

K-One

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006**



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

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006**
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
Note	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
Operating revenue	11,336	N/A	29,806	N/A
Cost of sales	(8,472)	N/A	(21,767)	N/A
Gross profit	2,864	N/A	8,039	N/A
Other income	-	N/A	77	N/A
Operating expenses	(1,349)	N/A	(3,956)	N/A
Profit from operations	1,515	N/A	4,160	N/A
Interest income	2	N/A	9	N/A
Interest expense	(25)	N/A	(40)	N/A
Profits before taxation	1,492	N/A	4,129	N/A
Taxation	-	N/A	-	N/A
Net profits for the period	1,492	N/A	4,129	N/A
<u>Attributable to:</u>				
Equity holders of the parent	1,501	N/A	4,201	N/A
Minority interests	(9)	N/A	(72)	N/A
Net profits for the period	1,492	N/A	4,129	N/A
<u>Earnings per share</u>				
<u>attributable to:</u>				
Equity holders of the parent				
Basic (sen)	1.47	N/A	4.12	N/A
Diluted (sen)	1.47	N/A	3.53	N/A

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the Notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 30 September 2006 announced by the Company is in compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

As this is the fifth quarterly reporting being drawn up as a listed company, there are no comparative figures for the preceding year corresponding quarter.



K-One Technology Berhad (539757-K)
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CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006

	Note	(Unaudited) As at 30.09.2006 RM'000	(Audited) As at 31.12.2005 RM'000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		1,243	N/A
Goodwill		22	N/A
		<u>1,265</u>	<u>N/A</u>
<i>Current assets</i>			
Inventories		8,622	N/A
Trade receivables		14,880	N/A
Other receivables		1,614	N/A
Tax recoverable		14	N/A
Fixed deposits		-	N/A
Cash and cash equivalents		4,071	N/A
		<u>29,201</u>	<u>N/A</u>
Total Assets		<u>30,466</u>	<u>N/A</u>
EQUITY AND LIABILITIES			
<i>Capital and Reserves</i>			
Equity attributable to equity holders of the parent			
Share capital		10,206	N/A
Share premium		-	N/A
Reserves		7,069	N/A
		<u>17,275</u>	<u>N/A</u>
Minority interest		-	N/A
Total equity		<u>17,275</u>	<u>N/A</u>



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CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006 - continued

	(Unaudited) As at 30.09.2006 RM'000	(Audited) As at 31.12.2005 RM'000
EQUITY AND LIABILITIES		
<i>Non-current liability</i>		
Hire purchase creditors	193	N/A
<i>Current liabilities</i>		
Trade payables	10,531	N/A
Other payables and accruals	572	N/A
Amount due to Directors	171	N/A
Bank overdraft	-	N/A
Borrowings	1,655	N/A
Hire purchase creditor	69	N/A
	<hr/> 12,998 <hr/>	<hr/> N/A <hr/>
Total Liabilities	13,191	N/A
Total equity and liabilities	<hr/> 30,466 <hr/>	<hr/> N/A <hr/>
Net assets per shares attributable to equity holders of the parent (sen)	16.9	N/A

Notes

The unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the Notes to the Interim Financial Report.

The unaudited Condensed Balance Sheet as at 30 September 2006 announced by the Company is in compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

	Note	<-----Attributable to equity holders of the parent ----->				Minority interest RM'000	Total Equity RM'000
		<i>Non-distributable</i> Share capital RM'000	<i>Share premium</i> RM'000	<i>Distributable</i> Retained profits RM'000	Total RM'000		
At 1 January 2006							
As previously stated		3,780	5,007	2,352	11,139	-	11,139
Effect of FRS 3				2,124	2,124	-	2,124
As restated		3,780	5,007	4,476	13,263	-	13,263
Bonus issue		6,426	(5,007)	(1,419)	-	-	-
Dividends paid				(189)	(189)	-	(189)
Net assets of minority interest		-	-	-	-	72	72
Net profits for the period				4,201	4,201	(72)	4,129
At 30 September 2006		10,206	-	7,069	17,275	-	17,275

Notes

The unaudited Condensed Consolidated Statement of changes in equity should be read in conjunction with the Notes to the Interim Financial Report.

The unaudited Condensed Statement of changes in equity for the financial period ended 30 September 2006 announced by the Company is in compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

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K-One Technology Berhad (539757-K)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006
(The figures have not been audited)

	(Unaudited) As at 30.09.2006 RM'000	As at 30.09.2005 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	4,129	N/A
Adjustments for:		
Depreciation of property, plant and equipment	332	N/A
Interest income	(9)	N/A
Interest expenses	40	N/A
Operating profit before working capital changes	4,492	N/A
Changes in working capital		
Increase in inventory	(3,398)	N/A
(Increase)/Decrease in trade receivables	(8,393)	N/A
Decrease in other receivables	1,124	N/A
Increase/(Decrease) in trade payables	5,398	N/A
Decrease in other payables	(1,460)	N/A
Cash used in operations	(2,237)	N/A
Interest paid	(40)	N/A
Taxation paid	-	N/A
<i>Net cash used in operating activities</i>	(2,277)	N/A
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	33	N/A
Proceeds from increase in share capital of subsidiary	90	N/A
Purchase of property, plant and equipment	(520)	N/A
<i>Net cash used in investing activities</i>	(397)	N/A



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 - continued
(The figures have not been audited)

	(Unaudited) As at 30.09.2006 RM'000	As at 30.09.2005 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(189)	N/A
Repayment of hire purchases	(45)	N/A
Drawdown of borrowings, net of repayment	578	N/A
Interest income	9	N/A
<i>Net cash generated from financing activities</i>	353	N/A
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(2,321)	N/A
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD		
	6,392	N/A
CASH AND CASH EQUIVALENT AT END OF PERIOD		
	4,071	N/A

Included in the purchase of property, plant and equipment is a motor vehicle purchased by means of hire purchase as follows: -

	RM
Cash deposits	14,300
Hire purchase amount	128,700
Total purchase price	143,000

Notes

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Notes to the Interim Financial Report.

The unaudited Condensed Consolidated Cash Flow Statement for the financial period ended 30 September 2006 announced by the Company is in compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

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Interim Financial Reports for the 3rd quarter ended 30 September 2006

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS134 “Interim Financial Reporting” and Chapter 9 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2005. These explanatory notes attached to the financial report provides an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for the financial period beginning 1 January 2006.

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rules
FRS 127	Consolidated and Separated Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the above FRSs, except for FRS3, does not have significant financial impact on the Group. The principal effect of the changes in accounting policies resulting from the adoption of FRS3 is disclosed in Note A2.1 below.

The revised FRSs, which would be adopted from the financial period beginning 1 January 2007, are:

FRS 117	Leases
FRS 124	Related Party Disclosures

A2.1 FRS 3: Business Combinations

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

Intangible assets – goodwill

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. In accordance with the transitional provisions of FRS3, the negative goodwill as at 1 January 2006 of RM2, 124,354 was derecognised with a corresponding adjustment to the opening balance of the retained earnings.

Intangible assets other than goodwill

Under the new FRS 138, computer software is an intangible asset. The new FRS 138 requires that the useful lives of intangible assets other than goodwill be assessed at individual asset level as having either a finite or infinite life. Some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangible assets with definite useful lives are not amortised but instead, are tested for impairment annually. In accordance with the transitional provisions of FRS 138, the changes in the useful life assessment from finite to indefinite are made on a prospective basis.

A2.2 FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, and other related disclosures. In the consolidated balance sheet, minority interest is now presented within total equity. In the consolidated income statement, minority interest is presented as an allocation of the net profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

A2.2 FRS 101: Presentation of Financial Statements (continue)

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

A3. Comparatives

The comparative figures have been restated due to adoption of FRS 3:

	Previously stated RM'000	FRS 3 RM'000	Restated RM'000
Balance as at 01 January 2006 <i>Distributable</i> Retained earnings	2,352	2,124	4,476

A4. Audit Report of the preceding Annual Financial Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2005 was not subject to any qualification.

A5. Seasonality or Cyclicity of Operations

The Group's business is subject to seasonal fluctuations. Business in the first half of the year is normally weaker than the second half of the year. Sales usually peak in the last quarter of the year to catch the Christmas and New Year season overseas.

A6. Unusual Items

During the current quarter under review, there were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows, to the effect that is unusual in nature, size or incidence.

A7. Change in Estimates

There were no changes in estimates of amounts reported that have material effect on the results for the current quarter under review.

A8. Issuances, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity security during the current quarter under review.

A9. Property, Plant and Equipment

There was no revaluation on property, plant and equipment of the Group during the current quarter under review.

A10. Dividends

For the quarter under review, there was no dividend declared.

A11. Segmental Information

Commencing this financial year there is about 5 % of local business contributed mainly by the multinationals located in Malaysia. The balance of the business exceeding 95% continues to be exported to Europe, US and North Asia.

A12. Material Events Subsequent to 30 June 2006

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the financial statements, except for those fully explained in Note **B8** and the followings: -

- (a) Announcement was made on 7 Nov 2006 in relation to Corporate Guarantee issued in favour of United Overseas Bank for credit facilities extended to its wholly owned subsidiary, K-One Industry Sdn Bhd. Please refer to the said announcement for more details.

A13. Changes in the Composition of the Group

There were no other changes in the composition of the Group during the quarter and up to the date of this report.

A14. Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets as at 30 September 2006 and up to the date of this report.

A15. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2006 were as follows:

	As at 30 September 2006
	<u>RM'000</u>
Entered into Sale and Purchase Agreement for the proposed purchase of 2 units of 4 storey shoplots	2,100



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Notes to the Interim Financial Reports for the 3rd quarter ended 30 September 2006

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD ('BURSA SECURITIES')

B1. Review of Performance

For the third quarter ended 30 September 2006, the Group recorded revenue of RM11.3 million and profit-attributable-to-equity-holders-of-parent-company of RM1.5 million. For the first 9 months, the Group recorded revenue of RM29.8 million and profit-attributable-to-equity-holders-of-parent –company of RM4.2 million.

There is no comparison with the corresponding quarter results in the preceding year as this is the fifth quarterly consolidated result drawn up as a listed company.

B2. Comparison of Current Quarter Results with the Preceding Quarter

For the 3rd quarter ended 30 September 2006, the Group achieved revenue of RM11.3 million and profit-attributable-to-equity-holders–of–parent-company of RM1.5 million compared to turnover of RM10.1 million and profit-attributable-to-equity-holders-of-parent-company of RM1.5 million respectively for the second quarter ended 30 June 2006. Revenue was 11.9% higher, while profit-attributable-to-equity-holders-of-parent-company remains the same due to higher expenses in view of impeding higher sales volume.

B3. Prospects for the current financial year

Barring any unforeseen circumstances, the Board is optimistic of the Group's performance for the financial year ending 31 December 2006 and profitability is expected to trend higher due to expected higher sales in the last quarter of the year.

B4. Variance on Profit Forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

B5. Taxation

No provision for taxation was required for the financial period ended 30 September 2006 in respect of its core activities as the Group is still within the tax exemption period granted by the Ministry of International Trade and Industry and the Ministry of Finance.

B6. Profit on Sale of Unquoted Investment and/or Properties

There was no disposal of unquoted investment or properties during the financial quarter under review.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the financial quarter under review.

B8. Status of Corporate Proposals

There are no new corporate proposals except for those completed during the previous quarter, which has been announced.

Status of Utilisation of Proceeds

As at 30 September 2006, the proceeds arising from the public issue of approximately RM 8, 369,000 were utilised as follows:

Purpose	Proposed utilization RM'000	Amount utilized RM'000	Balance RM'000
Upgrading of D&D Centre	1,500	Nil	1,500
Establishment of global sales offices	900	Nil	900
Expansion plans for manufacturing facilities	1,550	Nil	1,550
Working capital	3,219	3,219	Nil
Estimated shares issue expenses	1,200	1,200	Nil
Total	8,369	4,419	3,950

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 30 September 2006 are as follows:

	RM'000
Short term borrowings – unsecured	
Bankers' acceptance	1,655
Hire purchase	69
Long term borrowings – unsecured	
Hire purchase	193
Total Borrowings	1,917

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material Litigations

As at the date of this report announced, there was no material litigation against the Group

B12. Earnings Per Share

(a) Basic earnings per share

The earnings per share for the current year to date is calculated by dividing the net profit attributable to equity holders of the parent of RM4.201 million by the number of shares in issue of 102,060,000 of RM0.10 each per ordinary shares.

	Current quarter 30/09/2006	Current year to-date 30/09/2006
Profit attributable to equity holder of the parent (RM'000)	1,501	4,201
No of Ordinary shares of RM0.10 par each ('000)	102,060	102,060
Basic Earnings per Ordinary Shares (sen)	1.47	4.12

(b) Fully Diluted Earnings per Share

For the purpose of calculating diluted earnings per share, the weighted average number of shares has been adjusted for the dilutive effects of the shares options granted to the employees.

	Current quarter 30/09/2006	Current year to-date 30/09/2006
Profit attributable to equity holder of the parent (RM'000)	1,501	4,201
Weighted average number of Ordinary shares of RM0.10 each ('000)	102,060	102,060
Effect of dilution of share options	0	16,875
Adjusted weighted average number of ordinary shares in issue and issuable	102,060	118,935
Diluted Earnings per Ordinary Share (sen)	1.47	3.53