66,753)	(11,430,339)	(11,497,092)
Balance as at 31.12.12		37,454,820	3,595,812	1,404,556	(103,135)	108,867	42,460,920
Total comprehensive (expense)/income for the year		-	-	-	(17,068)	1,013,156	996,088
Balance as at 31.12.13		37,454,820	3,595,812	1,404,556	(120,203)	1,122,023	43,457,008

Unappropriated profits retained by:-	2013	2012
	RM	RM
Company	(1,572,236)	(563,666)
Subsidiary companies	2,694,259	672,533
	1,122,023	108,867

Company	Note	SHARE CAPITAL	NON-DISTRIBUTABLE SHARE PREMIUM	NON-DISTRIBUTABLE WARRANT RESERVE	DISTRIBUTABLE UNAPPROPRIATED PROFITS	TOTAL EQUITY
		RM	RM	RM	RM	RM
Balance as at 01.01.12		34,185,900	-	-	4,267,516	38,453,416
Private placement	26	3,268,920	3,595,812	-	-	6,864,732
Addition during the year	26	-	-	1,404,556	(1,404,556)	-
Total comprehensive expense for the year		-	-	-	(3,426,626)	(3,426,626)
Balance as at 31.12.12		37,454,820	3,595,812	1,404,556	(563,666)	41,891,522
Total comprehensive expense for the year		-	-	-	(1,008,570)	(1,008,570)
Balance as at 31.12.13		37,454,820	3,595,812	1,404,556	(1,572,236)	40,882,952

The above Statements of Changes in Equity are to be read in conjunction with the notes to the Financial Statements set out on pages 43 to 97.

STATEMENTS **OF** CASH **FLOWS**

for the financial year ended 31 December 2013

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	1,146,337	(11,409,498)	(1,008,570)	(3,426,626)
Adjustments for:-				
Allowance for specific doubtful debts - no longer required	(291,895)	-	-	-
Amortisation of computer software	66,042	70,926	20,919	52,111
Bad debts written off	361,693	8,614	-	-
Depreciation of property, plant and equipment	2,327,255	2,359,698	240,967	278,564
Foreign currency exchange (gain)/loss - unrealised	(293,446)	187,460	(10,167)	(2,175)
Interest expense	1,384,405	1,820,862	-	-
Inventories written off	65,270	-	-	-
Inter-company loans written off	-	-	4,778	-
Property, plant and equipment and inventory written off (due to fire mishap)	-	9,085,002	-	2,458,281
Gain on disposal of asset classified as held for sale	(337,044)	-	-	-
Gain on disposal of property, plant and equipment	(299)	(19,598)	-	-
Interest income	(864)	(11,710)	-	-
Operating profit/(loss) before working capital changes carried forward	4,427,454	2,091,756	(752,073)	(639,845)
Decrease in inventories	17,877,980	3,220,951	2,593	2,538,375
(Increase)/decrease in receivables	(9,348,057)	(9,665,841)	3,184,977	(1,685,602)
Increase in amount due from subsidiary companies	-	-	(9,404,784)	(18,596,512)
Increase/(decrease) in payables	3,068,110	6,398,553	13,817	(28,718)
Decrease in amount due to a Director	-	(2,207,163)	-	-
Increase in amount due to subsidiary companies	-	-	4,755,913	12,670,633
Cash generated from/(absorbed by) operations	16,025,487	(161,744)	(2,199,557)	(5,741,669)
Interest paid	(1,384,405)	(1,820,862)	-	-
Net tax refunded/(paid)	17,318	(81,109)	16,000	5,525
Net cash from/(used in) operating activities	14,658,400	(2,063,715)	(2,183,557)	(5,736,144)

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2013 (continued)

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		864	11,710	-	-
Placement of fixed deposits		-	503,740	-	-
Proceeds from disposal of property, plant and equipment		1,900,300	19,600	-	-
Purchase of intangible assets	27	(232,500)	-	-	-
Purchase of property, plant and equipment	28	(4,233,474)	(2,828,258)	(15,989)	-
Net cash from/(used in) operating activities		(2,564,810)	(2,293,208)	(15,989)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from short term borrowing		(6,224,732)	(3,523,228)	-	-
Net repayment of term loans		(621,622)	(563,136)	-	-
Proceeds from issuance of ordinary shares at a premium	26	-	3,595,812	-	3,595,812
Proceeds from issuance of shares		-	3,268,920	-	3,268,920
Repayment of hire purchase creditors		(213,317)	(252,416)	-	-
Net cash (used in)/from financing activities		(7,059,671)	2,525,952	-	6,864,732
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,033,919	(1,830,971)	(2,199,546)	1,128,588
Effect of foreign exchange rate changes		(51,609)	(10,463)	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		4,079,752	5,921,186	3,625,329	2,496,741
CASH AND CASH EQUIVALENTS CARRIED FORWARD	11	9,062,062	4,079,752	1,425,783	3,625,329

The above Statements of Cash Flows are to be read in conjunction with the notes to the Financial Statements set out on pages 43 to 97.

1. GENERAL 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 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 the subsidiary companies are described in Note 19 of the Notes to the Financial Statements.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 23 April 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised MFRSs which are mandatory for the financial periods beginning on or after 1 January 2013. The impact of these changes are disclosed in Note 2 (b) of the Notes to the Financial Statements.

The financial statements have been prepared on historical cost basis. Certain financial instruments are carried at fair value in accordance to MFRS 139 Financial Instruments: Recognition and Measurement.

The financial statements are presented in Ringgit Malaysia (RM), unless otherwise indicated.

b) Adoption of new and revised MFRSs , Amendments and Issues Committee (IC) Interpretations

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year, except as follows:

Effective for financial periods beginning on or after 1 July 2012

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013

MFRS 3	Business Combinations
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (revised)
MFRS 127	Consolidated and Separate Financial Statements (revised)
MFRS 128	Investments in Associates and Joint Ventures (revised)
Amendments to MFRS 1	First-time Adoption of MFRS - Government Loans
Amendments to MFRS 7	Financial Instruments : Disclosure - Offsetting Financial Asset and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

Annual Improvements to IC Interpretations and MFRSs 2009 - 2011 Cycle

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoption of new and revised MFRSs , Amendments and Issues Committee (IC) Interpretations (continued)

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and of the Company, except for the following:

i) Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 Presentation of Items of Other Comprehensive Income change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net gains or losses on available for sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit obligations).

The adoption of this amendment affects the presentation in the financial statements only and has no financial impact on the Group and the Company's financial statements.

c) Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Amendments to Standards and IC Interpretations have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group and the Company.

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Effective for financial periods beginning on or after 1 July 2014

MFRS 119	Employee Benefits (revised)
Annual Improvements to MFRSs 2010 - 2012 Cycle	
Annual Improvements to MFRSs 2011 - 2013 Cycle	

Effective for a date yet to be confirmed

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
Amendments to MFRS 7	Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

c) Standards issued but not yet effective (continued)

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. MFRS 9 was issued in November 2009 and October 2010. It replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories - those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group and the Company will quantify the effect of adopting this MFRS when the full standard is issued.

d) Subsidiary companies

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiaries are accounted or at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries as at the financial year end. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same financial year as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiary companies are accounted for using the purchase method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves.

The Statements of Comprehensive Income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary company's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the Statements of Financial Position. The accounting policy for goodwill is set out in Note 2 (g) of the Notes to the Financial Statements. Any excess of the Group's share in the net fair value of the acquired subsidiary company's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

f) Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in profit or loss of the Group and within equity in the Consolidated Statements of Financial Position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group and the Company's cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

h) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is calculated on the straight line method to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates of depreciation used are as follows:-

Leasehold land	35years
Office buildings	2%
Air conditioners	15%
Electrical installation	15%
Equipment	15%
Furniture and fittings	15%
Office equipment	15% - 20%
Renovation	15%
Machinery and equipment	20%
Motor vehicles	20%
Testing equipment	20%
Computers	20% - 40%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

i) Intangible assets

The other intangible assets of the Group and the Company consist of computer software. These intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives 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 useful 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.

j) Impairment of non-financial assets

The Group and the Company assess at each financial year end whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

For goodwill, intangible assets and property, plant and equipment that are not yet available for use, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). In assessing value- in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rate basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued 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.

An assessment is made at each financial year end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its revised recoverable amount. That increase cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated at a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

k) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group and the Company determine the classification of their financial assets at initial recognition and the categories include loans and receivables.

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 end of the financial year which are classified as non- current.

A financial asset is derecognised when 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 Statements of Comprehensive Income.

l) Impairment of financial assets

The Group and the Company assess at each financial year end 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.

NOTES **TO** THE **FINANCIAL** STATEMENTS
31 December 2013 (continued)

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

l) Impairment of financial assets (continued)

ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

m) Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on the first-in-first-out method. The cost of inventories comprises actual costs of purchase, incidental costs in bringing the inventories into store and appropriate proportions of manufacturing overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

n) Cash and cash equivalents

Cash comprises of cash at bank and cash on hand including bank overdraft and deposits. Cash equivalents comprise of investments maturing within three months from the date of acquisition and which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value.

o) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets under disposal group are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Statement of Comprehensive Income. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

p) 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. The Group and Company's financial liabilities are classified as other financial liabilities.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables, 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. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of financial year.

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 the Statement of Comprehensive Income.

q) Leases

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments.

All of the Group's leases are classified as operating lease. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

r) Equity instruments

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Warrant reserves

Amount allocated in relation to the issuance of Warrants are credited to a warrant reserve which is non-distributable. Warrant reserve is transferred to the share premium or retained earnings upon the exercise or expiry of the warrants respectively.

t) Revenue recognition

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

Sale of goods

Revenue from sales of goods are recognised upon delivery of significant risk and rewards of ownership of goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest income is recognised on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

u) Foreign currencies

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.

In preparing the financial statements of the individual entities, transactions in foreign currencies are measured in the respective functional currencies at the exchange rates approximating those ruling at the transaction dates. At each financial year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the financial year end are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

u) Foreign currencies (continued)

The results and financial position of a subsidiary company that has a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:-

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate prevailing at the financial year end;

- Income and expenses for each Statement of Comprehensive Income or separate income statement presented are translated at average monthly exchange rates, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are recognised directly in other comprehensive income. On disposal of a subsidiary company with foreign currency as its functional currency, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular subsidiary company is recognised in profit or loss.

The principal closing rates used are as follows:-

	2013 RM	2012 RM
1 US Dollar	3.2755	3.0580
1 Euro	4.5102	4.0349
1 Singapore Dollar	2.5895	2.5032
1 Australian Dollar	-	3.1744
1 Sterling Pound	5.4128	4.9440
1 Hong Kong Dollar	0.4224	0.3945
1000 Korean Won	3.1030	2.7506
1 Swiss Franc	3.6799	3.3419

v) Borrowing costs

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

w) Income taxes

i) Current tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (continued)

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

w) Income taxes (continued)

ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and carry forward of unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and carry forward of unused tax credits can be utilised except where the deferred tax asset arised from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

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

x) Employee benefits

i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund. Such contributions are recognised as an expense in the Statement of Comprehensive Income as incurred.

iii) Employee Share Option Scheme

The Company implemented an Employee Share Option Scheme ("ESOS") which came into effect on 30 December 2005 for a period of five (5) years. The same has been extended for another 5 years to expire in December 2015. The salient features and other terms of the ESOS are disclosed in Note 29 of the Notes to the Financial Statements.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

x) Employee benefits (continued)

iii) Employee Share Option Scheme (continued)

The Company's ESOS allows the Group's employees to acquire shares of the Company. As allowed by the transitional provisions in MFRS 2 "Share-based payment", the Company does not make a charge to the profit or loss in connection with share options granted to directors and employees. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

y) Related parties

Related parties are entities with common directors or shareholders wherein one party has the ability to control or exercise significant influence over the other parties in financial or operating policy decision.

z) Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings in the financial year in which they are declared.

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgment. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

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

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

b) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates.

Possible changes in these estimates could result in revisions to the valuation of inventories.

c) Impairment on loans and receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. The management specifically reviews its loans and receivables financial assets and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013 (continued)

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

d) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value- in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

e) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

No income tax and deferred tax provision are to be recognised in respect of business source income for the companies in the Group which are awarded with Pioneer Status, which grants tax exemption.

f) Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the financial year end is disclosed in Note 7 of the Notes to the Financial Statements.

g) Recognition of deferred tax

Deferred tax assets are recognised for all unutilised tax losses and unused capital allowances to the extent that it is probable that taxable profit will be available to set-off against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

h) Impairment of investment in unquoted corporations

The Group follows the guidance of the applicable MFRS in Malaysia in determining whether there is a decline other than temporary in the fair value of its investment in unquoted corporations. This determination requires significant judgment. In making this judgement, the Group evaluates the quantitative and qualitative factors affecting the market position of the investee including the regulatory support it receives and its longer term business outlook and financial standing. Appropriate considerations are given to the investee's financial gestation period, financial projections, business prospects and the proprietary technology involved.

It is also recognised that investments in new start-up investee companies may result in an initial decline of the fair value of such investments, which is deemed temporary, due to development and operational losses in the initial years. The Board of Directors and the Management of the Company are of the opinion that there is no indication of impairment in the Group's investment in the unquoted corporations at this juncture.

i) Fair value estimates for certain financial assets and liabilities

The Group carries certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's business whilst managing its risks. The Group's and the Company's activities expose it to limited financial risk, principally market risk, credit risk, interest rate risk, foreign currency risk, liquidity and cash flow risk. The Board reviews and agrees policies in respect of the major areas of treasury activities which are as follows:-

a) Market risk

The Group has in place policies to manage its competitive risks from its competitors in providing better and more innovative products and services. The Group regularly takes part in exhibitions, advertise through the media and make face-to-face customer visits to promote its products and services.

b) 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 counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the total carrying amount of these financial assets in the Statement of Financial Position reduced by the effects of any netting arrangements with counter parties.

The Group does not have any major concentration of credit risk related to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instruments.

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.

Exposure to credit risk

At the end of the financial year, the Company's maximum exposure to credit risk is represented by:

i) The carrying amount of each class of financial assets recognised in the Statement of Financial Position.

Credit risk concentration profile

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

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Malaysia	265,346	337,884	182,260	23,650
Africa	9,977	9,532	-	-
Asia	12,736,762	16,545,882	-	80,300
Europe	31,936,819	15,145,980	458,985	514,601
Middle East	-	38,345	-	-
USA	623,887	91,762	-	-
	45,572,791	32,169,385	641,245	618,551

4. FINANCIAL RISK MANAGEMENT POLICIES (continued)

c) 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 is exposed to interest rate risk in respect of its bank overdraft and borrowings which will fluctuate as a result of changes in market interest rates. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The maturity dates and the effective interest rates of the instruments at year end are as follows:-

	2013		2012	
Group	Maturity	Effective interest rates	Maturity	Effective interest rates
Bank borrowings				
- Bank acceptance	81 days	4.62%	80-82 days	3.02%
- Hire purchase creditors	11 months	7.18%	9-23 months	6.92%
- Revolving credit	-	1.25%	-	1.25%
- Term loans	37-43 months	6.60%	14-55 months	6.70%
- Foreign currency trust receipt	90 days	1.68%	90 days	1.68%
- Bank overdraft	-	7.61%	-	7.62%

Sensitivity analysis for interest rate risk

At the end of the 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 RM 198,500 (2012: RM 272,600). The assumed movement in interest rates for interest rate sensitivity analysis is based on the current observable market environment.

d) 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 is exposed to foreign exchange risk on sales and purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

Surpluses of convertible currencies are either retained in foreign currency or sold for Ringgit Malaysia. The Group's foreign currency transactions and balances are substantially denominated in United States Dollar ("USD"), Euro, Singapore Dollar ("SGD"), Australian Dollar ("AUD"), Sterling Pound ("GBP"), Hong Kong Dollar ("HKD"), Korean Won ("KRW") and Swiss Franc ("CHF").

Foreign exchange risk is monitored closely and managed to an acceptable level.

4. FINANCIAL RISK MANAGEMENT POLICIES (continued)

d) Foreign currency risk (continued)

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

Denominated in:	Trade and other receivables	Cash and bank balances	Trade and other payables	Borrowings	Net exposure
Group					
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

Denominated in:	Trade and other receivables	Cash and bank balances	Trade and other payables	Borrowings	Net exaposure
Group					
2012					
USD	30,337,608	7,257,537	(25,788,832)	(4,907,175)	6,899,138
Euro	1,257,158	199,556	(2,729,460)	-	(1,272,746)
SGD	-	-	(75,011)	-	(75,011)
AUD	-	-	(31,973)	-	(31,973)
GBP	511,421	-	(8,084)	-	503,337
HKD	26,245	119,599	(8,305)	-	137,539
KRW	15,524	138,893	(5,274)	-	149,143
CHF	-	-	(109,833)	-	(109,833)
Company					
2013					
USD	458,985	1,284,646	(57,647)	-	1,685,984
2012					
USD	594,901	3,425,057	(21,788)	-	3,998,170

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 USD, Euro, GBP, SGD, AUD, GBP, HKD, KRW and CHF exchange rate against the respective functional currencies of the Group with all other variables held constant.

4. FINANCIAL RISK MANAGEMENT POLICIES (continued)

d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)

		Increase/(decrease) in profit net of tax			
		2013	**2012**	**2013**	**2012**
		RM	**RM**	**RM**	**RM**
USD/MYR	- strengthened by 5%	894,829	344,957	84,299	199,909
	- weakened by 5%	(894,829)	(344,957)	(84,299)	(199,909)
Euro/MYR	- strengthened by 5%	22,177	(63,637)	-	-
	- weakened by 5%	(22,177)	63,637	-	-
SGD/MYR	- strengthened by 5%	-	(3,751)	-	-
	- weakened by 5%	-	3,751	-	-
AUD/MYR	- strengthened by 5%	-	(1,599)	-	-
	- weakened by 5%	-	1,599	-	-
GBP/MYR	- strengthened by 5%	39,683	25,167	-	-
	- weakened by 5%	(39,683)	(25,167)	-	-
HKD/MYR	- strengthened by 5%	5,478	6,877	-	-
	- weakened by 5%	(5,478)	(6,877)	-	-
KRW/MYR	- strengthened by 5%	8,213	7,457	-	-
	- weakened by 5%	(8,213)	(7,457)	-	-
CHF/MYR	- strengthened by 5%	882	(5,492)	-	-
	- weakened by 5%	(882)	5,492	-	-

e) Liquidity and cash flow risk

Liquidity risk is the risk that the Group or the Company will encounter in meeting financial obligations due to shortage of funds.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both the capital markets and financial institutions and prudently balances its portfolio with some short term fundings so as to achieve overall cost effectiveness.

4. **FINANCIAL RISK MANAGEMENT POLICIES (continued)**

e) Liquidity and cash flow risk (continued)

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year	One to five years	Over five years	Total
	RM	RM	RM	RM
Group				
2013				
Trade and other payables	40,975,287	-	-	40,975,287
Amount due to a Director	2,354	-	-	2,354
Loans and borrowings	18,773,217	1,074,550	-	19,847,767
	59,750,858	1,074,550	-	60,825,408
2012				
Trade and other payables	37,325,619	-	-	37,325,619
Amount due to a Director	2,354	-	-	2,354
Loans and borrowings	25,581,306	1,525,168	151,432	27,257,906
	62,909,279	1,525,168	151,432	64,585,879
Company				
2013				
Trade and other payables	345,488	-	-	345,488
Amount due to a Director	2,351	-	-	2,351
Amount due to subsidiary companies	24,198,480	-	-	24,198,480
	24,546,319	-	-	24,546,319
2012				
Trade and other payables	336,810	-	-	336,810
Amount due to a Director	2,351	-	-	2,351
Amount due to subsidiary companies	19,442,567	-	-	19,442,567
	19,781,728	-	-	19,781,728

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Group 2013	At 1.1.13	Exchange differences	Additions	Disposals	Written off	Assets classified as held for sale	At 31.12.13
	COST						
	RM	RM	RM	RM	RM	RM	RM
At cost							
Freehold land	1,433,333	-	-	-	-	-	1,433,333
Leasehold land	1,680,000	-	-	-	-	-	1,680,000
Buildings	4,816,667	-	-	-	-	-	4,816,667
Air conditioners	354,036	-	-	-	-	-	354,036
Electrical installation	424,875	-	188	-	-	-	425,063
Equipment	1,787,059	-	4,478	-	-	-	1,791,537
Furniture and fittings	724,430	514	-	-	-	-	724,944
Office equipment	161,731	-	-	-	-	-	161,731
Renovation	2,168,909	1,043	-	-	-	-	2,169,952
Machinery and equipment	9,131,024	-	2,507,551	-	-	-	11,638,575
Motor vehicles	867,697	-	-	(3,749)	-	-	863,948
Testing equipment	184,677	-	-	-	-	-	184,677
Computers	1,866,004	594	58,102	-	-	-	1,924,700
Construction in progress	759,152	-	1,663,155	-	-	-	2,422,307
	26,359,594	2,151	4,233,474	(3,749)	-	-	30,591,470

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2012	At 1.1.12	Exchange differences	Additions	Disposals	Written off	Assets classified as held for sale	At 31.12.12
	COST						
	RM	RM	RM	RM	RM	RM	RM
At cost							
Freehold land	1,900,000	-	-	-	-	(466,667)	1,433,333
Leasehold land	1,680,000	-	-	-	-	-	1,680,000
Buildings	5,971,343	-	-	-	-	(1,154,676)	4,816,667
Air conditioners	601,189	-	-	-	(89,832)	(157,321)	354,036
Electrical installation	588,862	-	768	-	-	(164,755)	424,875
Equipment	1,831,547	-	14,982	-	(59,470)	-	1,787,059
Furniture and fittings	779,001	29	-	-	(54,600)	-	724,430
Office equipment	163,859	-	-	-	(2,128)	-	161,731
Renovation	2,579,406	(513)	433	-	(410,417)	-	2,168,909
Machinery and equipment	6,753,398	-	2,469,370	-	(91,744)	-	9,131,024
Motor vehicles	961,989	-	-	(94,292)	-	-	867,697
Testing equipment	184,677	-	-	-	-	-	184,677
Computers	1,840,749	(286)	25,541	-	-	-	1,866,004
Construction in progress	453,477	-	317,164	-	(11,489)	-	759,152
	26,289,497	(770)	2,828,258	(94,292)	(719,680)	(1,943,419)	26,359,594
						(Note 12)	

5. **PROPERTY, PLANT AND EQUIPMENT (continued)**

	ACCUMULATED DEPRECIATION						
Group 2013	**At 1.1.13**	**Exchange differences**	**Depreciation charge for the year**	**Disposals**	**Written off**	**Assets classified as held for sale**	**At 31.12.13**
	RM	RM	RM	RM	RM	RM	RM
At cost							
Freehold land	-	-	-	-	-	-	-
Leasehold land	96,000	-	48,000	-	-	-	144,000
Buildings	226,096	-	107,184	-	-	-	333,280
Air conditioners	264,255	-	49,892	-	-	-	314,147
Electrical installation	284,392	-	63,756	-	-	-	348,148
Equipment	1,097,590	-	252,510	-	-	-	1,350,100
Furniture and fittings	609,323	-	60,377	-	-	-	669,700
Office equipment	136,644	-	10,086	-	-	-	146,730
Renovation	1,745,425	702	171,655	-	-	-	1,917,782
Machinery and equipment	3,998,545	-	1,325,468	-	-	-	5,324,013
Motor vehicles	738,587	-	129,105	(3,748)	-	-	863,944
Testing equipment	150,933	-	12,030	-	-	-	162,963
Computers	1,708,494	485	97,192	-	-	-	1,806,171
Construction in progress	-	-	-	-	-	-	-
	11,056,284	1,187	2,327,255	(3,748)	-	-	13,380,978

5. PROPERTY, PLANT AND EQUIPMENT (continued)

ACCUMULATED DEPRECIATION

Group 2012	At 1.1.12	Exchange differences	Depreciation charge for the year	Disposals	Written off	Assets classified as held for sale	At 31.12.12
	RM	RM	RM	RM	RM	RM	RM
At cost							
Freehold land	-	-	-	-	-	-	-
Leasehold land	48,000	-	48,000	-	-	-	96,000
Buildings	201,588	-	136,142	-	-	(111,634)	226,096
Air conditioners	412,107	-	68,468	-	(77,481)	(138,839)	264,255
Electrical installation	336,764	-	77,618	-	-	(129,990)	284,392
Equipment	887,421	-	260,098	-	(49,929)	-	1,097,590
Furniture and fittings	588,227	-	68,092	-	(46,996)	-	609,323
Office equipment	123,866	-	13,381	-	(603)	-	136,644
Renovation	1,728,863	(245)	350,760	-	(333,953)	-	1,745,425
Machinery and equipment	3,050,326	-	1,038,660	-	(90,441)	-	3,998,545
Motor vehicles	688,688	-	144,189	(94,290)	-	-	738,587
Testing equipment	136,470	-	14,463	-	-	-	150,933
Computers	1,568,822	(155)	139,827	-	-	-	1,708,494
Construction in progress	-	-	-	-	-	-	-
	9,771,142	(400)	2,359,698	(94,290)	(599,403)	(380,463)	11,056,284
						(Note 12)	

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013 (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	AMOUNT NET CARRYING	
	At 2013	At 2012
	RM	RM
Freehold land	1,433,333	1,433,333
Leasehold land	1,536,000	1,584,000
Buildings	4,483,387	4,590,571
Air conditioners	39,889	89,781
Electrical installation	76,915	140,483
Equipment	441,437	689,469
Furniture and fittings	55,244	115,107
Office equipment	15,001	25,087
Renovation	252,170	423,484
Machinery and equipment	6,314,562	5,132,479
Motor vehicles	4	129,110
Testing equipment	21,714	33,744
Computers	118,529	157,510
Construction in progress	2,422,307	759,152
	17,210,492	15,303,310

5. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Company 2013	At 1.1.13/1.1.12	Additions	Disposals	At 31.12.13/31.12.12
	COST			
	RM	RM	RM	RM
Freehold land	1,433,333	-	-	1,433,333
Office buildings	2,866,667	-	-	2,866,667
Air conditioners	23,413	-	-	23,413
Furniture and fittings	52,571	-	-	52,571
Office equipment	64,912	-	-	64,912
Renovation	1,278,918	-	-	1,278,918
Machineries	34,676	-	-	34,676
Motor vehicles	143,000	-	-	143,000
Testing equipment	166,077	-	-	166,077
Computers	691,176	15,989	-	707,165
	6,754,743	15,989	-	6,770,732
2012				
Freehold land	1,433,333	-	-	1,433,333
Office buildings	2,866,667	-	-	2,866,667
Air conditioners	23,413	-	-	23,413
Furniture and fittings	52,571	-	-	52,571
Office equipment	64,912	-	-	64,912
Renovation	1,278,918	-	-	1,278,918
Machineries	34,676	-	-	34,676
Motor vehicles	143,000	-	-	143,000
Testing equipment	166,077	-	-	166,077
Computers	691,176	-	-	691,176
	6,754,743	-	-	6,754,743

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013 (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	ACCUMULATED DEPRECIATION			
Company 2013	**At 1.1.13/1.1.12**	**Depreciation charge for the year**	**Disposals**	**At 31.12.13/31.12.12**
	RM	RM	RM	RM
Freehold land	-	-	-	-
Office buildings	114,666	57,333	-	171,999
Air conditioners	22,063	300	-	22,363
Furniture and fittings	50,735	1,782	-	52,517
Office equipment	54,266	5,671	-	59,937
Renovation	1,114,820	153,470	-	1,268,290
Machineries	34,674	-	-	34,674
Motor vehicles	142,999	-	-	142,999
Testing equipment	145,182	9,240	-	154,422
Computers	680,474	13,171	-	693,645
	2,359,879	240,967	-	2,600,846
2012				
Freehold land	-	-	-	-
Office buildings	57,333	57,333	-	114,666
Air conditioners	21,763	300	-	22,063
Furniture and fittings	48,358	2,377	-	50,735
Office equipment	47,498	6,768	-	54,266
Renovation	943,718	171,102	-	1,114,820
Machineries	32,946	1,728	-	34,674
Motor vehicles	142,999	-	-	142,999
Testing equipment	133,509	11,673	-	145,182
Computers	653,191	27,283	-	680,474
	2,081,315	278,564	-	2,359,879

5. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Company	NET CARRYING AMOUNT At 2013 RM	At 2012 RM
Freehold land	1,433,333	1,433,333
Office buildings	2,694,668	2,752,001
Air conditioners	1,050	1,350
Furniture and fittings	54	1,836
Office equipment	4,975	10,646
Renovation	10,628	164,098
Machineries	2	2
Motor vehicles	1	1
Testing equipment	11,655	20,895
Computers	13,520	10,702
	4,169,886	4,394,864

Details of assets under hire purchase financing:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Motor vehicles				
- cost	-	697,948	-	-
- net carrying amount at year end	-	127,957	-	-
Machinery and equipment				
- cost	635,662	635,662	-	-
- net carrying amount at year end	103,135	230,267	-	-

The freehold land and office buildings of the Company are charged to a financial institution for various credit facilities granted to the Group. (Note 11 and Note 15)

The net carrying amount of assets pledged as security for bank borrowings are as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Freehold land	1,433,333	1,433,333	1,433,333	1,433,333
Leasehold land	1,536,000	1,584,000	-	-
Office buildings	4,483,387	4,590,571	2,694,668	2,752,001
	7,452,720	7,607,904	4,128,001	4,185,334

6. INTANGIBLE ASSETS

Computer software	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cost				
At beginning of the year	1,369,968	1,369,968	1,213,737	1,213,737
Addition during the year	232,500	-	-	-
At end of the year	1,602,468	1,369,968	1,213,737	1,213,737
Accumulated amortisation				
At beginning of the year	619,431	548,505	496,344	444,233
Addition during the year	66,042	70,926	20,919	52,111
At end of the year	685,473	619,431	517,263	496,344
Net carrying amount	916,995	750,537	696,474	717,393

The computer software is amortised over its useful life of 5 years.

7. GOODWILL ON CONSOLIDATION

	Group 2013 RM	Group 2012 RM
At cost:-		
Goodwill on acquisition of subsidiaries:		
At beginning/end of the year	5,545,761	5,545,761

a) Goodwill is stated at cost and reviewed for impairment annually.

Good will from the acquisition of subsidiary companies have been allocated to the Group's cash-generating unit ("CGU") according to the principal activities as follows:-

	2013 RM	2012 RM
Sales of digital pens and paper	22,543	22,543
Development and manufacturing of wire harness and electronic related accessories	5,523,218	5,523,218
	5,545,761	5,545,761

During the financial year, the Group assessed the recoverable amount of the goodwill and determined that the goodwill is not impaired.

7. **GOODWILL ON CONSOLIDATION (continued)**

b) Key assumptions used in value-in-use calculations:

The Group undertakes an annual test for impairment of its cash-generating unit ("CGU"). The recoverable amount of CGU is determined based on the value-in-use calculations derived from after-tax cash flow projections which were based on financial budgets approved by the management covering a five year period. The Company prepares cash flow forecasts derived from the most recent financial budget and extrapolates it into the next five years. These computations were derived from the assumptions that the CGU will have a significant increase in business and profitability. The business growth is expected to derive from the penetration of new markets, expansion of customer base and increased competencies in manufacturing capabilities. The discount rate used was 7%, average gross margin was 24% and revenue growth rate that are consistent within the industry.

c) Sensitivity to changes in assumptions

The management believes that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

8. **INVENTORIES**

Inventories comprise of the following:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
At cost				
Digital pens	-	65,270	-	-
Electronic components and accessories	20,474,029	38,349,416	-	-
	20,474,029	38,414,686	-	-
At net realisable value				
GPS	332,169	334,762	332,169	334,762
	20,806,198	38,749,448	332,169	334,762

NOTES **TO** THE **FINANCIAL** STATEMENTS
31 December 2013 (continued)

9. TRADE RECEIVABLES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Trade receivables	45,572,791	32,461,280	641,245	618,551
Less: Allowance for impairment	-	(291,895)	-	-
	45,572,791	32,169,385	641,245	618,551

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2012: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

Aging analysis of trade receivables

The aging analysis of the Group's trade receivables is as follows:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Neither past due nor impaired	42,736,697	28,524,439	510,176	547,938
Past due but not impaired:-				
1 to 30 days	1,478,949	2,975,135	85,169	337
31 to 60 days	69,523	83,398	1,550	2,330
61 to 90 days	348,930	105,161	42,800	-
91 to 120 days	-	255,994	-	1,279
More than 121 days	938,692	225,258	1,550	66,667
	45,572,791	32,169,385	641,245	618,551
Impaired	-	291,895	-	-
	45,572,791	32,461,280	641,245	618,551

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 94% (2012: 88%) of the Group's trade receivables arise from customers with a few years of experience with the Group and losses have rarely occurred.

Trade receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM 2,836,094 (2012: RM 3,644,946) and RM 131,069 (2012: RM 70,613) respectively that are past due at the end of the financial year but not impaired.

The trade receivables that are past due but not impaired are unsecured in nature. The management is confident that the amounts are recoverable as these accounts are still active.

9. TRADE RECEIVABLES (continued)

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the financial year and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2013	2012
	RM	RM
Allowance for impairment		
At 1 January	(291,895)	(291,895)
No longer required for the year (Note 23)	291,895	-
At 1 December	-	(291,895)

Trade receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

10. OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Analysed to:-				
Non-trade receivables	1,047,904	4,517,848	819,774	4,220,885
Deposits	75,420	127,330	16,280	28,538
Prepayments	635,332	330,360	254,035	43,309
	1,758,656	4,975,538	1,090,089	4,292,732
Less: Allowance for impairment	(796,774)	(796,774)	(796,774)	(796,774)
	961,882	4,178,764	293,315	3,495,958

Non-trade receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES **TO** THE **FINANCIAL** STATEMENTS
31 December 2013 (continued)

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statements of Cash Flows comprise the following amounts:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Cash and bank balances	13,102,936	8,471,094	1,425,783	3,625,329
Bank overdraft - secured	(4,040,874)	(4,391,342)	-	-
	9,062,062	4,079,752	1,425,783	3,625,329

Group
The bank overdraft is secured by way of:-

a) first legal charge over the Group's freehold land, leasehold land and buildings;
b) a corporate guarantee by K-One Technology Berhad; and

The weighted average effective interest rates are as disclosed in Note 4 of the Notes to the Financial Statements.

12. ASSET CLASSIFIED AS HELD FOR SALE

In the previous financial year, the net carrying amount of assets i.e. property, plant and equipment (Note 5) classified as held for sale are as follows:-

	2012
	RM
Group	
Net carrying amount:-	
Freehold land	466,667
Buildings	1,043,042
Air-conditioners	18,482
Electrical installation	34,765
	1,562,956

The above property, plant and equipment were owned by one of the subsidiary companies of the Company - K-One Electronics Sdn. Bhd. The freehold land and buildings were held under H.S.(D) 86648 (P.T. 19534), H.S.(D) 86645 (P.T. 19533) and H.S.(D) 85862 (P.T. 19521) Bandar Sungai Petani, Daerah Kuala Muda, Kedah, bearing postal address Lot A108, A109 & A110, Jalan 2A-2, Kawasan Perindustrian MIEL, Sungai Lalang, 08000, Sungai Petani, Kedah Darul Aman. The air-conditioners and electrical installation were sold together with the freehold land and buildings.

12. ASSET CLASSIFIED AS HELD FOR SALE (continued)

In the previous financial year, the above property, plant and equipment were classified and presented in the Consolidated Statements of Financial Position as "Assets Classified As Held For Sale". The disposal was completed during the current financial year with a total consideration of RM 1,900,000.

13. OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Analysed to:				
Non-trade payables	143,475	695,199	28,458	191,613
Accruals	296,336	386,620	37,100	58,795
Deposit received	8,860	-	8,860	8,860
	448,671	1,081,819	74,418	259,268

14. AMOUNT DUE TO A DIRECTOR

Group and Company
The amount due to a Director bears no interest, unsecured and no scheme of repayment has been arranged. The amount due is to be settled in cash.

15. BORROWINGS

	Group	
	2013	2012
	RM	RM
Current Secured		
Banker acceptance	8,717,739	14,501,054
Hire purchase creditors	111,298	213,317
Revolving credit	940,000	1,000,000
Term loans	437,548	568,418
Foreign currency trust receipts	4,525,758	4,907,175
	14,732,343	21,189,964
Non-Current Secured		
Hire purchase creditors	-	111,298
Term loans	1,074,550	1,565,302
	1,074,550	1,676,600
	15,806,893	22,866,564

15. BORROWINGS (continued)

The short term borrowings (banker acceptance, export credit refinancing, letter of credit, revolving credit, and foreign currency trust receipts) of RM 14,183,497 (2012: RM 20,408,229) are secured by way of:-

a) first legal charge over the Group's freehold land, leasehold land and buildings; and
b) a corporate guarantee by K-One Technology Berhad; and

The term loans amounting to RM 1,512,098 (2012: RM 2,133,720) is secured by way of:-

a) first legal charge over the Group's freehold land, leasehold land and buildings; and
b) a corporate guarantee by K-One Technology Berhad.

The weighted average effective interest rates as disclosed in Note 4 of the Notes to the Financial Statement.

	Group	
	2013	2012
	RM	RM
Repayment terms		
Bank borrowings		
(excluding hire purchase)		
- not later than 1 year	14,621,045	20,976,647
- later than 1 year but not later than 2 years	467,317	452,786
- later than 2 years but not later than 5 years	607,233	961,084
- later than 5 years	-	151,432
	15,695,595	22,541,949
Hire purchase creditors		
Minimum instalment payments :-		
- not later than 1 year	125,730	226,704
- later than 1 year but not later than 5 years	-	114,749
	125,730	341,453
Future finance charges on hire purchase creditors	(14,432)	(16,838)
Present value of hire purchase creditors	111,298	324,615
	111,298	213,317
Present value of hire purchase creditors	-	111,298
- not later than 1 year		
- later than 1 year but not later than 5 years	111,298	324,615

16. DEFERRED TAX LIABILITY/(ASSET)

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
At beginning of the year	-	-	-	-
Recognised in Statement of Comprehensive Income (Note 24)				
- current year relating to temporary differences	40,200	-	-	-
- current year relating to unrealised foreign currency exchange gain	90,500	-	-	-
	130,700	-	-	-
At end of the year	130,700	-	-	-

As at the end of the financial year, the amount of deferred tax (asset)/liability in respect of the Group and the Company that has not been recognised in the Statement of Financial Position is as follows:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Tax effect of the excess of property, plant and equipment's net carrying amount over its tax written down value	388,900	948,900	162,100	173,400
Tax effect of unrealised foreign currency exchange loss	(5,300)	(47,400)	-	-
Tax effect of unutilised capital allowances	(525,900)	(543,900)	(81,700)	(61,000)
Tax effect of unutilised re-investment allowances	(58,100)	(41,000)	-	-
Tax effect of unabsorbed tax losses	(5,381,200)	(6,036,400)	(963,000)	(838,100)
Deferred tax asset	(5,581,600)	(5,719,800)	(882,600)	(725,700)

Deferred tax asset has not been recognised in respect of the above items as it is not probable that sufficient taxable profits will be available against which the items can be utilised.

17. SHARE CAPITAL

Group and Company	Number of ordinary shares of RM0.10 each 2013	2012	Group and Company 2013	2012
Authorised:-				
At beginning/end of the year	1,500,000,000	1,500,000,000	150,000,000	150,000,000
Issued and fully paid:-				
At beginning of the year	374,548,200	341,859,000	37,454,820	34,185,900
Issued during the year:-				
Private placement	-	32,689,200	-	3,268,920
At end of the year	374,548,200	374,548,200	37,454,820	37,454,820

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

18. RESERVES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-distributable:-				
Share premium	3,595,812	-	3,595,812	-
At beginning of the year				
Pursuant to Private Placement of 32,689,200 ordinary shares at a premium of RM 0.11 per share	-	3,595,812	-	3,595,812
	3,595,812	3,595,812	3,595,812	3,595,812
Warrant reserve				
Pursuant to Bonus Issue of Warrants of 93,637,050 Warrants at fair value of RM 0.015 per Warrant	1,404,556	1,404,556	1,404,556	1,404,556
Foreign exchange reserve				
Exchange differences of translation of overseas subsidiary companies	(120,203)	(103,135)	-	-
Distributable:-				
Unappropriated profits/ (accumulated losses)	1,122,023	108,867	(1,572,236)	(563,666)
	6,002,188	5,006,100	3,428,132	4,436,702

19. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2013 RM	Company 2012 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

The principal activities of the subsidiary companies are as follows:-

Name	Country of incorporation	Effective interest 2013	Effective interest 2012	Principal activities
EMB Technology Sdn. Bhd.	Malaysia	100%	100%	Investment holding

Name	Country of incorporation	Effective interest 2013	Effective interest 2012	Principal activities
Big'Ant (M) Sdn. Bhd.	Malaysia	100%	100%	End-to-end solution provider of digital pen and paper (DPP) technology
K-One Electronics Sdn. Bhd.	Malaysia	100%	100%	Development and manufacture of wire harness and electronic related accessories
K-One Resources Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of electronic products
K-One eLearning Sdn. Bhd. (formerly known as K-One Systems Sdn. Bhd.)	Malaysia	100%	100%	Dormant
*K-One Technology (Korea) Corporation	Malaysia	100%	100%	Development and manufacturing of electronic products
*K-One International Limited	Malaysia	100%	100%	Procurement, sourcing and outsourcing of electronic products

NOTES **TO** THE **FINANCIAL** STATEMENTS

31 December 2013 (continued)

19. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Subsidiary company of Big'Ant (M) Sdn. Bhd.:-

Name	Country of incorporation	Effective interest 2013	Effective interest 2012	Principal activities
*Big'Ant (Aus) Pty. Ltd.	Australia	-^	100%**	End-to-end solution provider of digital pen and paper (DPP) technology

Subsidiary company of EMB Technology Sdn. Bhd.:-

Name	Country of incorporation	Effective interest 2013	Effective interest 2012	Principal activities
K-One Industry Sdn. Bhd.	Malaysia	100%***	100%***	Design and development of manufacturing process/tools and manufacturing of electronic end-products and sub-systems

Subsidiary company of K-One Industry Sdn. Bhd.:-

Name	Country of incorporation	Effective interest 2013	Effective interest 2012	Principal activities
K-One Manufacturing Sdn. Bhd.	Malaysia	100%****	100%****	Development and manufacturing of electronic products and sub-systems

*   *Subsidiaries not audited by Hasnan THL Wong & Partners.*
**   *Direct interest by Big'Ant (M) Sdn. Bhd.*
*** *Direct interest by EMB Technology Sdn. Bhd.*
**** *Direct interest by K-One Industry Sdn. Bhd.*
^   *Voluntary deregistration on 25 October 2013.*

20. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

Company

Amount due from/(to) subsidiary companies arose mainly from inter-company advances which bear no interest, unsecured, repayable on demand and are to be settled in cash.

21. REVENUE

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Research, design and development of electronic end-products and sub-systems	3,799,995	4,084,314	3,799,995	4,121,754
Manufacturing of electronic end-products and sub-systems	156,946,513	138,059,253	-	-
Sale of consumer electronic products	951	127,242	951	127,242
Sale of digital pens and paper	-	124,886	-	-
Development and manufacturing of wire harness and electronic related accessories	10,503,691	18,448,020	-	-
	171,251,150	160,843,715	3,800,946	4,248,996

22. FINANCE COSTS

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Banker acceptance interest	551,794	692,570	-	-
Bank overdraft interest	234,399	465,538	-	-
Hire purchase interest	13,387	31,020	-	-
Receivable financing interest	350,354	336,797	-	-
Revolving interest	45,875	45,517	-	-
Term loan interest	106,123	155,644	-	-
Trust receipt interest	82,473	93,776	-	-
	1,384,405	1,820,862	-	-

23. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been determined after charging/(crediting) amongst other items the following:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Allowance for specific doubtful debts				
- no longer required	(291,895)	-	-	-
Amortisation of computer software	66,042	70,926	20,919	52,111
Auditors remuneration				
- current year	142,569	139,309	30,000	30,000
- under provision in prior year	(600)	-	-	-
Bad debts written off	361,693	8,614	-	-
Depreciation of				
property, plant and equipment	2,327,255	2,359,698	240,967	278,564
Directors' fees	48,000	48,000	48,000	48,000
Directors' other emoluments	950,800	956,040	715,600	14,000
Foreign currency exchange loss/(gain)				
- realised	(275,794)	333,823	(9,025)	81,484
- unrealised	(293,446)	187,460	(10,167)	(2,175)
Inter-companies' debts written off	-	-	4,778	-
Inventories written off	65,270	-	-	-
Inventories written off				
(due to fire mishap)	-	8,964,725	-	2,458,281
Property, plant and equipment				
written off (due to fire mishap)	-	120,277	-	-
Rental of booth	-	70	-	70
Rental of equipment	6,870	6,916	6,870	6,916
Rental of photocopier machine	1,170	340	-	-
Staff premises rental	30,000	39,580	-	-
Terminal rental	-	600	-	600
Factory/office rental	109,200	182,523	-	49,032
Withholding tax	-	37,734	-	-
Fire insurance claim	3,302,251	-	-	-
Interest income	(864)	(11,710)	-	-
Gain on disposal of property,				
plant and equipment	(337,343)	(19,598)	-	-
Rental income	(29,040)	(29,040)	(29,040)	(29,040)

The estimated monetary value of benefits provided to the Directors of the Group during the financial year are as disclosed in Note 30 of the Notes to the Financial Statements.

24. TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Malaysian taxation:				
Current year tax expenses	1,800	-	-	-
Deferred tax (Note 16)	130,700	-	-	-
	132,500	-	-	-
Under provision in prior years:				
Tax expenses	681	20,841	-	-
	681	20,841	-	-
	133,181	20,841	-	-

Group

There is no current year tax expense for the Hong Kong operations as this operation has no chargeable income.

Income tax of the Malaysian subsidiary companies is calculated at the rate of 25% on the estimated taxable profit. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Company

There is no tax expense for the current financial year as the Company has no chargeable income. In the previous financial year, there is no tax expense as the Company was awarded with Pioneer Status, which grants tax exemption for a period of five years with effect from the financial year 2007.

As at 31 December 2013, the Company has unabsorbed tax losses and unutilised capital allowances of approximately RM 3,852,000 (2012: RM 3,352,400) and RM 326,800 (2012: RM 244,000) respectively, which are subject to the agreement of the Inland Revenue Board.

24. TAXATION (continued)

Company (continued)

The Company has a tax exempt account of approximately RM 7,061,100 (2012: RM 7,061,100) available to frank the payment of tax exempt dividends, which are subject to the agreement of the Inland Revenue Board.

Income tax is calculated at the rate of 25% on the estimated taxable profit. As mentioned in the preceding paragraphs, in the previous financial year, the Company's business income was exempted from tax in accordance to its Pioneer Status. However, non-business income was chargeable to tax and income tax was calculated at the rate of 25% on the estimated taxable profit. A reconciliation of average effective tax rate applicable to loss before taxation to effective statutory tax rate is as follows:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Profit/(loss) before taxation	1,146,337	(11,409,498)	(1,008,570)	(3,426,626)
	%	%	%	%
Average effective tax rate for the year	11.6	(0.2)	-	-
Deferred tax asset not recognised during the year	(67.1)	18.7	15.6	21.7
Effect of different tax rate in foreign subsidiary companies	5.0	0.1	-	-
Utilisation of previously unrecognised deferred tax asset	79.2	(2.5)	-	-
Under provision in prior year	(0)	0.7	-	-
Tax effect of expenses not deductible for tax purpose	(8.8)	6.1	9.4	3.3
Tax effect of income exempted from income tax	5.1	2.1	-	-
Effective statutory tax rate for the year	25.0	25.0	25.0	25.0

25. EARNING/(LOSS) PER SHARE

The basic earning/(loss) per share for the financial year is based on profit attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2013	2012
	RM	RM
Profit/(loss) attributable to owners of the parent	1,013,156	(11,430,339)
Weighted average number of ordinary shares of RM 0.10 each	374,548,200	363,651,800
Basic earning/(loss) per share (sen)	0.27	(3.14)

The diluted earning/(loss) per share for the financial year is based on the profit attributable to the owners of the parent divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the dilutive effects of all potential ordinary shares i.e. share options and warrants granted to employees.

	Group	
	2013	2012
	RM	RM
Profit/(loss) attributable to owners of the parent	1,013,156	(11,430,339)
Weighted average number of ordinary shares in issue	374,548,200	363,651,800
Effects of dilution from share options and warrants	100,726,050	64,667,523
Adjusted weighted average number of ordinary shares in issue and issuable	475,274,250	428,319,323
Diluted earning/(loss) per shares (sen)	0.21	(2.67)

It is assumed that the exercise of share options and warrants which give effect to the dilution does not generate any yield.

26. ISSUANCE OF SHARES

In the previous financial year, the Company increased its issued and paid-up share capital from RM 34,185,900 to RM 37,454,820 by way of issuance of 32,689,200 ordinary shares of RM 0.10 each and at a premium of RM 0.11 each for cash with an exercise price of RM 0.21 per ordinary share.

27. PURCHASE OF INTANGIBLE ASSETS

During the financial year, the Group acquired intangible assets with an aggregate cost of RM 232,500 (2012: RM Nil) respectively by cash consideration.

28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the property, plant and equipment of the Group and Company respectively were acquired by means of the following:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Cash payment	4,233,474	2,828,258	15,989	-
	4,233,474	2,828,258	15,989	-

29. WARRANTS AND EMPLOYEE SHARE OPTION SCHEME

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

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 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.

c) 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.

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

As at 31 December 2013, the total number of warrants that remain unexercised are 93,637,050 (2012: 93,637,050).

29. **WARRANTS AND EMPLOYEE SHARE OPTION SCHEME (continued)**

ii) The Company implemented an Employee 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 Employees' Share Option Scheme ("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 main 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 share 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 Directors and senior management.

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

d) The option exercise price for each ordinary share of RM 0.10 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 RM 0.10, 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 ("Bursa Securities"), the option price shall be the higher of the theoretical ex-bonus price after the public issue and bonus issue of RM 0.10 (2012: RM 0.10) or the par value of the shares.

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.

29. WARRANTS AND EMPLOYEE SHARE OPTION SCHEME (continued)

Movement in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:-

	NUMBER OF SHARE OPTIONS						
	At 1 January	Bonus issue entitlement	Granted	Exercised	Lapsed	At 31 December	Exercisable at 31 December
	RM	RM	RM	RM	RM	RM	RM
2013							
First Grant	7,089,000	-	-	-	-	7,089,000	7,089,000
Total	7,089,000	-	-	-	-	7,089,000	7,089,000
WAEP	0.10	-	-	-	-	0.10	0.10
2012							
First Grant	7,089,000	-	-	-	-	7,089,000	7,089,000
Total	7,089,000	-	-	-	-	7,089,000	7,089,000
WAEP	0.10	-	-	-	-	0.10	0.10

	Exercise Price RM	Exercise Period RM
Share Options		
2013		
First Grant	0.10*	30.12.2005 - 30.12.2015
2012		
First Grant	0.10*	30.12.2005 - 30.12.2015

Fair value of share options granted during the financial year

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

30. DIRECTORS' REMUNERATION

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Directors of the Company				
Executive:-				
Salaries and other emoluments (Note 23 and 33)	940,800	942,040	705,600	-
Benefit-in-kind	28,000	28,000	-	-
	968,800	970,040	705,600	-
Non-Executive:-				
Fees (Note 23)	48,000	48,000	48,000	48,000
Allowances	10,000	14,000	10,000	14,000
	58,000	62,000	58,000	62,000
Total	1,026,800	1,032,040	763,600	62,000

Analysis excluding benefit-in-kind

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Total Executive Directors' remuneration excluding benefit-in-kind (Note 33)	940,800	942,040	-	-
Total Non-Executive Directors' remuneration	58,000	62,000	58,000	62,000
	998,800	1,004,040	58,000	62,000

30. DIRECTORS' REMUNERATION (continued)

The number of Directors of the Group whose total remuneration during the financial year falling within the following bands are as follows:-

	Number of Directors	
	2013	2012
Executive Directors :-		
Below RM 50,000	-	-
RM 50,001 - RM 100,000	-	-
RM 100,001 - RM 150,000	-	-
RM 150,001 - RM 200,000	-	-
RM 200,001 - RM 250,000	-	-
RM 250,001 - RM 300,000	-	-
RM 300,001 - RM 350,000	-	-
RM 350,001 - RM 400,000	-	-
RM 400,001 - RM 450,000	-	2
RM 450,001 - RM 500,000	2	-
RM 500,001 - RM 550,000	-	-
	2	2
Non-Executive Directors		
Below RM 50,000	2	2

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Rental of factory paid to Directors	60,000	60,000	-	-
Sales to subsidiary companies	-	-	-	37,440

32. SEGMENT INFORMATION

a) The Group's business activities can be categorised under the following business segments:-

i) Research, design and development and sale of electronic end-products and sub-systems for the communication, computer and consumer electronics industries;

ii) Design and development of manufacturing process/tools and manufacturing of electronic end-products and sub-systems;

iii) Development and manufacturing of wire harness and electronic related accessories;

iv) End-to-end solution provider of digital pen and paper (DPP) technology; and

v) Investment holding.

32. SEGMENT INFORMATION (continued)

Group 2013	Research, design and development and sales	Manufacturing	DPP technology	Investment holding	Elimination	Total
	RM	RM	RM	RM	RM	RM
Revenue						
- External	3,800,946	167,450,204	-	-	-	171,251,150
- Internal	-	3,037,719	-	-	(3,037,719)	-
	3,800,946	170,487,923	-	-	(3,037,719)	171,251,150
Result						
Segment results	(1,008,570)	3,460,069	(118,226)	197,469	-	2,530,742
Finance costs						(1,384,405)
Income tax						(133,181)
Profit for the year						1,013,156
Other information						
Segment assets	7,558,872	96,088,831	174,432	294,920	-	104,117,055
Unallocated corporate assets						300,205
Consolidated total assets						104,417,260
Segment liabilities	345,488	40,602,559	6,899	20,341	-	40,975,287
Unallocated corporate liability						19,984,965
Consolidated total liabilities						60,960,252
Amortisation of computer software	20,919	44,343	780	-	-	66,042
Bad debts written off	-	361,693	-	-	-	361,693
Capital expenditure	15,989	4,217,485	-	-	-	4,233,474
Depreciation of property, plant and equipment	240,967	2,075,688	6,539	4,061	-	2,327,255
Inventories written off	-	-	65,270	-	-	65,270
Allowance for specific doubtful debts - no longer required	(291,895)	-	-	-	-	(291,895)
Gain on disposal of property, plant and equipment	-	(337,343)	-	-	-	(337,343)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013 (continued)

32. SEGMENT INFORMATION (continued)

Group 2012	Research, design and development and sales	Manufacturing	DPP technology	Investment holding	Elimination	Total
	RM	RM	RM	RM	RM	RM
Revenue						
- External	4,211,556	156,507,273	124,886	-	-	160,843,715
- Internal	37,440	1,602,645	-	-	(1,640,085)	-
	4,248,996	158,109,918	124,886	-	(1,640,085)	160,843,715
Result						
Segment results	(3,426,626)	(5,842,103)	(237,579)	(82,328)	-	(9,588,636)
Finance costs						(1,820,862)
Income tax						(20,841)
Loss for the year						(11,430,339)
Other information						
Segment assets	13,186,857	92,919,326	310,343	314,729	-	106,731,255
Unallocated corporate assets						315,988
Consolidated total assets						107,047,243
Segment liabilities	336,810	36,918,684	44,193	25,932	-	37,325,619
Unallocated corporate liability						27,260,704
Consolidated total liabilities						64,586,323
Amortisation of computer software	52,111	14,196	4,619	-	-	70,926
Bad debts written off	-	8,614	-	-	-	8,614
Capital expenditure	-	2,828,258	-	-	-	2,828,258
Depreciation of property, plant and equipment	278,564	2,066,427	10,762	3,945	-	2,359,698
Inventories written off	-	8,877,272	87,453	-	-	8,964,725
Allowance for specific doubtful debts - no longer required	-	120,277	-	-	-	120,277
Gain on disposal of property, plant and equipment	-	(19,598)	-	-	-	(19,598)

32. SEGMENT INFORMATION (continued)

b) Business contribution by geography

The Group's business is derived mainly from four geographical areas. About 99% (2012: 95%) 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 contribution		Segment assets		Capital expenditure	
	2013	2012	2013	2012	2013	2012
	RM	RM	RM	RM	RM	RM
Malaysia	2,280,573	7,414,042	59,119,792	75,263,619	4,233,474	2,828,258
Europe	105,791,279	85,408,310	31,936,819	15,145,980	-	-
USA	3,358,775	1,341,921	623,887	91,762	-	-
Australia	9,134	22,415	-	-	-	-
Asia	59,716,042	66,164,624	12,736,762	16,545,882	-	-
Africa	26,012	37,625	-	-	-	-
Middle East	69,335	454,778	-	-	-	-
	171,251,150	160,843,715	104,417,260	107,047,243	4,233,474	2,828,258

c) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are peculiar within the particular business segment.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

d) Information about major customers

The Group has 3 (2012: 3) major international customers contributing approximately RM 147,236,000 (2012: RM 123,262,000) of total sales revenue.

33. EMPLOYEES INFORMATION

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Directors' other emoluments (Note 30)	950,800	956,040	715,600	14,000
EPF	580,314	860,424	235,050	124,390
Salaries and bonus	4,463,157	7,237,638	1,802,044	1,004,617
SOCSO	46,607	77,211	15,812	8,078
Other personnel costs	199,949	311,911	31,837	21,811
	6,240,827	9,443,224	2,800,343	1,172,896

The total number of employees of the Company, including the Directors, as at the end of the financial year was 32 (2012: 15).

The total number of employees of the Group, including the Directors, as at the end of the financial year was 337 (2012: 143).

34. CONTINGENT LIABILITIES

	Company	
	2013	2012
	RM	RM
Secured		
Corporate guarantee for credit facilities granted to subsidiary companies:-		
- K-One Industry Sdn. Bhd.	35,756,000	35,106,000
- K-One Manufacturing Sdn. Bhd.	11,000,000	25,000,000
- K-One Electronics Sdn. Bhd.	3,200,000	21,660,000
	49,956,000	81,766,000

35. FINANCIAL INSTRUMENTS

The Group's and the Company's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses are recognised. The following table analyses the financial assets and liabilities of the Group and the Company in the statements of financial position by the class of financial instrument to which they are assigned and therefore by the measurement basis.

35. FINANCIAL INSTRUMENTS (continued)

Group	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM
2013			
Financial assets			
Trade and other receivables	45,899,341	-	45,899,341
Cash and bank balances	13,102,936	-	13,102,936
	59,002,277	-	59,002,277
Financial liabilities			
Trade and other payables	-	40,975,287	40,975,287
Amount due to a Director	-	2,354	2,354
Bank overdraft	-	4,040,874	4,040,874
Borrowings	-	15,806,893	15,806,893
	-	60,825,408	60,825,408
2012			
Financial assets			
Trade and other receivables	36,017,789	-	36,017,789
Cash and bank balances	8,471,094	-	8,471,094
	44,488,883	-	44,488,883
Financial liabilities			
Trade and other payables	-	37,325,619	37,325,619
Amount due to a Director	-	2,354	2,354
Bank overdraft	-	4,391,342	4,391,342
Borrowings	-	22,866,564	22,866,564
	-	64,585,879	64,585,879

Company			
2013			
Financial assets			
Trade and other receivables	680,525	-	680,525
Amount due from subsidiary companies	48,634,890	-	48,634,890
Cash and bank balances	1,425,783	-	1,425,783
	50,741,198	-	50,741,198
Financial liabilities			
Trade and other payables	-	345,488	345,488
Amount due to a Director	-	2,351	2,351
Amount due to subsidiary companies	-	24,198,480	24,198,480
	-	24,546,319	24,546,319

35. FINANCIAL INSTRUMENTS (continued)

Company	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM
2012			
Financial assets			
Trade and other receivables	4,071,200	-	4,071,200
Amount due from subsidiary companies	39,234,884	-	39,234,884
Cash and bank balances	3,625,329	-	3,625,329
	46,931,413	-	46,931,413
Financial liabilities			
Trade and other payables	-	336,810	336,810
Amount due to a Director	-	2,351	2,351
Amount due to subsidiary companies	-	19,442,567	19,442,567
	-	19,781,728	19,781,728

36. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating 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 years ended 31 December 2013 and 2012 respectively.

The Group and the Company monitor capital by reviewing 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.

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Loans and borrowings	19,847,767	27,257,906	-	-
Trade and other payables	40,975,287	37,325,619	345,488	336,810
Amount due to a Director	2,354	2,354	2,351	2,351
Amount due to subsidiary companies	-	-	24,198,480	19,442,567
Less: Cash and bank balances	(13,102,936)	(8,471,094)	(1,425,783)	(3,625,329)
Net debt	47,722,472	56,114,785	23,120,536	16,156,399
Equity attributable to the owners of the parent, representing total equity	43,457,008	42,460,920	40,882,952	41,891,522
Capital management ratio	109.8%	132.2%	56.6%	38.6%

37. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad 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 Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Total retained (losses)/profits of the Company and its subsidiaries				
- Realised	(4,717,184)	(5,249,434)	(1,562,069)	(561,491)
- Unrealised	293,446	(187,460)	(10,167)	(2,175)
	(4,423,738)	(5,436,894)	(1,572,236)	(563,666)
Add: Consolidation adjustments	5,545,761	5,545,761	-	-
Retained profits/(losses) as per financial statements	1,122,023	108,867	(1,572,236)	(563,666)

LIST **OF** PROPERTIES
as at 31 December 2013

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 31/12/2013 (RM '000)
66, Jalan SS22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	24	6,000	04.07.2006	2,064
68, Jalan SS22/21 Damansara Jaya 47400 Petaling Jaya Selangor	4-Storey shoplot: Office	Freehold	24	6,000	04.07.2006	2,064
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 year 2045	24	45,000	09.08.2007	3,324

ANALYSIS **OF** SHAREHOLDINGS
as at 2 May 2014

Authorised Share Capital	:	RM150,000,000
Issued and Fully Paid-Up Share Capital	:	RM37,454,820
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 MAY 2014

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
Less than 100	18	0.73	677	0
100 to 1,000	73	2.95	34,720	0.01
1,001 to 10,000	678	27.39	4,685,266	1.25
10,001 to 100,000	1,344	54.30	51,764,491	13.82
100,001 to less than 5% of issued shares	359	14.51	146,816,441	39.20
5% and above of issued shares	3	0.12	171,246,605	45.72
Total	**2,475**	**100**	**374,548,200**	**100**

DIRECTORS' SHAREHOLDINGS AS AT 2 MAY 2014
(As per the Register of Directors' Shareholdings of the Company)

	DIRECTOR		INDIRECT	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Lim Beng Fook	71,955,990	19.21	-	-
Lim Soon Seng	54,958,460	14.67	-	-
Bjørn Bråten	46,034,955	12.29	-	-
Loi Kim Fah	89,100	0.02	-	-
Goh Chong Chuang	528,220	0.14	-	-

EMPLOYEES' SHARE OPTION SCHEME ALLOCATED TO DIRECTORS AS AT 2 MAY 2014

NAME	AS AT 1 JANUARY 2013	GRANTED	EXERCISED	BALANCE
Lim Beng Fook	2,088,000	-	-	2,088,000
Lim Soon Seng	2,047,500	-	-	2,047,500

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 2 MAY 2014
(As per the Register of Substantial Shareholders of the Company)

	DIRECT		INDIRECT	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Lim Beng Fook	71,955,990	19.21	-	-
Lim Soon Seng	54,958,460	14.67	-	-
Bjørn Bråten	46,034,955	12.29	-	-

ANALYSIS OF SHAREHOLDINGS

as at 2 May 2014 (continued)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 2 MAY 2014

NO.	NAMES	NO. OF SHARES OF RM0.10 EACH	% OF ISSUED CAPITAL
1.	Lim Beng Fook	71,955,990	19.21
2.	Lim Soon Seng	53,255,660	14.22
3.	Bjørn Bråten	46,034,955	12.29
4.	Lim Moi Moi	6,438,000	1.72
5.	Chang Yong Kong	5,981,000	1.60
6.	Lars Peter Vennstrom	4,800,000	1.28
7.	RHB Capital Nominees (Tempatan) Sdn Bhd Baskaran A/L Govinda Nair	4,001,000	1.07
8.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Poon Soi Tai	3,125,431	0.83
9.	Lum Choy	2,700,000	0.72
10.	Lam Lai Sheung	2,655,180	0.71
11.	Cheong Kong Huat	2,316,800	0.62
12.	Wong Shih Chieh	2,169,000	0.58
13.	AMSEC Nominees (Tempatan) Sdn Bhd Wong Say Fun	2,084,000	0.56
14.	Chee Kok Yean	1,960,900	0.52
15.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Parlisamy A/L Muthusamy	1,758,300	0.47
16.	Lim Soon Seng	1,702,800	0.45
17.	Law King Yong	1,580,400	0.42
18.	Lam Khuan Ying	1,580,000	0.42
19.	Cheong Jong Haur	1,567,000	0.42
20.	Baskaran A/L Govinda Nair	1,530,200	0.41
21.	Ooi Sing Hwat	1,450,000	0.39
22.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	1,255,000	0.34
23.	Chee Moi Ing	1,189,000	0.32
24.	Woo Kok Loon	1,180,000	0.32
25.	Lee Chee Ming	1,050,000	0.28
26.	Chong Yoke Keong	1,026,300	0.27
27.	Hans Bertil Martin Eriksson	1,008,420	0.27
28.	Lam Weng	1,000,165	0.27
29.	Tan Soon Huang	1,000,000	0.27
30.	Chew Boon Swee	952,300	0.25
	TOTAL	**230,307,801**	**61.49**

ANALYSIS **OF** WARRANT **HOLDINGS**

as at 2 May 2014

No. of Warrants in Issue	:	93,637,050
No. of Warrant Holders	:	1,730
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 warrant holders

ANALYSIS BY SIZE OF WARRANT HOLDINGS AS AT 2 MAY 2014

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
Less than 100	183	10.58	7,981	0.01
100 to 1,000	165	9.54	100,948	0.11
1,001 to 10,000	820	47.40	3,530,859	3.77
10,001 to 100,000	464	26.82	16,932,287	18.08
100,001 to less than 5% of issued shares	95	5.49	30,253,323	32.31
5% and above of issued shares	3	0.17	42,811,652	45.72
Total	**1,730**	**100**	**93,637,050**	**100**

DIRECTORS' WARRANT HOLDINGS AS AT 2 MAY 2014

(As per the Register of Directors' Warrant Holdings of the Company)

	DIRECT		INDIRECT	
NAME	NO. OF WARRANTS	%	NO. OF WARRANTS	%
Lim Beng Fook	17,988,998	19.21	-	-
Lim Soon Seng	13,739,615	14.67	-	-
Bjørn Bråten	11,508,739	12.29	-	-
Goh Chong Chuang	132,055	0.14	-	-
Loi Kim Fah	22,275	0.02	-	-

ANALYSIS **OF** WARRANT **HOLDINGS**

as at 30 April 2014 (continued)

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS AS AT 2 MAY 2014

NO.	NAMES	NO. OF WARRANTS	% OF ISSUED WARRANTS
1.	Lim Beng Fook	17,988,998	19.21
2.	Lim Soon Seng	13,313,915	14.22
3.	Bjørn Bråten	11,508,739	12.29
4.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Siak Wing	2,591,600	2.77
5.	Tam Kong Faht	1,384,150	1.48
6.	Kwan Bang Hing	1,000,000	1.07
7.	Wong Mei Lan	1,000,000	1.07
8.	Lars Peter Vennstrom	950,000	1.01
9.	Heng Eng Chang	831,000	0.89
10.	RHB Capital Nominees (Tempatan) Sdn Bhd Baskaran A/L Govinda Nair	750,000	0.80
11.	Meri	702,700	0.75
12.	Ooi Sing Hwat	700,000	0.75
13.	Lum Choy	675,000	0.72
14.	Lam Lai Sheung	663,795	0.71
15.	Cheong Kong Huat	640,075	0.68
16.	Lim Seow Luan	620,000	0.66
17.	Lok Wei Seong	561,000	0.60
18.	Chan Yik Wai	482,750	0.52
19.	Low Yin Wan	471,900	0.50
20.	Lee Boon Siong	454,650	0.49
21.	Chan Yin Khuan	454,500	0.49
22.	Tan Soon Huang	426,250	0.46
23.	Lim Soon Seng	425,700	0.45
24.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soon Hock Teong	400,000	0.43
25.	Soon Hock Teong	399,800	0.43
26.	Chin Chew Meng	390,000	0.42
27.	Baskaran A/L Govinda Nair	367,500	0.39
28.	AMSEC Nominees (Tempatan) Sdn Bhd Wong Say Fun	356,200	0.38
29.	Kong Khop Song	350,000	0.37
30.	Chin See Chin	312,000	0.33
	TOTAL	**61,172,222**	**65.33**

NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at Greens II Function Room, Main Wing at Level 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 20 June 2014 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 2013 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 RM58,000 for the financial year ended 31 December 2013. **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 Bjørn Bråten **Resolution 2**

   3.2 Lim Soon Seng **Resolution 3**

4. To appoint Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 4**

   Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed in the 2013 Annual Report as "Appendix 1" have been received by the Company for the nomination of Messrs Baker Tilly Monteiro Heng for appointment as Auditors in place of the retiring Auditors, Messrs Hasnan THL Wong & Partners and of the intention to propose the following Ordinary Resolution:

   "**THAT** Messrs Baker Tilly Monteiro Heng be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Hasnan THL Wong & Partners and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.

NOTICE **OF** THE **THIRTEENTH** ANNUAL **GENERAL** MEETING
(continued)

SPECIAL BUSINESS

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

5. **Ordinary Resolution 1** **Resolution 5**
   Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

   "**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 allot and issue 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. **Ordinary Resolution 2** **Resolution 6**
   Authority for Mr. Goh Chong Chuang to continue in Office as Independent Non-Executive Director

   "**THAT** 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. **Ordinary Resolution 3** **Resolution 7**
   Authority for Mr. Loi Kim Fah to continue in Office as Independent Non-Executive Director

   "**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."

8. 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 May 2014

NOTICE OF THE THIRTEENTH 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 2013

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 Allot Shares pursuant to Section 132D of the Companies Act, 1965

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 allot and issue 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 allot and issue of shares is a renewal of the mandate that was approved by the Shareholders at the Twelfth Annual General Meeting held on 26 June 2013. 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 Twelfth 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 THIRTEENTH 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. 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 Thirteenth 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 16 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 Thirteenth 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 16 of this 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 June 2014. Only a depositor whose name appears on the Record of Depositors as at 13 June 2014 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

STATEMENT **ACCOMPANYING** NOTICE **OF** THE **THIRTEENTH** ANNUAL **GENERAL** MEETING

Details of Directors who are standing for re-election in Agenda 3.1 (Bjorn Braten) and Agenda 3.2 (Lim Soon Seng) of the Notice of the Thirteenth Annual General Meeting are laid out in the Directors' Profile appearing on pages 5 to 6 of this Annual Report.

APPENDIX 1

NOMINATION FROM A SHAREHOLDER TO APPOINT NEW AUDITORS

Lim Beng Fook
c/o 66 Jalan SS 22/21
Damansara Jaya
47400 Petaling Jaya
Selangor

5 May 2014

The Board of Directors
K-ONE TECHNOLOGY BERHAD
66 & 68 Jalan SS 22/21
Damansara Jaya
47400 Petaling Jaya
Selangor

Dear Sirs

NOTICE OF NOMINATION OF NEW AUDITORS

I, being the substantial registered shareholder of the Company, hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Baker Tilly Monteiro Heng for appointment as Auditors of the Company in place of the retiring Auditors, Messrs Hasnan THL Wong & Partners at the forthcoming 13th Annual General Meeting.

Thank you.

Yours sincerely

....
LIM BENG FOOK

FORM OF PROXY

K-One Technology Berhad
(539757-K) (Incorporated in Malaysia)

*I/*We, ______________________________ (NRIC No./Company No. ______________)
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS IN BLOCK LETTERS)

being a *member/*members of **K-ONE TECHNOLOGY BERHAD** (Company No. 539757-K), hereby appoint ______________

____
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS IN BLOCK LETTERS)

or failing whom, ____
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS IN BLOCK LETTERS)

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 Thirteenth Annual General Meeting of the Company to be held at Greens II Function Room, Main Wing at Level 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 20 June 2014 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 RM58,000 for the financial year ended 31 December 2013.		
	Re-election of the following Directors who are retiring in accordance with Article 104 of the Company's Articles of Association:-		
Resolution 2	Bjørn Bråten		
Resolution 3	Lim Soon Seng		
Resolution 4	To appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
Resolution 5	Authority to 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.		

[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 ________________ 2014

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.*

Fold this flap for sealing

2nd fold here

Affix
Stamp
Here

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

www.k-one.com

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