

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

K-One

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2009

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.03.2009 RM'000	Preceding year corresponding quarter 31.03.2008 RM'000	Current year to date 31.03.2009 RM'000	Preceding year corresponding period 31.03.2008 RM'000
Operating revenue	12,088	10,856	12,088	10,856
Cost of sales	(8,254)	(7,497)	(8,254)	(7,497)
Gross profit	3,834	3,359	3,834	3,359
Other income	139	19	139	19
Operating expenses	(5,480)	(2,078)	(5,480)	(2,078)
(Loss)/Profits from operations	(1,507)	1,300	(1,507)	1,300
Interest income	-	21	-	21
Interest expense	(289)	(67)	(289)	(67)
(Loss)/Profits before taxation	(1,796)	1,254	(1,796)	1,254
Taxation	-	-	-	-
(Loss)/Profits after taxation before Minority interest	(1,796)	1,254	(1,796)	1,254
Share of profits/(loss) from associate company	294	(248)	294	(248)
Net (loss)/profits for the period	(1,502)	1,006	(1,502)	1,006
<u>Attributable to:</u>				
Equity holders of the parent	(1,499)	1,053	(1,499)	1,053
Minority interests	(3)	(47)	(3)	(47)
Net (loss)/profits for the period	(1,502)	1,006	(1,502)	1,006
<u>Earnings per share attributable to:</u>				
Equity holders of the parent				
Basic (sen)	(1.34)	0.94	(1.34)	0.94
Diluted (sen)	(1.34)	0.92	(1.34)	0.92

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed Consolidated Results for the financial period ended 31 March 2009 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)

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

	Note	(Unaudited) As at 31.03.2009 RM'000	(Audited) As at 31.12.2008 RM'000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		11,844	12,240
Prepaid land leases		870	876
Intangible assets		887	945
Investment in associate company		5,812	5,518
Goodwill		5,546	5,546
		<u>24,959</u>	<u>25,125</u>
<i>Current assets</i>			
Inventories		34,651	31,606
Trade receivables		13,487	16,822
Other receivables		1,953	1,749
Tax in credit		101	81
Time deposits – pledged		-	276
Cash and cash equivalents		4,288	6,199
		<u>54,480</u>	<u>56,733</u>
Total Assets		<u>79,439</u>	<u>81,858</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		18,749	20,188
		<u>44,789</u>	<u>46,228</u>
Minority interest		317	252
Total Equity		<u>45,106</u>	<u>46,480</u>

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009- continued

		(Unaudited) As at 31.03.2009 RM'000	(Audited) As at 31.12.2008 RM'000
	Note		
EQUITY AND LIABILITIES			
<i>Non-current liabilities</i>			
Hire purchase creditors	24	779	820
Deferred taxation liability		126	126
Long term loan	24	3,403	3,161
		<u>4,308</u>	<u>4,107</u>
<i>Current liabilities</i>			
Trade payables		12,326	11,746
Other payables and accruals		796	1,696
Amount due to Directors		70	111
Bank overdraft	24	2,904	6,039
Borrowings	24	13,610	11,338
Hire purchase creditors	24	239	263
Tax payable		80	78
		<u>30,025</u>	<u>31,271</u>
Total Liabilities		34,333	35,378
Total Equity and Liabilities		<u>79,439</u>	<u>81,858</u>
Net assets per share attributable to equity holders of the parent (sen)		39.89	41.17

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 31 March 2009 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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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2009**

	<-----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'00	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009	0						
Net assets from minority interest	11,227	14,813	(84)	20,272	46,228	252	46,480
Exchange difference arising from foreign subsidiaries companies	-	-	60	-	60	68	128
Net profits/(loss) for the period	-	-	-	(1,499)	(1,499)	(3)	(1,502)
At 31 March 2009	11,227	14,813	(24)	18,773	44,789	317	45,106

	<-----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 profits for the period	-	-	-	1,053	1,053	(47)	1,006
At 31 March 2008	11,227	14,813	-	15,273	41,313	100	41,413

Notes

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K-One Technology Berhad (539757-K)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2009
(The figures have not been audited)

	(Unaudited)	
	As at 31.03.2009 RM'000	As at 31.03.2008 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
<i>(Loss /Profit before taxation</i>	(1,502)	1,006
Adjustments for:		
Depreciation of property, plant and equipment	441	83
Amortization of intangible assets	58	-
Amortization of leasehold land	6	-
Foreign currency exchange loss - unrealized	129	-
Interest income	-	(21)
Interest expenses	289	67
Share of (profits)/loss from associate company	(294)	248
Operating profit before working capital changes	(873)	1,383
Changes in working capital		
Increase in inventory	(3,045)	(3,977)
Decrease in trade receivables	3,335	3,661
Increase in other receivables	(204)	(617)
Increase/(Decrease) in trade payables	580	(2,621)
Decrease in other payables	(941)	(239)
Cash generated from operations	(1,148)	(2,410)
Interest paid	(289)	(67)
Taxation paid	(18)	-
<i>Net cash used in operating activities</i>	(1,455)	(2,477)
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(45)	(887)
<i>Net cash used in investing activity</i>	(45)	(887)



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2009- continued
(The figures have not been audited)

	(Unaudited)	
	As at 31.03.2009 RM'000	As at 31.03.2008 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Interest Income	-	21
Drawdown of fixed deposits	276	-
Repayment of hire purchases	(65)	(52)
Repayment of borrowings, net of drawdown	2,514	(926)
<i>Net cash generated from financing activities</i>	<u>2,725</u>	<u>(957)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	1,225	(4,321)
EFFECT OF EXCHANGE RATE DIFFERENCES	(1)	-
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	160	3,370
CASH AND CASH EQUIVALENT AT END OF PERIOD	<u>1,384</u>	<u>(951)</u>

Cash and cash equivalent comprise of the following:

	As at 31.03.2009 RM'000	As at 31.03.2008 RM'000
Overdraft	(2,904)	(3,747)
Cash and bank balances	4,288	2,796
	<u>1,384</u>	<u>(951)</u>

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 31 March 2009 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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Interim Financial Reports for the First Financial Quarter Ended 31 March 2009

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 2008. 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 2008.

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 2008.

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 foreign currencies used in the retranslation of subsidiary companies’ functional currencies are as follows:

	<u>31.03.2009</u>
Australia Dollar	2.51
United States Dollar	3.65
EURO	4.83
Hong Kong Dollar	0.45
1000 Korea Won	2.73

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 2008 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.

(b) Sales Contribution by Geography

The geographical sales breakdowns are as follows:

	3 months ended 31 March 2009 RM'000	3 months ended 31 March 2008 RM'000
Malaysia	1,699	2,822
Europe	7,100	4,230
USA	319	711
Australia	874	-
North Asia *	2,096	3,093
	12,088	10,856

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

11. Material Events Subsequent to 31 March 2009

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

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

The contingent liabilities as at 31 March 2009 and up to the date of this report are as follows:-

Secured

Corporate guarantee for credit facilities granted to subsidiary companies are:-

	RM'000
a) K-One Industry Sdn Bhd	26,042
b) Syslink Sdn Bhd	7,710
	<u>33,752</u>

15. Capital Commitments

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

16. Review of Performance

For the first quarter ended 31 March 2009, the Group achieved revenue of RM12.1 million and loss attributable to equity holders of the parent company of RM1.5 million as compared to revenue of RM10.9 million and profit attributable to equity holders of the parent company of RM1.1 million for the corresponding first quarter ended 31 December 2008. This translates to a higher revenue of 11% which is commendable against the backdrop of an on-going economic crisis. Sales revenue increase in the current quarter as compared against the previous year's same quarter was mainly due to the commencement of manufacturing of new electronic security, healthcare and consumer technology products. These sales increases more than made up for the decline in sales coming from the mobile phone accessories market segment. Despite the overall revenue increase, the Group, however, recorded a loss attributable to equity holders which is entirely attributed to a non-recurring expense i.e. forward hedging contract loss of RM1.8 million for the period under review. Discounting the forward hedging contract loss, the Group is in a positive operating income position.

17. Comparison of Current Quarter Results with the Preceding Quarter

Sales turnover for the 1st quarter of 2009 was lower at RM12.1 million as compared to RM18.1 million in the 4th quarter of 2008, representing a decrease of 33%. This decrease was a norm for the Group, as has been in the past several years, sales were lower in the first half of the year, particularly the 1st quarter. Hence, the substantial decrease in sales comparing the current quarter and the previous quarter should not be viewed as caused by the on-going economic crisis. The increase in sales comparing the current quarter versus the same quarter last year substantiates our preceding view point. The Group recorded a loss attributable to equity holders of the parent company of RM1.5 million for the quarter ended 31 March 2009 as compared to a profit attributable to equity holders of the parent company of RM2.6 million for the preceding quarter ended 31 December 2008. The current quarter loss is entirely due to a non-recurring expense - forward hedging contract loss of RM 1.8 million. Otherwise, the Group is in a positive operating income position, even though, there were increases/additions in interest expense, depreciation, overseas subsidiaries' expenses and marketing expenses.

18. Prospects for the current financial year

Despite the current economic turmoil and the current quarter loss attributed wholly to forward hedging loss, the overall sales and financial performance for the financial year ending 31 March 2009 are anticipated to be positive and thriving.

Moving forward in the next 3 quarters, the Group foresees ramping up of manufacturing of new product lines in the electronic security, healthcare and consumer technology market segments. These preceding markets are expected to remain resilient, in fact, rally in sales despite the gloomy economic outlook. Consumers normally take precautions in an economic downturn by enhancing their safety measures such as installing network cameras at home and in the office as well. This augurs well for our Group's designing and manufacturing businesses in this segment. In the healthcare sector which we are in, it can be assumed to be recession proof as consumers will continue to indulge in healthcare services and products, irrespective of the economic health.

Our own brand product launches such as the GPS navigator is expected to make meaningful contribution as we move forward after our initial product awareness and sales campaigns.

Furthermore, the recent agreement to develop and manufacture the Livescribe smartpen for Livescribe Inc, US augurs well for the coming business prospects for the Group. Although the mobile phone accessories market currently remains soft, we anticipate a surprising upswing in the 2nd half of 2009 as the Group launches new products with a major OEM.

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, there is no tax expense in respect of other income. There is also no provision of taxation in respect of subsidiary companies which has no tax exemption because of operating tax loss position. 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% (2008: 20%) on the first RM 500,000 of the estimated taxable profit and 25% (2008: 26%) 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.

24. Group Borrowings and Debt Securities

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 31 March 2009 are as follows:

	RM'000
Short term borrowings	
<u>Unsecured</u>	
Bankers' acceptance	11,866
Revolving Credits	1,000
Letter of Credits	56
Bank overdraft	2,904
<u>Secured</u>	
Term loan	688
Hire purchase creditors	239
	16,753
<u>Secured</u>	
Hire purchase creditors	779
Term loan	3,403
	4,182
Total Borrowings	20,935

25. Off Balance Sheet Financial Instruments

As at the end of the current quarter, outstanding forward foreign exchange sale and purchase contracts that were entered into by a subsidiary company are USD8.9 million. These contracts were entered into as hedges for sale and purchase denominated in foreign currency to limit the exposure to potential changes in foreign exchange rates with respect to subsidiary companies foreign currencies denominated estimated receipts and payments. The maturity period of these contracts range from April 2009 to December 2009.

There is minimal credit risk as the contracts were entered into with reputable banks.

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 and year to-date ended	
	31.03.09	31.03.08
(Loss)/Profit attributable to equity holders of the parent (RM'000)	(1,499)	1,053
Weighted average number of Ordinary Shares in issue ('000)	112,266	112,266
Basic Earnings Per Ordinary Share (sen)	(1.34)	0.94

27. Earnings Per Share –cont'd

(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	
	31.03.09	31.03.08
(Loss)/Profit attributable to equity holders of the parent (RM'000)	(1,499)	1,053
Weighted average number of Ordinary shares of RM0.10 each ('000)	112,266	112,266
Effect of dilution of share options ('000)	-	2,761
<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)	112,266	115,027
Diluted Earnings Per Ordinary Share (sen)	(1.34)	0.92

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 May 2009.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)

Company Secretary

Dated: 25 May 2009