

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008**



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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008
(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	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	RM'000	RM'000	RM'000	RM'000
Operating revenue	17,625	17,534	43,809	37,658
Cost of sales	(13,984)	(14,507)	(34,068)	(28,660)
Gross profit	3,641	3,027	9,741	8,998
Other income	16	7	42	34
Operating expenses	(2,188)	(2,001)	(6,132)	(5,750)
Profit from operations	1,469	1,033	3,651	3,282
Interest income	2	75	24	105
Interest expense	(126)	(56)	(282)	(193)
Profits before taxation	1,345	1,052	3,393	3,194
Taxation	(35)	-	(35)	-
Profits after taxation before Minority interest	1,310	1,052	3,358	3,194
Share of profits from associate company	65	271	288	271
Net profits for the period	1,375	1,323	3,646	3,465
<u>Attributable to:</u>				
Equity holders of the parent	1,362	1,323	3,437	3,510
Minority interests	13	-	209	(45)
Net profits for the period	1,375	1,323	3,646	3,465
<u>Earnings per share</u>				
<u>attributable to:</u>				
Equity holders of the parent				
Basic (sen)	1.21	1.18	3.06	3.29
Diluted (sen)	1.19	1.15	3.01	3.19

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 30 September 2008 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for MESDAQ Market.



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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2008

	Note	(Unaudited) As at 30.09.2008 RM'000	(Audited) As at 31.12.2007 RM'000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		13,993	9,598
Intangible assets		720	307
Investment in associate company		5,341	5,053
Goodwill		5,545	5,545
		<u>25,599</u>	<u>20,503</u>
<i>Current assets</i>			
Inventories		24,221	18,389
Trade receivables		14,915	15,692
Other receivables		1,348	1,397
Time deposits - pledged		266	266
Bank Guarantee		10	-
Cash and cash equivalents		4,032	7,590
		<u>44,792</u>	<u>43,334</u>
Total Assets		<u>70,391</u>	<u>63,837</u>
EQUITY AND LIABILITIES			
<i>Capital and Reserves</i>			
Equity attributable to equity holders of the parent			
Share capital		11,227	11,227
Share premium		14,813	14,813
Reserves		17,576	14,220
		<u>43,616</u>	<u>40,260</u>
Minority interest		361	147
Total Equity		<u>43,977</u>	<u>40,407</u>



K-One Technology Berhad (539757-K)
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CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2008- continued

		(Unaudited) As at 30.09.2008 RM'000	(Audited) As at 31.12.2007 RM'000
EQUITY AND LIABILITIES			
<i>Non-current liabilities</i>			
Hire purchase creditors	24	905	376
Deferred taxation liability		27	82
Long term loan	24	3,400	1,404
		<u>4,332</u>	<u>1,862</u>
<i>Current liabilities</i>			
Trade payables		9,623	9,195
Other payables and accruals		561	4,049
Amount due to Directors		45	122
Bank overdraft	24	3,307	4,220
Borrowings	24	8,198	3,699
Hire purchase creditors	24	296	228
Tax payable		52	55
		<u>22,082</u>	<u>21,568</u>
Total Liabilities		26,414	23,430
Total Equity and Liabilities		<u>70,391</u>	<u>63,837</u>
Net assets per share attributable to equity holders of the parent (sen)		38.85	35.86

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 30 September 2008 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for MESDAQ Market.

K-One

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

	<-----Attributable to equity holders of the parent ----->					Minority Interest	Total Equity
	<i>Non-distributable</i>		<i>Distributable</i>		Total		
	Share capital	Share premium	Reserve attributable to Revenue	Retained profits			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2008	11,227	14,813	-	14,220	40,260	147	40,407
Net assets from minority interest						5	5
Currency translation differences	-	-	(81)	-	(81)	-	(81)
Net profits for the period	-	-	-	3,437	3,437	209	3,646
At 30 September 2008	11,227	14,813	(81)	17,657	43,616	361	43,977

	<-----Attributable to equity holders of the parent ----->				Minority interest	Total Equity
	<i>Non-distributable</i>		<i>Distributable</i>			
	Share capital	Share premium	Retained profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2007	10,206	-	8,948	19,154	-	19,154
Net assets from minority interest	-	-	-	-	-	-
Issuance of Rights Shares	1,021	14,983	-	16,004	-	16,004
Dividends payable	-	-	(561)	(561)	-	(561)
Net profits for the period	-	-	3,510	3,510	(45)	3,465
At 30 September 2007	11,227	14,983	11,897	38,107	(45)	38,062

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 30 September 2008 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for MESDAQ Market.



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008- continued
(The figures have not been audited)

	(Unaudited)	
	As at 30.09.2008 RM'000	As at 30.09.2007 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of Rights Shares	-	16,534
Dividend Paid	-	(561)
Rights Issues expenses paid	-	(530)
Repayment of hire purchases	(74)	(46)
Drawdown of borrowings, net of repayment	4,200	(200)
Placement of bank guarantee	(10)	-
Interest income	24	105
<i>Net cash generated from financing activities</i>	4,140	15,302
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(2,564)	2,963
EFFECT OF EXCHANGE RATE DIFFERENCES	(81)	-
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	3,370	4,646
CASH AND CASH EQUIVALENT AT END OF YEAR	725	7,609

Cash and cash equivalent comprise of the following:

	As at 30.09.2008 RM'000	As at 30.09.2007 RM'000
Overdraft	(3,307)	(2,842)
Cash and bank balances	4,032	10,451
	725	7,609

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 30 September 2008 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for MESDAQ Market.



K-One Technology Berhad (539757-K)
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Interim Financial Reports for the Third Financial Quarter Ended 30 September 2008

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 2007. These explanatory notes attached to the financial report provides an explanation of the events and transactions that are significant to give an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

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 2007.

During the period under review, the Company adopted foreign currencies standard as follows:-

The individual financial statements of each the Group’s entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and the financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company and also the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

For the purpose of presenting consolidated financial statements, the assets and liabilities for the Group’s foreign operations (including comparative figures) are expressed in Ringgit Malaysia using exchange rate prevailing on the balance sheet date. Income and expenses items (including comparative figures) are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during the period, in which case the

exchange rates at the dates of transactions are used.

The closing rates per unit of Ringgit Malaysia used in the re-translation of subsidiary companies' functional currencies are as follows:

	30.09.2008
Australia Dollar	2.73
Korea Won	0.000896206

Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in income statement on the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. Comparatives

The comparative figures for intangible assets and its amortisation charges have been reflected in the Balance Sheet and Cash Flow Statements.

4. Auditors' Report on Preceding Annual Financial Statement

The auditors' report on the financial statements for the financial year ended 31 December 2007 was not qualified.

5. Comments about Seasonal or Cyclical Factors

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 in preparation for surge in consumer demand during 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 a 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

For the quarter under review, there were no dividends declared.

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.

(a) Contribution by Activities

	Research, design and develop- ment RM'000	Manu- facturing RM'000	Digital Pen & Paper Solutions RM'000	Invest- ment Holding RM'000	Elimina- tion RM'000	Total RM'000
Sales						
External sales	2,849	38,533	2,427		-	43,809
Internal sales	114	2,004			(2,118)	-
Total operating sales	2,963	40,537	2,427	-	(2,118)	43,809
Other income	31	-	11	-	-	42
Interest income	22	84	-	-	(82)	24
	3,016	40,621	2,438	-	(2,200)	43,875
Results						
Segment results	113	3,111	479	(28)	-	3,675
Finance cost	(3)	(279)	-	-	-	(282)
Income tax	(20)	-	(15)	-	-	(35)
Profits after tax before MI	90	2,832	464	(28)	-	3,358
Minority interest						(209)
Share of profits from associate company						288
Profits after tax after MI						3,437

10. Segment Information – cont'd

	Research, design and develop- ment RM'000	Manu- facturing RM'000	Digital Pen & Paper Solutions RM'000	Invest- ment holding RM'000	Elimina- tion RM'000	Total RM'000
Other information						
Segment assets	23,272	54,630	2,541	238	(10,290)	70,391
Unallocated assets						-
						70,391
Segment liabilities	2,303	7,426	560	19	-	10,308
Unallocated liabilities						16,106
						26,414

(b) Sales Contribution by Geography

The geographical sales breakdowns are as follows:

	9 months ended 30 September 2008 RM'000	9 months ended 30 September 2007 RM'000
Malaysia	11,850	1,844
Europe	10,902	16,405
USA	2,692	1,349
Australia	1,438	-
North Asia *	16,927	18,060
	43,809	37,658

* It should be noted that the majority of this sales is attributed to an European customer with manufacturing and distribution facilities based in China.

11. Material Events Subsequent to 30 September 2008

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the financial statements.

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

The changes in the composition of the Group during the quarter under review are as follows:-

- (i) On 24 July 2008, the Company had acquired 5,100 ordinary shares of RM1.00 each representing 51% of the total issued and paid-up capital of K-One Systems Sdn Bhd;
- (ii) On 24 July 2008, the Company incorporated K-One Technology (Korea) Corporation and upon its incorporation in Korea, it become a wholly owned subsidiary of K-One Tech; and
- (iii) On 15 August 2008, the Company announced that its 55% owned subsidiary, BIG'ant (M) Sdn Bhd had incorporated a company in Australia by the name of BIG'ant (Australia) Pty Ltd.

Subsequent to the quarter ended 30 September 2008, the Board of Directors announced the following:-

- (i) On 13 November 2008, the Company incorporated K-One Technology (Australia) Pty Ltd and upon its incorporation in Australia, it become a wholly owned subsidiary of K-One Tech; and
- (ii) On 20 November 2008, the Company acquired 2 ordinary shares of HKD1.00 each representing the total issued and paid-up capital of K-One International Limited, a company incorporated in Hong Kong.

14. Changes in Contingent Liabilities or Contingent Assets

The contingent liabilities as at 30 September 2008 and up to the date of this report are as follows:-

Secured	RM'000
Corporate guarantee for credit facilities granted to a subsidiary company	
- K-One Industry Sdn Bhd	<u>14,380</u>

15. Capital Commitments

There were no material capital commitments for the quarter under review.

16. Review of Performance

For the third quarter ended 30 September 2008, the Group achieved revenue of RM43.8 million and profit attributable to equity holders of the parent company of RM3.4 million as compared to revenue of RM37.7 million and profit attributable to equity holders of the parent of RM3.5 million for the corresponding third quarter ended 30 September 2007. This means that revenue was 16% higher while profit attributable to equity holders was approximately 3% lower. The revenue growth was contributed by the increase in sales of the desk-top charger cum communication port, wire harness and cable assembly. Profit attributable to equity holders declined marginally instead of moving in tandem with revenue due to higher expenses built-in to cater for the substantial impending sales order expected but deferred to the 4th quarter of 2008.

17. Comparison of Current Quarter Results with the Preceding Quarter

Sales turnover for the 3rd quarter of 2008 was higher at RM17.6 million as compared to RM15.3 million in the 2nd quarter of 2008, representing an increase of 15% due to the effect of ramping up of the USB cable business, GPS navigator local launch and launch of the Livescribe's smartpen in Australia. The Group recorded a profit attributable to equity holders of the parent company of RM1.4 million for the quarter ended 30 September 2008 as compared to RM1.0 million for the preceding quarter ended 30 June 2008. Profit attributable to equity holders for the current quarter under review increased by approximately 40% due mainly to increase in sales.

18. Prospects for the current financial year

Despite the subdued global economic outlook, the Board is optimistic of the Group's sales and financial performance for the financial year ending 31 December 2008 for reason that the reliance on sales contribution from the US is insignificant and our business being niche markets where sales growth is less adversely affected.

The Group has launched the GPS navigator under its own brand in August 2008 and is currently on the verge of launching another own brand product line - the Multi-PC. These are expected to contribute positively to both its top and bottom lines for the current and coming years.

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

During the financial period under review, the tax expense is in respect of the interest income earned during the financial year and business income derived from subsidiary companies which has no tax exemption. There is no other tax expense during the financial year as the Company is awarded with MSC-Status, which grants tax exemption for a period of five years and already renewed for another 5 years until 2012.

Noting that the Company's business income is exempted from tax in accordance to its MSC-Status, however, non-business income is chargeable to tax and income tax is calculated at the rate of 20% (2007: 20%) on the first RM 500,000 of the estimated taxable profit and 27% (2007: 27%) on the estimated taxable profit in excess of RM 500,000.

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 were no purchases or disposal of quoted securities during the financial quarter under review.

23. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this Report.

Status of Utilization of Proceeds

As at 30 September 2008, the proceeds arising from the rights issue and public issue in conjunction with the listing of the Company in the MESDAQ Market of Bursa Securities of approximately RM8.369 million were utilized as follows:

Purpose	Proposed utilization RM'000	Actual utilized RM'000	Balance RM'000	Intended timeframe for utilization	Deviation	Explanation
(i) Upgrading of Design & Development Center	1,500	1,500	-	Within 2 years from Listing date of 5 January 2006	-	-
(ii) Establishment of global sales offices	900	900	-	Within 2 years from Listing date of 5 January 2006	-	Note 1
(iii) Expansion plans for manufacturing facilities	1,550	1,550	-	Within 2 years from Listing date of 5 January 2006	-	-
(iv) Working capital	3,219	3,219	-	Immediately after 5 January 2006	-	-
(v) Estimated share issue expenses	1,200	1,200	-	Within 3 months from Listing date of 5 January 2006	-	-
TOTAL	8,369	8,369	-			

Note 1

The Securities Commission has vide its letter dated 9 January 2008 approved the extension of time of 2 years until 5 January 2010 to utilize the said amount.

The Company raised total gross proceeds of RM16.534 million from the Rights Issue with Warrants. As at 31 March 2008, the proceeds were fully utilized as working capital and expenses for Rights Issues with Warrants of RM15.834 million and RM0.7 million respectively.

23. Status of Corporate Proposals – cont'd

Purpose	Proposed utilization RM'000	Actual utilized RM'000	Balance RM'000	Intended timeframe for utilization	Deviation	Explanation
(i) Working capital	15,834	15,834	-	Within 12 months from the date of listing of the Rights Shares on 7 June 2007	-	-
(ii) Estimated total expenses for Rights Issues with Warrants	700	700	-	Within 1 month from the date of listing of the Rights Shares on 7 June 2007	-	-
TOTAL	16,534	16,534	-			

24. Group Borrowings and Debt Securities

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 30 September 2008 are as follows:

	RM'000
Short term borrowings	
<u>Unsecured</u>	
Bankers' acceptance	4,846
Trust Receipts	409
Letter of Credits	1,769
Bank overdraft	3,307
<u>Secured</u>	
Term loan	1,174
Hire purchase creditors	296
	11,801
Long term borrowings	
<u>Secured</u>	
Hire purchase creditors	905
Term loan	3,400
	4,305
Total Borrowings	16,106

25. Off Balance Sheet Financial Instruments

There was 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, the Group is not engaged in any material litigation as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group.

27. Earnings Per Share

(a) Basic earnings per share

Basic earning per share is calculated by dividing the profits for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	3 months ended		9 months ended and year to-date	
	30.09.08	30.09.07	30.09.08	30.09.07
Profit attributable to equity holders of the parent (RM'000)	1,362	1,323	3,437	3,510
Weighted average number of Ordinary Shares in issue ('000)	112,266	112,266	112,266	106,596
Basic Earnings per Ordinary Share (sen)	1.21	1.18	3.06	3.29

27. Earnings Per Share

(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 ended		9 months ended and year to-date	
	30.09.08	30.09.07	30.09.08	30.09.07
Profit attributable to equity holders of the parent (RM'000)	1,362	1,323	3,437	3,510
Weighted average number of Ordinary shares of RM0.10 each ('000)	112,266	112,266	112,266	106,596
Effect of dilution of share options ('000)	2,061	3,222	2,061	3,350
<i>Based on post- bonus issue Esos exercise price of RM0.28 (rounded up to nearest 2 decimal place)</i>				
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	114,327	115,488	114,327	109,946
Diluted Earnings per Ordinary Share (sen)	1.19	1.15	3.01	3.19

28. Authorized For Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 25 November 2008.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)

Company Secretary

Dated: 25 November 2008