OTHERS K-One MediTech Sdn Bhd (K-One MediTech) (formerly known as K-One Resources Sdn Bhd) Signs License Agreement With Star Syringe, UK (Star Syringe) To Manufacture Syringe Safety Needle Cap In Malaysia & Distribute Worldwide

K-ONE TECHNOLOGY BERHAD

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Subject	OTHERS
Description	K-One MediTech Sdn Bhd (K-One MediTech) (formerly known as K-One Resources Sdn Bhd) Signs License Agreement With Star Syringe, UK (Star Syringe) To Manufacture Syringe Safety Needle Cap In Malaysia & Distribute Worldwide

1. Introduction

The Board of Directors of K-One Technology Bhd (K-One Tech or K-One Group) wishes to announce that its wholly owned subsidiary, K-One MediTech Sdn Bhd (K-One MediTech) (formerly known as K-One Resources Sdn Bhd) has on 6 October 2020 signed a Licence Agreement with Star Syringe Ltd. (Star Syringe) based in the United Kingdom to manufacture syringe safety needle caps (K4 Products) on an exclusive basis in Malaysia and distribute it worldwide on a non-exclusive basis.

According to the World Health Organization (WHO), it is estimated that about 16 billion injections are administered worldwide for various purposes which includes curative care, immunization, transfusion of blood, intravenous administration of drugs or fluids and injectable contraceptives. To perform injections, the delivery system comprising of needle, syringe and safety needle cap is required and the global market size as illustrated in the preceding is significant. The indicated large market size is expected to be further amplified when the Covid-19 vaccine is commercially launched between this year end and the first half of 2021, as claimed by various reputable vaccine producers throughout the world. When this happens, the number of injections administered worldwide will spike over the next few years as a substantial portion of the world's population of approximately 8 billion gets progressively inoculated with the Covid-19 vaccine. Therefore, it is expected that the demand for syringe, needle and safety needle cap (the last item being the subject K4 Products) will surge in tandem with the pace of inoculation of the global population with the Covid-19 vaccine.

Syringe safety needle caps are necessary to prevent needle-stick injury, particularly on healthcare workers. WHO defines a safe injection to be one that does not harm the recipient, does not harm the healthcare worker and does not harm the community.

2. Information On K-One MediTech & Star Syringe

2.1 K-One MediTech

K-One MediTech is a wholly owned subsidiary of K-One Tech. It was incorporated in 2001. It principal business and focus is in the development and manufacturing of medical and healthcare products which includes medical devices, healthcare consumables, oral care gadgets and hospital equipment.

2.2 Star Syringe

Star Syringe, incorporated in 1996 is a UK based medical technology company. Its principal activity is licensing the medical products which it invents and it does not manufacture the products itself. It is most well known for its trademark K1 auto-disable (AD) syringe where its licensees have produced more than 6 billion units. Its latest is K4 (trademark), a sharps injury protection (SIP) device – syringe safety needle cap (K4 Products). Star Syringe's product focus is on ease of manufacture and being at the bottom of the cost curve.

3. License Agreement (LA)

The salient points of the LA includes:

a) The Licensee is entitled to manufacture the K4 Products in Malaysia on an exclusive basis on condition that volume production of one hundred million (100 m) units per annum has commenced on the Licensee's facility in Malaysia within twenty-four (24) months from the commencement date of 6 October 2020.

b) The Licensee may request for extension relating to the above exclusivity condition but it would be up to the sole discretion of the Licensor to permit any extension. If the exclusivity condition is not satisfied by the due date (or extended as applicable), the Licensee's right and licence to manufacture will be deemed to be non-exclusive and the Licensor may thereafter grant others the right to manufacture in Malaysia.

c) The Licensee is entitled to promote, distribute and sell the K4 Products worldwide.

d) The Licensee will pay royalty of a specific agreed amount for each K4 Products sold, leased or put into use. Payment will be within 30 days subsequent to each calendar quarter sales ending March, June, September and December.

e) The Licensee shall not sub-license the rights of this LA without the prior written consent of the Licensor.

4. Work Scope & Marketing

Leveraging on the K-One Group's innovation and manufacturing competencies in producing medical and healthcare products, it is planning and expects to commence manufacturing of the K4 Products by end 1Q'21, barring unforeseen circumstances. The costs in making the moulds, purchase of dedicated machines and associated setting up expenditure for the manufacture of the K4 Products is estimated to be approximately RM 6 million. The manufacturing will be conducted in its ISO 13485 certified and FDA (Food & Drug Administration, US) and MDA (Medical Device Authority, Malaysia) respectively registered facility.

Being considered a medical device, it will apply for the necessary approval from MDA prior to launching its sale in Malaysia through distributors, syringe producers and direct sales to hospitals as appropriate. More importantly, for overseas sales which holds the majority of the market potential, it will appoint distributors in identified markets with significant potential such as the US, Canada, UK, Germany, France, Australia, Indonesia, India, China and Japan in its initial marketing program. Concurrently, it also intends to work with the major syringe producers in the world for bundling with their syringes. The appointed distributors in the respective target overseas markets and/or the syringe OEMs (Original Equipment Manufacturers) shall seek the approval of the relevant authorities as necessary in their geographical markets or country prior to marketing the K4 Products.

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5. Financial Effects

The LA will have immaterial impact on the issued share capital, net assets and earnings of K-One Tech for the financial year ending 31 December 2020. However, with manufacturing and sales anticipated to commence in 2021, it is expected to contribute positively to the earnings of the K-One Group for the year concerned.

The capital investment in making the moulds, machines purchase and other related capital expenditure will be funded through internally generated funds.

6. Risk Factors

The manufacturing and distribution of the K4 Products will be subjected to the usual business risks. Notwithstanding, K-One Tech has established a successful track record in manufacturing and doing business overseas which will help to mitigate such risks.

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

None of the Directors and/or major shareholders of K-One Tech and/or persons connected with them have any interests, direct or indirect in the LA.

8. Approvals Required

The LA does not require approval from the shareholders of K-One Tech or the relevant authorities.

9. Directors' Statement

The Board is of the opinion that the LA is in the best interest of K-One Tech as the exclusive manufacturing in Malaysia and worldwide distribution on a non-exclusive basis of the K4 Products is to fulfil demand in the existing global market potential of syringe safety needle caps which is significant. Furthermore, the impending commercial launch of the Covid-19 vaccine between this year end and the first half of 2021 is anticipated to fuel even greater demand for syringes, needles and safety needle caps (K4 Products) over the next few years which the K-One Group intends to be a beneficiary of the upsurge.

This announcement is dated 7 October 2020.

Announcement Info

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