

1. INFORMATION SUMMARY

THE INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP AND INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE SHARES OF THE COMPANY. THE INFORMATION SUMMARY SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

1.1 HISTORY AND BUSINESS

The Group commenced its business operations with K-One Tech in 2001. K-One Tech is an MSC Status Company. K-One Tech's business focus is to present itself to the market as a one-stop technology provider for the creation of high-end electronic end products. This involves K-One Tech harnessing its human intellectual capital to conceptualise, design and develop high-end electronic end products for its clients which are mainly based in overseas.

K-One Tech's D&D centres located in Cyberjaya and Mont Kiara have been the primary drivers behind its growth in this area. The D&D centres currently house a total of nine (9) permanent staff and have been responsible for designing high-end electronic products/sub-systems for the Multimedia and automotive industries. K-One Tech's major clients currently include Sony Ericsson, Logitech and the Anoto Group.

K-One Tech was granted MSC status on 11 September 2002. The benefits of having MSC status includes pioneer status which confers a tax exemption of five (5) years, with the possibility of an extension for a further period of five (5) years subject to application to the relevant authorities and compliance with conditions of MSC status.

K-One Ind commenced business operations in 2002. Its principal business activity is the D&D of manufacturing process/tools and manufacturing of electronic end-products and sub-systems. It is therefore complementary to the business activities of K-One Tech. K-One Ind currently operates a 14,000 sq. ft and a 9,000 sq. ft. leased manufacturing facilities respectively in Ipoh, Perak. As at 7 November 2005, K-One Ind employs thirty-four (34) permanent staff. The production staff is engaged on a contract basis and averages fifty (50) personnel at any one point in time depending on the production workload.

The Group's move into this downstream activity represents a logical progression as this allows the Group to offer the client a complete value-added chain commencing from the creation of a high-technology electronic consumer product to its manufacture and final supply.

K-One Ind's emphasis is on the in-house final manufacturing of complete box-build or sub-system which includes sub-assemblies integration, product verification and testing using a set of test regimes and other quality type testings. Its capital investment is optimised by ensuring that secondary manufacturing processes such as PCB assembly, precision mould manufacturing and plastic injection moulding are outsourced to third parties. This allows K-One Ind to operate at competitive levels in comparison to its other EMS competitors.

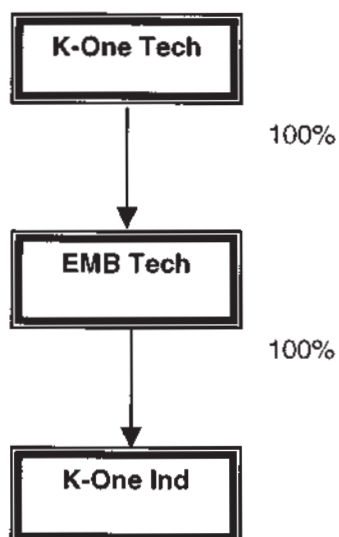
To ensure the supply of quality components and sub-systems, K-One Ind has entered into strategic manufacturing partnerships with various local companies for the supply of major components or sub-systems, such as PCB assemblies and precision injection moulded parts. These strategic manufacturing partnerships allow not only the supply of quality components and sub-systems but provides K-One Ind greater leverage in procuring competitive market prices for its components and sub-systems.

K-One Ind was successful in securing manufacturing contracts from established multinational corporations such as Sony Ericsson and Logitech.

1. INFORMATION SUMMARY (Cont'd)

In 2002, the Group further expanded its business opportunities with the establishment of strategic alliance partnerships with various design and trading houses such as Zource, MHA and MPR. These design and trading houses located mainly in Europe would outsource their D&D projects to the Group as it was successful in offering its D&D services at internationally competitive rates.

The group structure of the K-One Group upon its listing, is as follows:-



Further details on the history and business of the Group are set out in Section 4 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)

1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT OF THE K-ONE GROUP

The direct and indirect shareholdings of the Promoters, substantial shareholders, Directors and key management of the Group are as follows:-

Name	Designation	No. of shares held in K-One Tech before Public Issue		No. of shares held in K-One Tech after the Public Issue ⁽¹⁾		No of shares held in K-One Tech after full exercise of ESOS ⁽²⁾							
		Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)						
Promoters Ir. Lim Beng Fook, Edwin	Executive Chairman	6,425,950	22.7	* 2,298,631	8.1	6,525,950	17.3	* 2,298,631	6.1	6,825,950	16.4	* 2,298,631	5.5
Lim Soon Seng, Martin	Chief Executive Officer/ Executive Director	6,426,000	22.7	-	-	6,506,000	17.2	-	-	6,806,000	16.4	-	-
Bjorn Braten	Vice President of Business Development/ Executive Director	6,426,000	22.7	-	-	6,456,000	17.1	-	-	6,456,000	15.5	-	-
Substantial Shareholders Ir. Lim Beng Fook, Edwin	Executive Chairman	6,425,950	22.7	* 2,298,631	8.1	6,525,950	17.3	* 2,298,631	6.1	6,825,950	16.4	* 2,298,631	5.5
Lim Soon Seng, Martin	Chief Executive Officer/ Executive Director	6,426,000	22.7	-	-	6,506,000	17.2	-	-	6,806,000	16.4	-	-
Bjorn Braten	Vice President of Business Development/ Executive Director	6,426,000	22.7	-	-	6,456,000	17.1	-	-	6,456,000	15.5	-	-
Goh Siew Kean	-	2,298,631	8.1	# 6,425,950	22.7	2,298,631	6.1	# 6,525,950	17.3	2,298,631	5.5	# 6,825,950	16.4
Directors Ir. Lim Beng Fook, Edwin	Executive Chairman	6,425,950	22.7	* 2,298,631	8.1	6,525,950	17.3	* 2,298,631	6.1	6,825,950	16.4	* 2,298,631	5.5
Lim Soon Seng, Martin	Chief Executive Officer/ Executive Director	6,426,000	22.7	-	-	6,506,000	17.2	-	-	6,806,000	16.4	-	-
Bjorn Braten	Vice President of Business Development/ Executive Director	6,426,000	22.7	-	-	6,456,000	17.1	-	-	6,456,000	15.5	-	-
Lei Kim Fah	Independent Non-Executive Director	-	-	-	-	30,000	0.1	-	-	30,000	0.1	-	-
Goh Chong Chuang	Independent Non-Executive Director	-	-	-	-	50,000	0.1	-	-	50,000	0.1	-	-

1. INFORMATION SUMMARY (Cont'd)

Name	Designation	No. of shares held in K-One Tech before Public Issue		No of shares held in K-One Tech after the Public Issue ⁽¹⁾		No of shares held in K-One Tech after full exercise of ESOS ⁽²⁾	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Key Management							
Chau Guan Fook	General Manager, Business Development	1,354,689	4.8	1,404,689	3.7	1,554,689	3.7
Goh Sai Keong, Gary	Finance Manager	1,354,689	4.8	1,404,689	3.7	1,554,689	3.7
Char Tze Hiang	Technical Director	1,354,689	4.8	1,404,689	3.7	1,554,689	3.7
Prem Kamal bin Fladzi Raju	Manufacturing Manager	1,354,676	4.8	1,384,676	3.7	1,484,676	3.6
Goo Kok Khian	Manager, Industrialization & Project	1,354,676	4.8	1,404,676	3.7	1,544,676	3.7

* Deemed interested through his spouse, Goh Siew Kean's direct interest in K-One Tech.

Deemed interested through her spouse, Ir. Lim Beng Fook, Edwin's direct interest in K-One Tech.

Notes: -

- (1) Including their respective entitlements for the pink form share allocation pursuant to the Public Issue.
 (2) The ESOS will be implemented prior to the date of the Company's listing on the MESDAQ Market. The shareholdings shown here are based on the assumption that the number of Options to be granted under the ESOS is 10% of the Company's enlarged issued and paid-up capital on the date of listing. Under the terms of the Bye-Laws of the ESOS, the quantum of the ESOS is up to 10% of the Company's issued and paid-up capital at any time during the existence of the ESOS.

Details of the Promoters, substantial shareholders, Directors and key management of the K-One Group are set out in Section 5 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)**1.3 INTELLECTUAL PROPERTY RIGHTS**

The Group currently does not have any intellectual property rights in the form of patents. However, on 16 December 2003 K-One Tech has filed for registration with the registry of Trade Marks, Malaysia the "K-One" logo under Class 42 in relation to programming, software design, installation and maintenance, consultancy and other analysis and design services in relation to computer hardware and software. The trademark is in the process of being registered and as at 7 November 2005 (being the latest practicable date prior to the printing of this Prospectus), it is pending publication in the Government gazette.

Further details of the intellectual property rights are set out in Section 4.2.5 of this Prospectus.

1.4 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the proforma consolidated income statements of the Group throughout the period under review for the financial period/years ended 31 December 2001 to 2004 and 6 months period ended 30 June 2005 which are prepared based on the assumption that the Group has been in existence throughout the period under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this Prospectus.

	Period from 20.2.2001 to 31.12.2001 (RM'000)	Financial year ended 31 December			**Period from 1.1.2005 to 30.6.2005 (RM'000)
		2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	
Revenue	4,609	16,126	[@] 15,093	15,343	20,924
EBIDTA before R&D	367	514	[@] 1,239	1,352	1,322
R&D expenses	-	-	-	-	(30)
EBIDTA	367	514	[@] 1,239	1,352	1,292
Depreciation	(92)	(139)	(157)	(214)	(129)
Interest expense	(2)	(11)	(8)	(22)	(20)
Amortisation	-	-	-	-	-
Exceptional items	-	-	-	-	-
Share of profits of associated companies	-	-	-	-	-
PBT	273	364	[@] 1,074	1,116	1,143
Taxation	(97)	(151)	37	(41)	-
PAT	176	213	[@] 1,111	1,075	1,143
Extraordinary items	-	-	-	-	-
MI	-	-	-	-	-
PAT after MI	176	213	[@] 1,111	1,075	1,143
No. of ordinary shares assumed in issue ('000)*	28,350	28,350	28,350	28,350	28,350
Gross EPS (sen) ^(note 4)	#1.28	1.28	[@] 3.79	3.94	^8.06
Net EPS (sen) ^(note 5)	#0.83	0.75	[@] 3.92	3.79	^8.06

* Based on the number of share in issue before taking into account the shares issued pursuant to Public Issue.

Annualised based on 9 months operations.

^ Annualised based on 6 months operations.

@ Audited balance after incorporating prior year adjustment.

** The financial information for the 6-month period ended 30.6.2005 as disclosed above is prepared on proforma basis as the K-One Group was formalised on 27.5.2005. In view thereof and for illustrative purposes, the actual audited consolidated results of the K-One Group for the period from 27.5.2005 to 30.6.2005 was not presented.

1. INFORMATION SUMMARY (Cont'd)*Notes:-*

1. *The proforma consolidated income statements for the relevant financial period have been prepared based on applicable approved accounting standards in Malaysia and accounting policies consistent with those adopted in the preparation of the audited financial statements of the K-One Group.*
2. *The results for financial year 2003 have been restated to take into account of the prior year adjustment.*
3. *There were no extraordinary or exceptional items during the relevant financial periods/year under review.*
4. *The proforma gross EPS is computed by dividing the PBT by the number of ordinary shares in K-One Tech in issue during the financial periods/ years under review.*
5. *The proforma net EPS is computed by dividing the PAT by number of ordinary shares in K-One Tech in issue during the financial periods/ years under review.*
6. *All significant intra-groups transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*

Further details on the proforma consolidated income statement of the Group are set out in Section 9.2.2 of this Prospectus.

Audit Qualifications in the Audited Financial Statements for the Past Financial Periods/Years

The financial statements of the K-One Group for the past four (4) financial period/years ended 31 December 2004 and 6 months period ended 30 June 2005 have been reported without any audit qualification.

1.5 PROFORMA CONSOLIDATED BALANCE SHEETS OF THE K-ONE GROUP AS AT 30 JUNE 2005

The Proforma Consolidated Balance Sheets as at 30 June 2005 set out below has been prepared for illustrative purposes only to show the effects on the audited balance sheet of K-One Tech, had the Listing Scheme been effected on that date.

	Audited as at 30 June 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
PROPERTY, PLANT AND EQUIPMENT	734	734	4,684	4,684
Current assets				
Inventories	3,375	3,375	3,375	3,375
Trade receivables	6,419	6,419	6,419	6,419
Other receivables	396	396	396	396
Tax in credit	17	17	17	17
Cash at bank	2,007	2,007	3,944	6,779
	12,214	12,214	14,151	16,986
Current liabilities				
Trade payables	5,185	5,185	5,185	5,185
Other payables	320	320	320	320
Amount due to a Director	973	973	973	973
Borrowings	945	945	945	945
	7,423	7,423	7,423	7,423
NET CURRENT ASSETS	4,791	4,791	6,728	9,563
	5,525	5,525	11,412	14,247

1. INFORMATION SUMMARY (Cont'd)

	Audited as at 30 June 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
FINANCED BY:				
SHARE CAPITAL	2,250	2,835	3,780	4,158
SHARE PREMIUM ACCOUNT	-	-	4,942	7,399
UNAPPROPRIATED PROFITS	996	411	411	411
	<u>3,246</u>	<u>3,246</u>	<u>9,133</u>	<u>11,968</u>
Negative goodwill on consolidation	2,124	2,124	2,124	2,124
Long term liabilities Borrowings	155	155	155	155
	<u>5,525</u>	<u>5,525</u>	<u>11,412</u>	<u>14,247</u>
NTA per share (sen)	24	19	30	34

Notes:-

- Proforma I - After Bonus Issue II
 Proforma II - Incorporates Proforma I and Public Issue, utilisation of proceeds and after adjusting for share issue expenses of RM1,200,000 against the share premium account
 Proforma III - Incorporates Proforma II and ESOS

Detailed Proforma Consolidated Balance Sheets and the Reporting Accountants' letter thereon are set out in Sections 9.5 and 9.7 of this Prospectus respectively.

1.6 SUMMARY OF MATERIAL RISK FACTORS

Prospective investors, prior to making an investment in the Company, should carefully consider the risk factors inherent in and affecting the business of the Group and this offering. In addition, this Prospectus contains forward-looking statements that involve risks and uncertainties. As such, the Group's actual results could differ substantially from those disclosed hereon. Factors that could cause or contribute to such differences include, but are not limited to, those disclosed in Section 3 and throughout this Prospectus.

The key risk factors that may affect the Group's future profitability are not limited to financial, market and industry risks, but include the following: -

- (a) No prior market for K-One Tech's Shares and the Possible Volatility of Share Price
- (b) Dependence on Directors and Key Personnel
- (c) Business Risk
- (d) Competition
- (e) Absence of Long Term Contracts or Agreements
- (f) Dependency on Particular Markets
- (g) Rapid Technological Change and Frequent Product Introductions
- (h) Foreign Exchange Fluctuations
- (i) Management of Growth
- (j) Adequacy of Insurance
- (k) Future Capital Injection
- (l) Acquisitions and Joint Ventures
- (m) Future Expansion in Overseas Markets
- (n) Ownership and Control of the Company
- (o) Disclosure Regarding Forward-Looking Statements
- (p) Change in or Loss of Pioneer Status
- (q) Delays in Product Development

1. INFORMATION SUMMARY (Cont'd)

- (r) Uncertainty in the Proposed 5-Year Business Development Plan
- (s) Breakout of Fire, Energy Crisis and Other Emergency Crisis
- (t) Change in or Loss of MSC Status
- (u) Failure/Delay in the Listing
- (v) Financial Risks
- (w) Dependence on protection of IP
- (x) Security and systems disruptions
- (y) Changing Economic Conditions
- (z) Risk in Rapid Technology Changes

For a more detailed description on key risk factors, please refer to Section 3 of this prospectus.

1.7 PROFIT AND DIVIDEND RECORD

No future financials are included in this Prospectus as it is difficult to forecast due to the uncertain nature and risks of the business of the K-One Group. Please refer to Section 3 "Risk Factors" of this Prospectus for further details.

1.8 PROFORMA GROUP NTA AS AT 30 JUNE 2005

	(Note 1) Proforma Group NTA (RM'000)	NTA per ordinary Share (Sen)
After adjusting for the Public Issue	11,257	30

Note: -

(1) After deducting the estimated share issue expenses of RM1.2 million. Please refer to Section 2.7(v) for details on the estimated share issue expenses.

The above proforma consolidated NTA is based on the enlarged issued and paid-up share capital of 37,800,000 Shares in K-One Tech before ESOS. Detailed calculations of the proforma consolidated NTA are set out in Section 9.5 of this Prospectus.

1.9 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE**1.9.1 SHARE CAPITAL**

The following statistics relating to the Public Issue are derived from the full text of the Prospectus and should be read in conjunction with the text.

	Number of Shares	Share capital (RM)
AUTHORISED SHARE CAPITAL	100,000,000	10,000,000
<i>Issued and fully paid-up share capital:</i>	28,350,000	2,835,000
<i>To be issued pursuant to the Public Issue:</i>	9,450,000	945,000
ENLARGED SHARE CAPITAL	37,800,000	3,780,000
<i>To be issued pursuant to full exercise of ESOS Options</i>	3,780,000	378,000
	41,580,000	4,158,000

1. INFORMATION SUMMARY (Cont'd)

The Public Issue Price is RM0.75 per Share payable in full upon application, subject to the terms and conditions of this Prospectus.

1.9.2 CLASS OF SHARES

There is only one class of shares in the Company namely ordinary shares of RM0.10 each, all of which rank pari passu with one another. The Public Issue Shares rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

1.10 PROPOSED UTILISATION OF PROCEEDS

The total gross proceeds arising from the Rights Issue and Public Issue will be utilised by the Group in the following manner: -

Purpose	Timeframe for utilisation	RM'000
Upgrading of D&D Centre	Within 2 years from the Listing date	1,500
Establishment of global sales offices	Within 2 years from the Listing date	900
Expansion plans for manufacturing facilities	Within 2 years from the Listing date	1,550
Working capital	Immediately after the Listing date	3,219
Estimated share issue expenses*	Within 3 months from the Listing date	1,200
Total		8,369

* Any unutilised amount shall be used for working capital purposes of the Group.

Further details of the utilisation are set out in Section 2.7 of this Prospectus.

1.11 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENT AND MATERIAL LITIGATION**(i) Working Capital**

The Directors of K-One Tech are of the opinion that, after taking into account the cashflow position, the banking facilities available and the net proceeds from the Public Issue, the Group will have adequate working capital for a period not less than twelve (12) months from the date of issue of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**(ii) Borrowings**

As at 7 November 2005 (being the latest practicable date prior to the printing of this Prospectus), the Group's total bank borrowings from a financial institution are as follows:-

Bank borrowings	RM'000	Type
Long term	1,045	Interest bearing
Short term	141	Interest bearing
Total	<u>1,186</u>	

The Group has not defaulted in any of its payment of either interest and/or principal sums in respect of any borrowings through out the past one (1) financial year and the financial period thereof immediately preceding the date of this Prospectus.

(iii) Contingent Liabilities

As at 7 November 2005 (being the latest practicable date prior to the printing of this Prospectus), the Group has not provided any unusual or undertaken any unusual warranties other than those that are customary in the trade.

(iv) Material Commitments

As at 7 November 2005 (being the latest practicable date prior to the printing of Prospectus) the Group does not have any material commitments.

(v) Material Litigation

As at 7 November 2005 (being the latest practicable date to the printing of the Prospectus), neither the Company nor its subsidiary companies are engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of K-One Tech or its subsidiary corporations and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of K-One Tech or its subsidiary companies.

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2. PARTICULARS OF THE PUBLIC ISSUE

This Prospectus is dated 1 December 2005.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

The approvals of SC and Bursa Securities have been obtained vide its letter dated 20 January 2005 and 24 January 2005 respectively, shall not be taken to indicate that the SC and Bursa Securities recommend the Public Issue and that investors should rely on their own evaluation to assess the merits and risks of the Public Issue .

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the Bursa Securities has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the Shares offered through this Prospectus will be deposited directly with the Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository.

Approval in-principal dated 24 November 2005 has been obtained from Bursa Securities for admission to the Official List and for the listing of and quotation for the entire enlarged issued and fully paid-up share capital of K-One Tech on the MESDAQ Market of the Bursa Securities. These Shares will be admitted to the Official List on the MESDAQ Market of the Bursa Securities and official quotation will commence upon receipt of confirmation from the Issuing House that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to the Listing Requirements, at least 25% but not more than 49% of the issued and paid-up share capital of the Company must be held by a minimum number of 200 public shareholders at the time of admission to the MESDAQ Market of the Bursa Securities. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the MESDAQ Market of the Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned in full if the said permission is not granted.

The SC and Bursa Securities shall not be liable for any non-disclosure on the part of K-One Tech and take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. Admission to the Official List is not to be taken as an indication of the merits of K-One Tech or of its securities.

Applicants of the Public Issue Shares must have a CDS account. In the case of an applicant by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by K-One Tech. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of K-One Tech since the date hereof.

The distribution of this Prospectus and the making of the Public Issue in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

2. PARTICULARS OF THE IPO (Cont'd)**2.1 SHARE CAPITAL**

	Number of Shares	Share capital (RM)
AUTHORISED SHARE CAPITAL	100,000,000	10,000,000
<i>Issued and fully paid-up share capital:</i>	28,350,000	2,835,000
<i>To be issued pursuant to the Public Issue:</i>	9,450,000	945,000
ENLARGED SHARE CAPITAL	37,800,000	3,780,000
<i>To be issued pursuant to full exercise of ESOS Options</i>	3,780,000	378,000
	41,580,000	4,158,000

The Public Issue Price is RM0.75 per Share payable in full upon application, subject to the terms and conditions of this Prospectus.

There is only one class of shares in the Company, namely, ordinary shares of RM0.10 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

2.2 OPENING AND CLOSING OF APPLICATION

The Application for the Public Issue will open at 10.00 a.m. on 1 December 2005 and will close at 5.00 pm. on 22 December 2005 or for such further period or periods as the Directors and/or Promoters of K-One Tech together with the Managing Underwriter in their absolute discretion may decide. Late applications will not be accepted.

2. PARTICULARS OF THE IPO (Cont'd)

2.3 CRITICAL DATES OF THE PUBLIC ISSUE

Events	Tentative Date
Issue of Prospectus/Opening Date of the Public Issue	1 December 2005
Closing Date of the Public Issue *	22 December 2005
Tentative date for balloting of applications	27 December 2005
Tentative date for despatch of notice of allotment of the ordinary shares of K-One Tech to successful applicants	4 January 2006
Tentative Listing Date	5 January 2006

- * Should the closing date of the aforesaid application be extended, the dates for the balloting, allotment and listing of K-One Tech's entire issued and paid-up capital on the MESDAQ Market of the Bursa Securities might be extended accordingly. Any changes to the application period for the Public Issue will be notified to the public via an advertisement in a widely circulated daily Bahasa Malaysia and English newspaper.

2.4 BASIS OF ARRIVING AT THE PUBLIC ISSUE PRICE

The Public Issue Price of RM0.75 per Share was determined and agreed upon by the Company and AmMerchant Bank as Adviser, Sponsor, Managing Underwriter and Placement Agent. Among the factors considered in determining the Public Issue Price, in addition to prevailing market conditions, were the Group's technology, estimates of business growth potential and revenue prospects for the Group and an assessment of the Group's management.

The Public Issue Price of RM0.75 per Share represents a premium of RM0.45 or 150% over the proforma NTA upon listing.

However, shareholders should also note that the market price of K-One Tech Share upon listing on MESDAQ Market of the Bursa Securities are subject to the vagaries of the market forces and other uncertainties which may affect the price of K-One Tech Shares being traded.

2.5 DETAILS OF THE PUBLIC ISSUE

The Public Issue of 9,450,000 Shares at an Public Issue price of RM0.75 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(i) Malaysian Public

2,500,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

2. PARTICULARS OF THE IPO (Cont'd)**(ii) Eligible Directors, Employees and Business Associates of the Group**

750,000 Public Issue Shares will be reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents and customers) of the Group.

The shares have been allocated to five (5) eligible Directors, thirty-three (33) eligible employees and two (2) eligible business associates of the Group. Allocation to the Directors and employees are based on the following criteria as approved by the Company's Board of Directors: -

- (a) At least eighteen (18) years old;
- (b) Job position; and
- (c) Length of service.

Details of the Directors' pink form allocation are as follows: -

Name of Directors	Designation	Pink Form Allocation
Ir. Lim Beng Fook, Edwin	Executive Chairman	100,000
Lim Soon Seng, Martin	Chief Executive Officer / Executive Director	80,000
Bjorn Braten	Vice President of Business Development/ Executive Director	30,000
Loi Kim Fah	Independent Non-Executive Director	30,000
Goh Chong Chuang	Independent Non-Executive Director	50,000
Total		290,000

(iii) Private Placement

6,200,000 Public Issue Shares are reserved for private placement to selected investors, which have been identified.

In summary, the Public Issue Shares will be allocated in the following manner: -

	Public Issue Shares
Malaysian Public	2,500,000
Eligible Directors, employees and business associates of the Group	750,000
Private Placement	6,200,000
Total	9,450,000

All the Public Issue Shares available for application by the Malaysian Public and the eligible Directors, employees and business associates of the Group have been fully underwritten. The Public Issue Shares available for application by selected investors are not underwritten. The Placement Agent has received irrevocable undertakings from the selected investors to take up the Public Issue Shares available for application under the private placement.

2. PARTICULARS OF THE IPO (Cont'd)

Any Public Issue Shares which are not taken up by eligible Directors and employees and the business associates of the Group will be made available for application by the Malaysian public and/or selected investors via private placement. Any Public Issue Shares by the Malaysian Public which are not taken up will be made available to selected investors via private placement if the private placement is oversubscribed and vice versa. Any further Public Issue Shares not subscribed for will be made available for subscription by the underwriters in the proportion specified in the Underwriting Agreement dated 26 October 2005.

2.6 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows: -

- (a) to raise funds for the Group's continued operation and expansion, details of which are elaborated in Section 2.7 "Proposed Utilisation of Proceeds" below;
- (b) to facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market of the Bursa Securities;
- (c) to enable the Group to gain recognition and certain stature through its listing status and further enhance its corporate reputation and assist the Group in expanding its customer base;
- (d) to enable the Group to have access to the capital market for its future expansion and growth; and
- (e) to provide the opportunity for the eligible Directors, employees and the business associates of the Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group.

2.7 PROPOSED UTILISATION OF PROCEEDS

The Rights Issue and Public Issue are expected to raise gross proceeds of approximately RM8,369,000 respectively which shall accrue to the Company.

The Group intends to utilise the proceeds raised in the following manner: -

Purpose	Notes	Timeframe for utilisation	RM'000
Upgrading of D&D Centre	(i)	Within 2 years from the Listing date	1,500
Establishment of global sales offices	(ii)	Within 2 years from the Listing date	900
Expansion plans for manufacturing facilities	(iii)	Within 2 years from the Listing date	1,550
Working capital	(iv)	Immediately after the Listing date	3,219
Estimated share issue expenses*	(v)	Within 3 months from the Listing date	1,200
Total proceeds			8,369

* Any unutilised amount shall be used for working capital purposes of the Group.

2. PARTICULARS OF THE IPO (Cont'd)

The Company will bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of K-One Tech on the MESDAQ Market of the Bursa Securities, which include underwriting commission, placement fees, brokerage, professional fees, authorities fees, advertising and other fees. The aggregate is estimated to be RM1.2 million.

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares made available for application by Malaysian Public and eligible Directors, employees and business associates of the Group are fully underwritten.

Notes: -

(i) Upgrading of D&D Centre

As part of the Group's ongoing efforts to maintain technological advantage over its competitors, the Group has allocated RM1.5 million of the proceeds raised for the upgrading of its D&D centre over the next twenty-four (24) months. The allocation will cover the upgrading of Bluetooth testing equipment, computer hardware, software and related overheads.

(ii) Establishment of global sales offices

The allocation of RM0.9 million will be applied towards the establishment of sales offices in US, United Kingdom, Japan, Finland and China over the next 24 months.

(iii) Expansion plans for manufacturing facilities

A portion of the funds raised will be utilised to acquire additional production lines/machinery and quality testing equipment costing approximately RM1.55 million, to increase the production capacity of the factory in Ipoh. The allocation will cover the costs of building a Class 10 cleanroom which is required for manufacture and testing of the optical module, installing new or additional production lines to assemble and test emergency mobile phone battery, intelligent brake system module and smart desk-top mobile phone charger and last but not least the purchase of smart scope and other quality measuring instruments to augment the quality function.

(iv) Working capital

The allocation of approximately RM3.219 million as additional working capital for the Group is necessary to allow the Group to be more aggressive in sales and marketing efforts. A higher turnover would result in higher payment for goods and related sales expenditure. The Group also plans to intensify its marketing efforts by directing part of the working capital for purposes of enhancing its image, branding, participating in exhibitions and conducting market studies.

2. PARTICULARS OF THE IPO (Cont'd)**(v) Estimated share issue expenses**

The estimated share issue expenses for the listing of and quotation for the enlarged share capital of 37,800,000 Shares in K-One Tech on the MESDAQ Market of the Bursa Securities are as follows: -

Estimated share issue expenses	Amount (RM)
Fees to authorities	40,500
Professional fees #	781,500
Underwriting and brokerage fees	71,250
Printing, advertising and other miscellaneous expenses @	306,750
Total	1,200,000

Notes: -

Include fees for the Adviser, Reporting Accountants, Solicitors and other professional fees.

@ Any unutilised amount shall be used for working capital purposes of the Group.

2.8 FINANCIAL IMPACT OF UTILISATION OF PROCEEDS

The utilisation of proceeds by the Group is expected to impact the Group's financials as follow:

(i) Interest savings

Without the proceeds from the Public Issue, the Group is expected to incur the incremental borrowings of approximately RM7.2 million. As such, with the proceeds from the Public Issue and based on assumed interest rate of 7%, it is expected to result in a total notional interest saving of approximately RM500,000 per annum.

(ii) New business development

Part of the utilisation of proceeds is expected to go towards purchase of Bluetooth testing equipment, computer hardware and software which would enable new business development of Bluetooth enabled products. At the same time, establishment of new global sales offices would augment new business development activities which would generate additional sales revenue and profitability.

2.9 UNDERWRITING COMMISSION AND BROKERAGE

The Underwriters as mentioned in Section 1 of this Prospectus, have agreed to underwrite the 3,250,000 Public Issue Shares to be issued to the Malaysian Public, the eligible Directors, employees and business associates of the Group. Underwriting commission is payable by the Company in respect of the Public Issue at the rate of 2% of the total underwritten shares of 3,250,000 at the Public Issue Price of RM0.75 per Share to the respective Underwriters.

Brokerage is payable by the Company in respect of the Public Issue made available for application by the Malaysian Public at the rate of 1.0% of the Public Issue Price of RM0.75 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, participating companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2. PARTICULARS OF THE IPO (Cont'd)

2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Note: Unless stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

The following are some of the Clauses of the Underwriting Agreement dated 26 October 2005 ("Agreement"), including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer: -

3. Warranties and Conditions

3.1 *As a condition of the Agreement by the Managing Underwriter and the Underwriters to underwrite the Underwritten Shares and in consideration thereof, the Company represents, warrants and undertakes to the Managing Underwriter and the Underwriters and each of them as follows:*

- (a) *that the Prospectus shall:-*
 - (i) *comply in all material respects with the SC Act, 1993 and/or any other applicable law and any rules, regulations and guidelines thereunder and shall be in form and substance satisfactory and acceptable to and registrable with the SC, the ROC and other relevant authorities;*
 - (ii) *contain all information which is material in the context of the Public Issue and such information to be contained in the Prospectus will be true, complete and accurate in all material respects; and*
 - (iii) *not omit to state or disclose any material fact or information required or necessary to be stated therein with regard to the Public Issue and all statements of fact and information so made and/or disclosed, in light of the circumstances under which they are made or disclosed, are true and accurate and not misleading in any respect;*
- (b) *that the Company will apply and obtain the approval-in-principle of the Bursa Securities for the admission to the Official List of the MESDAQ market of the Bursa Securities and for dealing in and quotation for the Issue Shares before the Closing Date and will comply with all requirements and provisions of the SC Act, 1993 and the Listing Requirements of the Bursa Securities and all other applicable laws, rules, regulations, guidelines and the requirements of all other relevant authorities in relation to the listing of and quotation for the Issue Shares and shall at all times promptly furnish and deliver all documents, instruments, information, certificates and undertakings as may be necessary or advisable in order to obtain such permission and quotation;*
- (c) *that all necessary consents, approvals, authorisations or other orders of all regulatory authorities for or in connection with the execution of this Agreement; the issue, listing of and quotation for the Issue Shares and any other matters contemplated thereby:-*
 - (i) *have been or will be unconditionally obtained prior to the Closing Date;*

2. PARTICULARS OF THE IPO (Cont'd)

- (ii) *if granted subject to conditions, such conditions will be fulfilled to the satisfaction of the Underwriters by the due date specified in the relevant consent, approval, authorisation or order;*
- (iii) *are and shall remain in full force and effect;*
- and all other action will be taken by the Company to comply with all legal and other requirements necessary to ensure that the execution of this Agreement will not infringe any existing laws or the terms of any such consents, approvals or authorisation;*
- (d) *that the authorisation of the Issue Shares and the issue thereof and the invitation to the members of the public to apply for the Issue Shares on the terms and conditions of the Prospectus and the compliance by the Company with the terms and conditions of this Agreement:*
- (i) *are in accordance, where applicable, with the Memorandum and Articles of Association of the Company;*
- (ii) *do not and will not conflict with, or result in a breach of any of the terms or provisions of any existing law, regulation or listing requirements applying to or affecting the Company or any of its subsidiaries or the Public Issue;*
- (iii) *do not and will not infringe the terms of, or constitute a default under any, judgment, order, license, permit, consent, trust deed, agreement or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any part of the undertakings, assets, properties or revenues of the Company is bound or affected; and*
- (v) *the execution and issue or delivery by the Company of this Agreement or the deposit or credit of the Issue Shares in to the Securities Accounts, the obligations assumed hereunder will constitute legally valid, binding and enforceable obligations on the Company in accordance with their respective terms;*
- (e) *that the Company has been duly authorised by all necessary corporate actions of the Company, including but not limited to the and shareholders' approvals of the Company in a general meeting (if and to the extent required) for the Public Issue, the execution and issue or delivery by the Company of this Agreement, the Prospectus and the Underwritten Shares and the performance obligations to be assumed thereunder;*
- (f) *that save and except for litigation, winding up, arbitration or legal proceedings as may be disclosed in the Prospectus, neither the Company nor any of its subsidiaries is a party to any litigation arbitration or any other legal proceedings of a material nature, current or pending or to the knowledge of the Company, threatened or otherwise, in Malaysia or elsewhere which has a material adverse effect on the financial condition or otherwise on the earnings, affairs or business prospects of the Company and its subsidiaries or on the Public Issue, and further that the Company is unaware of any evidence information or facts likely to give rise to any such litigation, winding up, arbitration or legal proceedings;*

2. PARTICULARS OF THE IPO (Cont'd)

- (g) *that, except as may be disclosed in the Prospectus, neither the Company nor any of its subsidiaries is in default under or in breach of any agreement to which it is bound or the terms of any licence, permit, directive, legislation or regulation of any relevant authority (including the Bursa Securities and the SC) applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Company or the Group as a whole;*
- (h) *that save and except as may be disclosed in the Prospectus, no circumstances or situations have arisen which are or are likely to adversely affect the condition (financial or otherwise) of the Company or any of its subsidiaries or the earnings, affairs or business prospects of the Company or any of its subsidiaries or to so affect the success of the Public Issue and that no material information has been withheld from the Underwriters which may in any way affect their decision to underwrite the Underwritten Shares;*
- (i) *that save as disclosed in the Prospectus attached hereto or has been disclosed in writing to the Underwriters prior to the date hereof, neither the Company nor any other company in the Group has entered into any contract and/or commitment of an unusual or onerous nature, which, in the context of the Public Issue, might be material for disclosure;*
- (j) *that the Company will promptly and without any delay whatsoever notify the Managing Underwriter (who shall thereupon inform the Underwriters) of any of the representations, warranties or undertakings or of any facts, information, situations or circumstances which the Company, in its reasonable opinion, believes may materially and adversely affect the financial condition or the business of the Company and/or its subsidiaries as a whole, or the success of the Public Issue and without prejudice to the generality of the foregoing representations, warranties or undertakings at any time prior and up to the Closing Date and take such steps as may reasonably be required by the Underwriters to remedy and/or publicise the same;*
- (k) *that all information supplied or to be supplied to the Underwriters for the purpose of or in connection with the underwriting of the Issue Shares including but not limited to any information supplied or to be supplied in connection with the application for listing of and quotation for the Issue Shares or for the purpose of the Prospectus is or will be true, complete and accurate in all respects and nothing has been furnished, supplied or omitted from such information;*
- (l) *that the Company will give to the Underwriters any or all information which the Underwriters may reasonably require in respect of the accounts or affairs of the Company or its subsidiaries or in connection with the Public Issue;*
- (m) *that each of the Company and its subsidiaries is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on its business and is not in liquidation and, to the best of its knowledge and belief, no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the Company or any of its subsidiaries or any of their respective assets or undertakings;*

2. PARTICULARS OF THE IPO (Cont'd)

- (n) *that the audited accounts of the Company and its subsidiaries as a whole have been prepared in accordance with all applicable laws and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and its subsidiaries as a whole for the 6 months financial period ended 30 June 2005 and the Company and its subsidiaries have made adequate provision for and or appropriate disclosures for all known material liabilities whether actual or contingent, of the Company and its subsidiaries as a whole as at such date and have complied in all respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since 30 June 2005 there has been no material adverse change in the financial position of the Company and any of its subsidiaries or as a Group in whole, save as may be disclosed in the Prospectus, any public announcement or publicly available document or disclosed to the Underwriters prior to the date of this Agreement;*
- (o) *that every statement of forecast, expressions of opinion, intention and expectation which have been disclosed in the listing applications and in the Prospectus in connection with the Public Issue are or will when given be fairly, truly, reasonably and honestly held by the Directors of the Company and have been or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure, and to the extent it is based on assumptions, those assumptions are reasonable;*
- (p) *that other than the indebtedness contested in good faith by the Company or any of its subsidiaries as disclosed in the Prospectus and to the best of the knowledge and belief of the Company, no outstanding indebtedness of the Company or any of its subsidiaries has become or is likely to become payable by reason of default by the Company or any such subsidiary and no event has occurred or is, so far as the Company is aware, pending which with the lapse of time or the fulfilment of any condition or the giving of notice may result in any such indebtedness becoming payable;*
- (q) *that all taxes (whether income tax, property tax or otherwise) of the Company and its subsidiaries, in particular but not limited to all taxes which are material in the context of the Public Issue, for which the Company and/or its subsidiaries is liable or which ought to have been paid, have been duly paid or adequately provided for in the audited accounts of the Company; all the returns, notices or information which are required to be made or given by the Company or its subsidiaries for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant and appropriate authorities and there are no present circumstance (of which the Company is or ought reasonable to be aware) which are likely to give rise to any such dispute;*
- (r) *that the records, statutory books and books of accounts of the Company and its subsidiaries are duly entered upon and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and all records and documents (including documents of title) which are their respective property are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the ROC have been duly and correctly delivered or made;*

2. PARTICULARS OF THE IPO (Cont'd)

- (s) *that all the assets of the Company and its subsidiaries which are of an insurable nature have at all material times been and are at the date hereof adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party;*
 - (t) *that the Company will pay all and any stamp and other documentary taxes or duties, including any interest and penalties resulting from delay or omission on the part of the Company, payable on, or in connection with the Public Issue or the execution of this Agreement;*
 - (u) *that the Company and its subsidiaries will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standards and practices;*
 - (v) *to fix the Closing Date together with the Managing Underwriter;*
 - (w) *to do all other things and sign or execute such documents as may be reasonably required in order to complete the offer of the Underwritten Shares; and*
 - (x) *that the Issue Shares shall be issued free from any claims, liens, charges, encumbrances and equities whatsoever, and shall rank pari passu in all respects with the then existing Shares except that they shall not be entitled to any dividends, rights, allotments and or distributions, the entitlement date of which is prior to the Closing Date.*
- 3.2 *The commitment of the Underwriters in respect of the Underwritten Shares are being made on the basis of the Warranties and with the intention that such Warranties shall remain true and accurate in all material respects up to and including the Closing Date, the Company undertakes with the Underwriters that it shall :*
- (i) *hold and keep each of the Underwriters fully and effectively indemnified and shall save them harmless against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands (including but not limited to all costs, charges, proceedings and expenses, including legal fees on a solicitor and client basis, paid or incurred in disputing or defending any such claim or action) which the Underwriter may incur as a result of any misrepresentation by the Company or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to issue and deliver to the Underwriters or Central Depository for the credit of the Securities Account of the Underwriters, the certificates in respect of the Underwritten Shares allotted to the Underwriters or its nominee(s) pursuant to Clause 11 (unless the Underwriters shall have been advised of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to item (ii) below and the Underwriters shall have elected not to terminate this Agreement notwithstanding such advice);*

2. PARTICULARS OF THE IPO (Cont'd)

- (ii) at any time prior to the Closing Date, forthwith notify the Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect in any respect any of its representations, warranties or undertakings, which shall come to its notice or of which it becomes aware or which shall occur at any time prior to the Closing Date, but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;
 - (iii) if this Agreement is terminated by the Underwriters in accordance with the provisions of Clause 16, indemnify the Underwriters against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands which it may sustain or incur as a result of such termination; and
 - (iv) not publish any amendment or supplement to the Prospectus of which the Underwriters have not previously been notified in writing of or to which the Underwriters or its legal advisers shall reasonably object but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder.
- 3.3 If any action, proceeding, claim or demand shall be brought or asserted against the Underwriters in respect of which indemnity be sought from the Company, the Underwriters shall notify the Company in writing, and the Company shall to the extent required by the Underwriters and permitted by law assume the defence thereof on behalf of and/or in the name of the Underwriters, including the employment of legal advisers selected by the Underwriters, and the Company shall bear all fees and expenses in relation thereto or arising therefrom. Each of the Underwriters shall have the right to select separate legal advisers to assume such legal defences and otherwise to participate in the defence of such action, proceeding, claim or demand on behalf of the other and the Company shall bear all fees and expenses of such legal adviser in relation thereto and arising therefrom.
- 3.4 At any time prior to the Closing Date, the Company shall at the request of the Underwriters furnish or deliver to the Underwriters all information and documents which the Underwriters may reasonably request for, for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained herein.
- 3.5 The Company undertakes and agrees not to cause, and to use its best endeavours not to permit, any Specified Event to occur before the Closing Date. If any Specified Event shall occur or come to the knowledge of the Company prior to the Closing Date, the Company shall forthwith give notice to the Managing Underwriter of the same.
- 3.6 In the event of any breach of the Warranties or any failure by the Company to perform any of the Warranties or any change rendering any of the Warranties inaccurate or not complied with in any material respect coming to the notice of the Underwriters (or any of them) prior to the Closing Date, each Underwriter shall be entitled (but not obliged) by notice to the Company and the Managing Underwriter to elect to treat such breach, failure or change as releasing and discharging it from its obligations hereunder Provided That the Company shall remain liable for the payment of the costs and expenses referred to in Clause 14 hereof which are incurred prior to or in connection with such release and discharge And Provided That failure to make such election as aforesaid shall be without prejudice to the right of the Underwriters or the Underwriter concerned to treat any failure or other breach, failure or change as releasing and discharging the Underwriters or the Underwriter concerned from their or its respective obligations as aforesaid.

2. PARTICULARS OF THE IPO (Cont'd)

3.7 *The representations, Warranties and Undertakings set out in this Agreement shall survive the execution of this Agreement and shall be deemed to be repeated on each day up to the date the Securities Accounts (as defined under the Securities Industry (Central Depositories) Act 1991) maintained by each of the Underwriters or their designated nominees are credited in accordance with Clause 11 hereof as if made at each such day with reference to the facts and circumstances existing at each such day.*

6. Conditions Precedent

6.1 *The several obligations of the Underwriters under this Agreement shall further be conditional upon:*

- (a) *the Bursa Securities having given its final approval to the listing and quotation of the Shares and the Issue Shares;*
- (b) *the registration and lodgement with the SC and the ROC of the Prospectus and accompanying documents in connection with the Public Issue;*
- (c) *there not having been, on or prior to the Closing Date any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that as set out in the Prospectus which is material in the context of the Public Issue or in the opinion of the Underwriters or Underwriter concerned would adversely affect the success of the Public Issue thereunder or any occurrence of any event rendering untrue or incorrect or not complied with, to an extent which is material as aforesaid, any of the Warranties as though given or made on such date; and*
- (d) *no material variation in the Prospectus shall be made without the consent of the Underwriters (which consent shall not be unreasonably withheld) with regard to the matters following, namely:*
 - (i) *the constitution of the Board of the Company;*
 - (ii) *the authorised and issued share capital of the Company;*
 - (iii) *the number of Issue Shares comprised in the Public Issue and the price thereof;*
 - (iv) *the statement as to any litigation, arbitration or other legal proceedings of a material nature in which the Company or its subsidiaries is presently involved or pending;*
 - (v) *the statement as to any contingent liabilities and capital commitments of the Company or its subsidiaries;*
 - (vi) *the business of the Company and its subsidiaries;*
 - (vii) *the profit estimate and forecast of the Company; and*
 - (viii) *the utilisation of proceeds from the Public Issue.*

2. PARTICULARS OF THE IPO (Cont'd)

6.2 *If any of the conditions stated in Clause 6.1 is not satisfied, an Underwriter ("Withdrawing Underwriter") shall be entitled to terminate this Agreement by notice in writing delivered to the Company and the Managing Underwriter and in such event the Withdrawing Underwriter and the Company shall be released and discharged from their obligations hereunder Provided That in such event the Company shall remain liable for the payment of the costs and expenses referred to in Clause 14 which are incurred prior to or in connection with such termination and such release and discharge Provided However That an Underwriter may at its discretion and subject to such conditions as it may impose, waive compliance with any of the provisions of Clause 6.1.*

16. Termination

16.1 *Notwithstanding anything herein contained, the Underwriters may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw their Commitment to underwrite the Underwritten Shares if :-*

- (a) any of the conditions in Clause 6 are not satisfied by the Closing Date; or*
- (b) there is any material breach by the Company of any of the representations, Undertakings or Warranties contained in Clause 3, which is not capable of remedy or, if capable of remedy, is not remedied within ten (10) Market Days from the date the Company is notified by the Underwriters of such breach; or*
- (c) there is a material failure on the part of the Company to perform any of its obligations herein contained; or*
- (d) if the Company withholds information of a material nature from the Underwriters, which is required to be disclosed pursuant to this Agreement which, in the reasonable opinion of the Underwriters, would have a material adverse effect on the business or operations of the Company and its subsidiaries, the success of the Public Issue; or*
- (e) there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company and its subsidiaries; or*
- (f) there shall have occurred, happened or come into effect any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing, which would have or can reasonably be expected to have, in the reasonable opinion of the Underwriters, a material adverse effect on, and/or materially prejudice the business or the operations of the Company and its subsidiaries as a whole, the success of the Public Issue, or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms pursuant to the underwriting thereof; or*

2. PARTICULARS OF THE IPO (Cont'd)

(g) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, national disorder, declaration of a state of national emergency, act of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents).

16.2 In the event that this Agreement is terminated pursuant to Clause 16.1(f) and (g), the Underwriters and the Company may agree to defer the Public Issue by amending the terms of the Public Issue or of this Agreement and may enter (but shall not be obligated to) into a new underwriting agreement accordingly.

16.3 Upon such notice being given under Clause 16.1, the Underwriters shall be released and discharged of their obligations without prejudice to their rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 14 for the payment of the costs and expenses already incurred up to the date on which such notice was given, any antecedent breach and the underwriting Commission which shall be paid to the Underwriters within ten (10) Business Days from the receipt of such notice PROVIDED THAT where notice is given pursuant to the occurrence of any of the situations set out in Clause 16.1(f) and (g), the Company shall not be liable to pay the underwriting Commission.

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3. RISK FACTORS

In evaluating an investment in the Public Issue Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following risk factors: -

(a) No Prior Market for K-One Tech's Shares and Possible Volatility of Share Price

Prior to this Public Issue, there has been no prior public market for the Company's Shares. The Public Issue Price of RM0.75 has been determined after taking into consideration a number of factors. There can be no assurance that the Public Issue Price will correspond to the price at which K-One Tech's Shares will trade on the MESDAQ Market of the Bursa Securities upon or subsequent to its listing.

There can be no assurance that an active public market in the Shares will develop and continue to develop upon or subsequent to its listing on the MESDAQ Market of the Bursa Securities or, if developed, that such a market will be sustained after this Public Issue or that the market price of the Shares will not decline below the Public Issue Price. The Group believes that a variety of factors could cause the price of the Shares to fluctuate, including sales of substantial amounts of Shares in the public market in the immediate future; announcements of developments relating to the Group's business; fluctuations in the Group's operating results and sales levels; general industry conditions or the world-wide economy.

(b) Dependence on Directors and Key Personnel

The Group's future performance depends to a significant extent upon the continued efforts and abilities of its Directors and key management personnel, in particular, Ir. Lim Beng Fook, Edwin, Lim Soon Seng, Martin and Bjorn Braten. Furthermore, competition for personnel qualified to deliver the Group's D&D services is intense and the companies which the Group competes with for these qualified personnel may have more substantial financial and management resources than the Group. There can be no assurance that the Group can retain these individuals in its employment, or that it will successfully attract and retain additional or replacement personnel with the requisite experience and capabilities to enable the Group to operate competitively.

The Group currently enjoys a cordial relationship with its employees and they do not belong to any trade union. The Group has a low turnover of skilled personnel. The Group will, in order to retain current employees and attract new employees by implementing an employee share option scheme. The Group believes that by increasing its profile through the listing of the Company on the MESDAQ Market, the Group will be able to attract suitably qualified personnel to play an active role in the growth of the Group.

(c) Business Risk

The K-One Group is principally involved in D&D of high-end electronic end products, D&D of manufacturing process/tools and manufacturing of electronic end products and sub-systems. The Group is not insulated from the general business risk as well as risks inherent in the various industries to which it provides its services and products to and those which are specific to the electronics industry. These may include shortage in skilled labour, increase in cost of labour and operating costs, adverse changes in general economic, business and credit conditions and unfavourable changes in Government policies and introduction of new technologies.

The Group's revenue and operating results could also be affected by other pertinent factors such as its ability to design, develop and market new services and products and achieve market acceptance of these new services and products.

3. RISK FACTORS (Cont'd)

The Directors of the Group should be able to maintain its record of profitability. Prudent cash flow management practices practiced by the Group include the regular monitoring of its debtors position, maintaining good business relationship with its business partners and the monitoring of its expenditures. However, there can be no assurance that the Group will be profitable in the future or that it will achieve increasing or consistent levels of profitability.

(d) Competition

The industries to which the Group supplies its services and products can be characterised as highly competitive and rapidly changing. Electronic consumer product manufacturers in particular, typically maintain stringent criteria in selecting their contract manufacturers/assemblers, which include a proven track record in assembling high quality products, management capability, delivery dependability and sustainable competitive pricing. In this respect, the Group has been able to meet the standards set by its customers in the past and the Directors of the K-One Group are confident that the Group will continue to meet these requirements in the future with strict quality control, low overheads and continuous R&D activities to produce innovative product designs, at the same time optimising operational efficiency.

The Group has experienced and expects to continue experiencing intense competition from its current competitors and those in the future. These competitors do vary in size and in the scope and breadth of the services and products offered. An additional source of competition may also come from its customers which may decide to revert or intensify the design and development of new products internally. Therefore no assurance can be given that the Group will be able to continue to compete successfully with its current competitors or new competitors. Reduced margins and lower revenues as a result of price reductions are one of the potential risks faced by the Group should competition become more intense.

As a mitigating factor, the Group does however focus on technology that has the potential to further develop and ensures that it continues to be innovative in the manner in which it provides its customers with its services and products.

(e) Absence of Long Term Contracts or Agreements

As at 7 November 2005 (being the latest practicable date prior to the printing of this Prospectus), the Group does not generally have any long term contracts or agreements with its customers for the provision of D&D services or for the manufacture of specific products which exceed more than one (1) year in duration. This practice is common for the industries for which the Group provides its services and products to because these products have a relatively short life span and are continuously replaced by new products that are more innovative, enhanced and technologically advanced. The absence of long term contracts in this respect, gives the Group's customers greater flexibility in selecting its business partners when developing new products.

Nonetheless, given that the Group has a proven track record in performing to the exacting needs of its customers, the Group has successfully maintained good business relationship with its customers and expects to continue to do so for the foreseeable future.

(f) Dependency on Particular Markets

The customers to which the Group supplies its services and products to are by and large located overseas which in turn market their products globally or internationally. By industry, the K-One Group attributes about 95% of its total business to the Multimedia industry while the balance is on the automotive products/sub-systems sector. The Multimedia industry is extremely volatile with short product life-cycle of approximately six (6) months while the automotive products/sub-systems industry is more stable with a long product life cycle of approximately six (6) years.

3. RISK FACTORS (Cont'd)

It is envisaged that over the next five (5) years, the ratio between the Multimedia and automotive products/sub-systems industries should be about 85:15. The aim is to create a healthy balance between the volatile, short product life cycle of the Multimedia industry and the stable, long product life cycle of the automotive products/sub-systems industry. The stable automotive products/sub-systems industry would be a good absorber for the volatile Multimedia industry, making it easier to plan for production capacity and financial planning.

Nonetheless, no assurance can be given should any market to which the Group supplies directly or indirectly its services and products experience a downturn, the Group itself will not suffer a reduction in its turnover and overall profitability.

However, given that the Group's D&D capabilities enables it to provide services for a wide range of products/industries, the Group believes that a downturn in any given market can be offset by the potential consistency or increase in another market.

(g) Rapid Technological Change and Frequent Product Introductions

The industries to which the Group supplies its services and products to experience rapid technological change, rapid changes in customer requirements and frequent product introductions. The Group's success in dealing with these factors has been due largely to its ability to innovate, maintain flexibility, embrace technological advances and anticipate market trends.

No assurance however can be given that the Group will continue to be able to deal with these factors in the future. Difficulties may be experienced by the Group that could delay the D&D of new products and should the Group fail in dealing with these problems, it could adversely affect the financial performance of the Group.

Nevertheless, given its experience and track record of the Group as well as the expertise and experience of its management team in D&D, the Group expects to be able to cope with rapid technological change.

(h) Foreign Exchange Fluctuations

The Group's exposure to foreign exchange risk is limited to USD and Euro. The Group has back to back order and pricing arrangements with some of its suppliers, thus mitigating its exposure to currency fluctuations risk.

In addition, the management of K-One Tech will constantly monitor the Group's RM exposure and take the necessary steps to minimise fluctuations in the exchange rate which includes hedging.

However, there can be no assurance that any fluctuations in the exchange rates will not adversely affect the Group.

(i) Management of Growth

The Group plans to utilise part of the proceeds to expand its business. Such anticipated expansion will likely place further demand on the Group's existing management and operations. The Group's future growth and profitability will depend, in part, on its ability to successfully manage its marketing activities and implement management and operating systems which react efficiently and timely to short and long-term trends or changes in its business. As a mitigating factor, the Group has experienced management, technical and production personnel to support its expansion plans. However, there can be no assurance that the Group will be able to effectively manage any expansion of its business.

3. RISK FACTORS (Cont'd)

(j) Adequacy of Insurance

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could potentially jeopardise its business operation. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets on a continuous basis.

For the Group's operations, all assets such as the manufacturing plant, inventories, office equipment and furniture and fittings are insured under fire policies. The Group has purchased insurance policies, among others, for fire breakout as well as fire loss. Although the Group has taken the necessary measures to ensure that all its assets are covered by insurance, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or any losses arising therefrom. The management of the Group believes that its insurance coverage is adequate and sufficient.

(k) Future Capital Injection

The net proceeds of the Public Issue coupled with the cash flow from its operations will, in the opinion of the Directors of the Group, be sufficient to meet the Group's projected capital, working capital and other cash requirements. However future events, unforeseen by the Group, may require additional capital to be injected into the Group. Should this be the case, no assurance can be given that the Group will procure this additional capital on terms satisfactory to the Group. The Company's shareholders could potentially be faced with a dilution of their shareholdings should there be an offer of additional equity or other forms of convertible securities to prospective shareholders in the Company.

(l) Acquisitions and Joint Ventures

Should the opportunity arise, the Group may acquire new businesses or technologies or enter into joint ventures that in the opinion of the Directors will be in the best interest of the Group. These acquisitions or joint ventures may require the Group to seek additional capital that may or may not be available on terms satisfactory to the Group. Furthermore there can be no assurance that the Group will be able to successfully identify acquisitions or joint ventures that will be beneficial to the Group and reap the anticipated benefits in the long term. Apart from the additional cost of capital, such acquisitions or joint ventures may result in additional contingent liabilities and the incurrence of amortisation expenses related to goodwill and other forms of intangible assets.

The Group will mitigate this risk, together with other possible venture risks in the future by exercising due care in the evaluation of such ventures and consider related risks prior to undertaking any acquisition and joint ventures. Nevertheless, there can be no assurance that such acquisitions and ventures, if any, will yield positive returns to the Group.

(m) Future Expansion in Overseas Markets

The growth and marketing strategy of the Group will involve the establishment of sales offices in countries that include the United States of America, United Kingdom, Japan, Finland, China, Germany, South Korea and France. Approximately RM0.9 million from the proceeds of the Public Issue has been earmarked to finance the establishment of sales offices in some of these countries. These sales offices will be managed by staff hired in each respective country who shall be actively engaging in the promotion of the Group's business activities and to establish a business presence in each market.

3. RISK FACTORS (Cont'd)

No assurance can be given that these sales offices will be successful or will generate significant revenue. The risks associated with such expansion include compliance with domestic regulatory requirements and laws, efficiently managing these offices, the risk of repatriating earnings and currency fluctuations that could adversely affect the financial performance of the Group.

The Group however plans to adopt a prudent approach in establishing such overseas offices by constantly monitoring costs and ensuring that it employs capable staff for these offices.

(n) Ownership and Control of the Company

Following the Public Issue, the Promoters will collectively hold approximately 51.7% of K-One Tech's issued and paid-up share capital. As a result, these shareholders, acting together, will possess voting control over the Company, giving them the ability, amongst others, to influence the appointment of the Board of Directors and certain corporate transactions unless it is required to abstain from voting by law, covenants and/or by relevant authorities. As a step towards good corporate governance, the Group has appointed Independent Directors and an audit committee is also in place to ensure that all future transactions involving related parties, if any, are entered into on arms-length terms.

(o) Disclosure Regarding Forward-Looking Statements

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by K-One Tech, Directors or employees acting on the Company's behalf, that are not statements of historical fact, constitute "forward-looking statements". Investors can identify some of these statements by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, investors should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to the Company's revenue and profitability, cost measures, planned strategy and any other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

(p) Change in or Loss of Pioneer Status

By virtue of its MSC status, K-One Tech was granted pioneer status on 11 September 2002 for an initial 5 years periods by MDC pursuant to Section 4A of the Promotion of Investments Act, 1986. Approval of K-One Tech's pioneer status can be extended for a further five (5) years upon the expiry of the first five (5) years. This is given at the discretion of MITI with the concurrence of the Minister of Finance. However, should K-One Tech succeed in obtaining a renewal of its pioneer status, it cannot in any event continue for a period beyond ten (10) years. No assurance can therefore be given that such approval at that point in time will be granted.

K-One Ind was also granted Pioneer Status on 31 October 2003 by MITI pursuant to the Promotion of Investments Act, 1986. Pioneer status allows the company full exemption from having to pay Malaysian income tax for a maximum period of five (5) years.

Without their respective pioneer status, both K-One Tech and K-One Ind will be required to pay the statutory income tax.

3. RISK FACTORS (Cont'd)

(q) Delays in Product Development

Developing new products inherently face the risk of not meeting targeted deadlines due to a variety of causes such as changes to design specifications, quality control issues, human resource constraints, extended test time requirements, additional feature and function requirements, changing customer needs, unanticipated operational impact which necessitates software changes and a variety of other causes. Such delays are not uncommon, and the bigger the design/development project, the longer the potential delay.

The Group intends to minimise such delays by stringent control of the entire product development life cycle of each and every product it develops and supports, by focusing on regular training of its development management and staff, by having focus groups with key users who will act as the domain experts to help ensure that the product specifications meet customer needs, by insisting on regular milestone checkpoint reviews, and by clear and precise documentation to enable effective project resumption in case of human resource interruptions.

(r) Uncertainty in the Proposed 5-Year Business Development Plan

The Group's proposed future plan and prospects will be dependent upon, among other things, the Group's ability to enter into strategic marketing or other arrangements on a timely basis and on favourable terms; hire and retain skilled management as well as financial, technical, marketing and other personnel; successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service controls); and obtain adequate financing as and when needed. As a mitigating factor, the Group has been in operation since 2001 and its management is experienced in the industry. Nevertheless, there can be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans. In addition, the actual results may deviate from the business plan due to rapid technological changes, market as well as competitive pressures.

(s) Breakout of Fire, Energy Crisis and Other Emergency Crisis

Every business faces the risks of losses arising from emergencies such as breakout of fire and energy crisis. The Group has taken note of such risks and has taken various steps to reduce such risks by having proper fire-fighting systems, segregating the storage of its finished products from the production area and carrying out periodical review on its security and maintenance by its personnel. In the event of a temporary energy crisis, the shortfall in production volume can be made up by increasing the scheduled production volume. The Group has also taken fire insurance coverage to mitigate the financial losses from such happenings where possible.

(t) Change in or Loss of MSC Status

K-One Tech was granted MSC status on 11 September 2002 by MDC. MDC is the body responsible for assessing and monitoring all MSC status companies. With its MSC status, K-One Tech enjoys certain financial and non-financial incentives which are guaranteed under the Government's Bill of Guarantees for MSC status companies.

The financial incentives include, amongst others, the following: -

- a five (5) year exemption from Malaysian income tax (only on income derived from MSC related activities) commencing from the date the company starts generating income, renewable up to ten (10) years. Renewal will depend on the Group's performance in transferring technology or knowledge to Malaysia, or 100% investment tax allowance on new investments made in the MSC cyber cities, commencing from the date on which the first qualifying capital expenditure is incurred;

3. RISK FACTORS (Cont'd)

- duty free importation of multimedia equipment, provided that the equipment is used by the company in the operation of its business, and not for direct sale and trading or use as components in manufactured items; and
- R&D grants for MSC small and medium enterprises that are at least 51% Malaysian owned.

The non-financial incentives include: -

- unrestricted employment of foreign knowledge workers;
- freedom of ownership; and
- freedom to source capital for MSC infrastructure and the right to borrow funds globally. All MSC status companies will be given exemptions by the Controller of Foreign Exchange from exchange control requirements, which will allow them to execute transactions in any currency in Malaysia or elsewhere, borrow any amount from financial institutions, associate companies or non-residents, hedge foreign exchange exposure, remit funds globally and open foreign currency accounts in Malaysia or abroad with no limits on balances.

Insofar as its MSC status is concerned, K-One Tech may lose its status if it fails to comply with the conditions for MSC status as set out by the MDC. The MDC does have the discretion to revoke such status. K-One Tech is of the view that it has complied with these conditions and will continue to do so. Nonetheless, no assurance can be given that it will continue to retain its MSC status and should it fail to retain it, it will not be entitled to the benefits accorded with MSC status.

(u) Failure/Delay In The Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occurs:

- (i) The underwriters of the Public Issue fail to honour their obligations under the underwriting agreement;
- (ii) The selected investors under the private placement fail to subscribe the Public Issue Shares allocated to them; and
- (iii) K-One Tech is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of K-One Tech must be held by a minimum of 200 public shareholders holding no less than 100 ordinary shares in K-One Tech each.

(v) Financial Risks

Indebtedness

The K-One Group has maintained trade facilities with local financial institutions for its business. These facilities are interest bearing and hence subject to any future fluctuations in interest rates. These fluctuations may in turn affect the Group's profitability. As at 7 November 2005 (being the latest practicable date prior to the printing of this Prospectus), the K-One Group has outstanding borrowings amounting to approximately RM1.2 million with a local financial institution.

Whilst no assurance can be given that the performance of the K-One Group will continue to remain favourable in the event of fluctuations in changes in the interest rates, the K-One Group's prudent approach towards cash management should ensure that sufficient funds will be generated to ensure the timely repayment of its bank borrowings.

3. RISK FACTORS (Cont'd)

Capital Commitment

The Group does not have any material commitment, which may have a substantial impact on the result or the financial position of the Group.

(w) Dependence on protection of IP

The K-One Group's success is also dependent on its ability to protect its IP such as its trademark, in-house product design specialised manufacturing and testing processes. Currently, the K-One Group is in the process of registering the 'K-One' logo as a trademark which is pending publication in the Government gazette. It will also take steps to patent its in-house product designs, specialized manufacturing and testing processes to prevent unauthorized usage and copying by third parties. However, there can be no assurance that the Group will be able to protect its proprietary rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial condition.

(x) Security and systems disruptions

The K-One Group's operations may be interrupted by security and system disruptions. Events that may lead to security risks and system disruptions include virus infection of the computer system and power failure. No assurance can be given that a disruption to the Group's operations will not arise.

The management of the K-One Group take regular measures to minimise the risk of its operations being disrupted by ensuring that its computer system is protected by a firewall and anti-virus software. Its manufacturing facility is backed up with a generator set to run critical machines and assembly lines in the event of a power failure to minimize production disruption.

The K-One Group has not experienced any major service disruption for the past years, and will continue to ensure viability of the services by continuously taking the necessary preventive measures as mentioned above.

(y) Changing Economic Conditions

The Group may be affected by cyclical variation as dictated by the level of economic activities. The demand of the Group's D&D and/or manufacturing services and products is closely associated with the general economic climate as well as the degree of business activity of the Group's customer base. A general slowdown in the business environment may result in a decrease in demand for the Group's services and/or products.

However, the Group will continue to review its business development strategies in response to the ever-changing economic conditions and market demands. Nonetheless, no assurance could be given that any change to these factors would not have any material adverse impact on the Group's business.

3. RISK FACTORS (Cont'd)

(z) Risk in Rapid Technology Changes

Technology used by the K-One Group is subject to the risk of rapid change in technology. The Group intends to overcome the challenges by:-

- Keeping close monitor of the latest development in technology and innovation.
- Keeping its product designers and developers in constant update of these core technology and innovation developments.
- Keeping close monitor of the market's changing needs.
- Relating the observed technological and innovation developments with the changes in customers' and industry's requirement.
- Continuously enhancing its product and services based on the latest cost and operationally accepted technological innovation changes to fulfill the requirements in a timely and most cost effective manner.

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