

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**



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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2007
(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	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	RM'000	RM'000	RM'000	RM'000
Operating revenue	9,206	8,402	9,206	8,402
Cost of sales	(6,308)	(6,072)	(6,308)	(6,072)
Gross profit	2,898	2,330	2,898	2,330
Other income	20	5	20	5
Operating expenses	(1,762)	(1,125)	(1,762)	(1,125)
Profit from operations	1,156	1,210	1,156	1,210
Interest income	12	5	12	5
Interest expense	(50)	(6)	(50)	(6)
Profits before taxation	1,118	1,209	1,118	1,209
Taxation	-	-	-	-
Pre-acquisition profit	-	-	-	-
Net profits for the period	1,118	1,209	1,118	1,209
<u>Attributable to:</u>				
Equity holders of the parent	1,118	1,209	1,118	1,209
Minority interests	-	-	-	-
Net profits for the period	1,118	1,209	1,118	1,209
<u>Earnings per share</u>				
<u>attributable to:</u>				
Equity holders of the parent				
Basic (sen)	1.09	3.20*	1.09	3.20*
Diluted (sen)	1.00	2.93*	1.00	2.93*

*The EPS calculation is before taking into account the bonus issue of 17 new ordinary shares for every 10 existing shares. Retrospectively, the basic and diluted EPS after taking into account the bonus issues will be 1.18 sen and 1.15 sen respectively.

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 31 March 2007 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.



K-One Technology Berhad (539757-K)
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**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007**

	Note	(Unaudited) As at 31.03.2007 RM'000	(Audited) As at 31.12.2006 RM'000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		5,934	4,074
Goodwill		23	23
		<u>5,957</u>	<u>4,097</u>
<i>Current assets</i>			
Inventories		10,452	9,499
Trade receivables		13,937	16,084
Other receivables		1,360	1,459
Tax recoverable		11	11
Cash and cash equivalents		5,147	4,968
		<u>30,907</u>	<u>32,021</u>
Total Assets		<u>36,864</u>	<u>36,118</u>
EQUITY AND LIABILITIES			
<i>Capital and Reserves</i>			
Equity attributable to equity holders of the parent			
Share capital		10,206	10,206
Share premium		-	-
Reserves		10,066	8,948
		<u>20,272</u>	<u>19,154</u>
Minority interest		-	-
Total Equity		<u>20,272</u>	<u>19,154</u>



K-One Technology Berhad (539757-K)
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CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007- continued

	(Unaudited) As at 31.03.2007 RM'000	(Audited) As at 31.12.2006 RM'000
Note	<hr/>	<hr/>
EQUITY AND LIABILITIES		
<i>Non-current liabilities</i>		
Hire purchase creditors	169	185
Long term loan	1,612	1,533
	<hr/>	<hr/>
	1,781	1,718
<i>Current liabilities</i>		
Trade payables	8,087	11,946
Other payables and accruals	228	728
Amount due to Directors	200	170
Bank overdraft	932	322
Borrowings	5,297	2,013
Hire purchase creditors	67	67
	<hr/>	<hr/>
	14,811	15,246
Total Liabilities	16,592	16,964
Total Equity and Liabilities	<hr/>	<hr/>
	36,864	36,118
Net assets per share attributable to equity holders of the parent (sen)	19.86	18.77

Notes

The unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed Balance Sheet as at 31 March 2007 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 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2007

	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 2007		10,206	-	8,948	19,154	-	19,154
Net assets of minority interest		-	-	-	-	-	-
Net profits for the period		-	-	1,118	1,118	-	1,118
At 31 March 2007		10,206	-	10,066	20,272	-	20,272

	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		3,780	5,007	2,352	11,139	-	11,139
As previously stated							
Effect of adopting FRS 3		-	-	2,124	2,124	-	2,124
At 1 January 2006 (restated)		3,780	5,007	4,476	13,263	-	13,263
Net profits for the period		-	-	1,209	1,209	-	1,209
At 31 March 2006		3,780	5,007	5,685	14,472	-	14,472

Notes

The unaudited Condensed Consolidated Statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed Statement of changes in equity for the financial period ended 31 March 2007 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.



K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2007**

(The figures have not been audited)

	(Unaudited) As at 31.03.2007 RM'000	(Audited) As at 31.03.2006 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	1,118	1,209
Adjustments for:		
Depreciation of property, plant and equipment	158	83
Interest income	(12)	(5)
Interest expenses	50	6
Gain on disposal of property, plant and equipment	(9)	-
Operating profit before working capital changes	1,305	1,293
Changes in working capital		
Increase in inventories	(953)	(335)
Decrease /(Increase) in trade receivables	2,147	(2,768)
Decrease in other receivables	99	2,259
(Decrease)/ Increase in trade payables	(3,859)	1,190
Decrease in other payables	(470)	(1,658)
Cash used in operations	(1,731)	(19)
Interest paid	(50)	(6)
Taxation paid	-	-
<i>Net cash used in operating activities</i>	(1,781)	(25)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	9	-
Purchase of property, plant and equipment	(2,018)	(118)
<i>Net cash used in investing activities</i>	(2,009)	(118)



K-One Technology Berhad (539757-K)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2007- continued
(The figures have not been audited)

	(Unaudited) As at 31.03.2007 RM'000	(Audited) As at 31.03.2006 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of hire purchases	(16)	(23)
Drawdown of borrowings, net of repayment	3,363	(386)
Interest income	12	5
<i>Net cash from/(used in) financing activities</i>	3,359	(404)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(431)	(547)
EFFECT OF EXCHANGE RATE CHANGES	-	-
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	4,646	6,392
CASH AND CASH EQUIVALENT AT END OF YEAR	4,215	5,845

Cash and cash equivalent comprise of the following:

	As at 31.03.2007 RM'000	As at 31.03.2006 RM'000
Overdraft	(932)	-
Cash and bank balances	5,147	5,845
	4,215	5,845

Notes

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed Consolidated Cash Flow Statement for the financial period ended 31 March 2007 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 1st quarter ended 31 March 2007

1. 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 2006. 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 2006.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 which includes the following Financial Reporting Standards (“FRS”): -

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

2. Changes in Accounting Policies – cont'd

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

2.1 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 RM2,124,353 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 is made on a prospective basis.

2.2 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.

2.2 FRS 101: Presentation of Financial Statements (continue)

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. 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.

3. 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 at 1 January 2006			
<i>Distributable</i>			
Retained earnings	2,352	2,124	4,476

4. Auditors' Report on preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2006 was not qualified.

5. Comments About Seasonal or Cyclical Factors

The Group's business is subject to seasonal fluctuation. 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 seasons overseas.

6. Unusual Items Due To Their Nature, Size or Incidence

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.

7. Significant Estimates And 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.

8. 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.

9. Dividends

The Directors recommend the payment of a first and final tax-exempt dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2006 which is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

In respect of the financial year ended 31 December 2005, first and final tax-exempt dividend of 1.852% on 102,060,000 ordinary shares of RM0.10 each was paid on 7 July 2006.

10. Segment Information

Segment information is provided based on contribution by activities and sales contribution by geography. Expenses, assets and liabilities which are common and cannot be meaningfully allocated to the segments are presented under unallocated expenses, assets and liabilities respectively.

10. Segment Information – cont'd

(b) Sales Contribution by Geography

The geographical sales breakdown is as follows:

	3 months ended 31 March 2007 RM'000	3 months ended 31 March 2006 RM'000
Malaysia	394	-
Europe	6,904	6,722
USA	244	127
North Asia	1,664	1,553
	9,206	8,402

11. Material Events Subsequent to 31 March 2007

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 disclosed at Note 23.

12. Property, Plant and Equipment

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

13. Changes in the Composition of the Group

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

14. Changes in Contingent Liabilities or Contingent Assets

(a) An announcement was made on 6 November 2006, that the Board of Directors of K-One Technology Berhad has given corporate guarantee of RM7,380,000 in favour of United Overseas Bank Berhad for credit facilities of the same quantum being granted to K-One Technology Berhad's wholly-owned sub-subsidiary, K-One Industry Sdn Bhd .

(b) An announcement was made on 6 February 2007, that the Board of Directors of K-One Tech has given corporate guarantee of RM7,000,000 in favour of AmBank (M) Berhad for the credit facilities of the same quantum being granted to K-One Tech's wholly-owned sub-subsidiary, K-One Industry Sdn Bhd ("K-One Industry").

There were no material contingent liabilities or contingent assets as at 31 March 2007 and up to the date of this report.

15. Capital Commitments

There were no material capital commitments as at 31 March 2007 and up to the date of this report.

16. Review of Performance

The Group's sales turnover for the quarter ended 31 March 2007 (1Q'07) was RM 9.2 million which is approximately 10 % higher as compared to the same quarter of the preceding year of RM 8.4 million. Profit attributable to equity holders of the Company was RM1.18 million for the quarter ended 31 March 2007 (1Q'07), which is about the same as compared to the RM1.20 million profits for the same quarter of the preceding year..

The reduced net profit margin to sales is mainly attributed to higher expenses due to more new hires, particularly, engineers to beef up the D&D team to cater and prepare for future potential projects. Furthermore, additional depreciation, travelling and other marketing expenses were incurred to secure the same future potential business as preceding.

17. Comparison of Current Quarter Results with the Preceding Quarter

The Group's sales turnover was lower at RM9.2 million for 1Q'07 as compared to RM15.5 million for 4Q'06. Sales for the quarter which was expected to decline marginally in comparison with the preceding quarter, however, declined higher than expected due to delay in the launching of both the new and face-lifted desk-top charger cum communication port. The delay was caused by the rescheduling of the launch of new mobile phones by our client which the desk-top chargers were intended for bundling. It is expected to play catch up in the 2nd half of 2007.

The Group recorded a lower profit attributable to equity holders of the Company of RM1.18 million for 1Q'07 as compared to RM 1.88 million for the preceding quarter ended 31 December 2006.

18. 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 2007.

19. Variance on Profit forecast and Profit Guarantee

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

20. Taxation

No provision for taxation was required for the financial period ended 31 March 2007 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.

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

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

22. Purchase and Disposal of Quoted Securities

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

23. Status of Corporate Proposals

(a) An announcement was made on 21 December 2006 that the Board of Directors of K-One Technology Berhad ("K-One Tech") has entered into an agreement to acquire 200,000 ordinary shares of RM1.00 each in Moltec Precision Sdn Bhd ("Moltec") representing 20% equity interest in Moltec for a cash consideration of RM4,592,800. The acquisition is to be completed by 31 March 2007 with option to extend completion till 30 July 2007. Pursuant to this, a notice of Extraordinary Meeting ("EGM") was made to inform shareholders via circular dated 25 May 2006 that an EGM will be held on 8 June 2006 to obtain shareholders approval for the proposed acquisition.

(b) On 15 January 2007, the Company proposed a "Renounceable Rights Issue of New Ordinary Shares of RM0.10 each in K-One Tech ("Rights Shares") together with Free Detachable New Warrants ("Warrants") on the basis of one (1) Rights Share and two (2) Warrants for every ten (10) existing ordinary shares of RM0.10 each in K-One Tech ("K-One Tech Shares" or "Shares") at an issue price to be determined later. Subsequently, an EGM was held on 23 March 2007 and shareholders of K-One Tech approved the issuance of a total of 11,226,600 new ordinary shares of RM0.10 each together with 22,453,300 free detachable warrants on the basis of one (1) Rights Share and two free (2) Warrants for every ten (10) existing K-One Tech shares.

Following to that, on the 28 March 2007, it was announced that the Board has resolved to fix the issue price of the Rights Shares at RM1.62 per Rights Share and the exercise price of the Warrants at RM1.81 per Warrant.

The listing of both the Rights shares and Warrants is scheduled to be on 7 June 2007.

23. Status of Corporate Proposals – cont'd

The rationale for the Proposed Rights Issue with Warrants is as follows:-

- (i) to raise additional working capital for K-One Tech and its subsidiaries ("K-One Group") via the Rights Shares and subsequent exercise of the Warrants;
- (ii) to provide shareholders of K-One Tech an opportunity to increase their equity participation in the Company in terms of number of shares; and
- (iii) to improve the liquidity of the K-One Tech Shares traded on Bursa Securities.

For further details of the above-mentioned corporate exercise, kindly refer to the announcement made on 15 January 2007.

Status of Utilisation of Proceeds

As at 31 March 2007, the proceeds arising from the public issue of approximately RM8.369 million were utilised as follows:

Purpose	Proposed utilization RM'000	Amount utilized RM'000	Balance RM'000
Upgrading of D&D Centre	1,500	406	1,094
Establishment of global sales offices	900	-	900
Expansion plans for manufacturing facilities	1,550	829	721
Working capital	3,219	3,219	-
Estimated shares issue expenses	1,200	1,200	-
Total	8,369	5,654	2,715

24. Group Borrowings and Debt Securities

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 31 March 2007 are as follows:

	RM'000
Short term borrowings	
<u>Unsecured</u>	
Bankers' acceptance	5,211
Trust receipt	43
Letter of credit	43
<u>Secured</u>	
Hire purchase creditors	67
	5,364
Long term borrowings	
<u>Secured</u>	
Hire purchase creditors	169
Term loan	1,612
	1,781
Total Borrowings	7,145

25. Off Balance Sheet Financial Instruments

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

26. Material Litigations

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

27. Earnings Per Share

(a) Basic earnings per share

	3 months and year to-date ended	
	31.03.07	31.03.06
Profit attributable to equity holder of the parent (RM'000)	1,118	1,209
No of Ordinary shares of RM0.10 par each ('000)	102,060	37,800*
Basic Earnings per Ordinary Shares ("EPS")(sen)	1.09	3.20*

**The Basic EPS calculation is before taking into account the bonus issue of 17 new ordinary shares for every 10 existing shares. Retrospectively, the basic EPS after taking into account the bonus issues will be 1.18 sen.*

(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 and the rights issue.

	3 months and year to-date ended	
	31.03.07	31.03.06
Profit attributable to equity holder of the parent (RM'000)	1,118	1,209
Weighted average number of Ordinary shares of RM0.10 each ('000)	102,060	37,800^
Effect of dilution of share options ('000) <i>Based on post- bonus issue, ESOS exercise price of RM0.28 (rounding up to nearest 2 decimal place)</i>	3,447	3,420
Effect of rights shares ('000)	5,953	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	111,460	41,220
Diluted Earnings per Ordinary Shares (sen)	1.00	2.93^

^The Diluted EPS calculation is before taking into account the bonus issue of 17 new ordinary shares for every 10 existing shares. Retrospectively, the diluted EPS after taking into account the bonus issues will be 1.15 sen.

28. Authorised For Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 24 May 2007.