

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2009**



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

CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SECOND QUARTER ENDED 30 JUNE 2009  
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.06.2009 RM'000	Preceding year corresponding quarter 30.06.2008 RM'000	Current year to date 30.06.2009 RM'000	Preceding year corresponding period 30.06.2008 RM'000
Operating revenue	15,339	15,329	27,427	26,184
Cost of sales	(11,241)	(12,588)	(19,495)	(20,084)
Gross profit	4,098	2,741	7,932	6,100
Other income	50	7	189	26
Operating expenses	(3,656)	(1,866)	(9,136)	(3,944)
(Loss)/Profits from operations	492	882	(1,015)	2,182
Interest income	-	1	-	22
Interest expense	(280)	(89)	(569)	(156)
(Loss)/Profits before taxation	212	794	(1,584)	2,048
Taxation	(10)	-	(10)	-
(Loss)/Profits after taxation before Minority interest	202	794	(1,594)	2,048
Share of profits/(loss) from associate company	-	471	294	223
Net (loss)/profits for the period	202	1,265	(1,300)	2,271
<b><u>Attributable to:</u></b>				
Equity holders of the parent	315	1,021	(1,190)	2,075
Minority interests	(113)	244	(110)	196
Net (loss)/profits for the period	202	1,265	(1,300)	2,271
<b><u>Earnings per share attributable to:</u></b>				
Equity holders of the parent				
Basic (sen)	0.28	0.91	(1.06)	1.85
Diluted (sen)	0.28	0.90	(1.06)	1.82

**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 30 June 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for ACE Market.

# K-One

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

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2009

	Note	(Unaudited) As at 30.06.2009 RM'000	(Audited) As at 31.12.2008 RM'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment		11,429	12,240
Prepaid land leases		864	876
Intangible assets		829	945
Investment in associate company		5,812	5,518
Goodwill		5,546	5,546
		<u>24,480</u>	<u>25,125</u>
<i>Current assets</i>			
Inventories		36,373	31,606
Trade receivables		15,803	16,822
Other receivables		2,026	1,749
Tax in credit		110	81
Time deposits – pledged		-	276
Cash and cash equivalents		4,256	6,199
		<u>58,568</u>	<u>56,733</u>
<b>Total Assets</b>		<b><u>83,048</u></b>	<b><u>81,858</u></b>
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and Reserves</i>			
Equity attributable to equity holders of the parent			
Share capital		11,271	11,227
Share premium		14,893	14,813
Reserves		19,063	20,188
		<u>45,227</u>	<u>46,228</u>
Minority interest		392	252
<b>Total Equity</b>		<b><u>45,619</u></b>	<b><u>46,480</u></b>

# K-One

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

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2009- continued

		(Unaudited) As at 30.06.2009 RM'000	(Audited) As at 31.12.2008 RM'000
<b>EQUITY AND LIABILITIES</b>			
<i>Non-current liabilities</i>			
Hire purchase creditors	24	563	820
Deferred taxation liability		126	126
Long term loan	24	3,914	3,161
		<u>4,603</u>	<u>4,107</u>
<i>Current liabilities</i>			
Trade payables		12,185	11,746
Other payables and accruals		797	1,696
Amount due to Directors		59	111
Bank overdraft	24	6,137	6,039
Borrowings	24	13,379	11,338
Hire purchase creditors	24	210	263
Tax payable		59	78
		<u>32,826</u>	<u>31,271</u>
<b>Total Liabilities</b>		37,429	35,378
<b>Total Equity and Liabilities</b>		<u><b>83,048</b></u>	<u><b>81,858</b></u>
Net assets per share attributable to equity holders of the parent (sen)		40.13	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 30 June 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for ACE Market.

# K-One

**K-One Technology Berhad (539757-K)**

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 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'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2009</b>	11,227	14,813	(84)	20,272	46,228	252	46,480
Net assets from minority interest							
Exercised ESOS	44	80	-	-	124	-	124
Exchange difference arising from foreign subsidiary companies	-	-	65	-	65	250	315
Net profits/(loss) for the period	-	-	-	(1,190)	(1,190)	(110)	(1,300)
<b>At 30 June 2009</b>	<b>11,271</b>	<b>14,893</b>	<b>(19)</b>	<b>19,082</b>	<b>45,227</b>	<b>392</b>	<b>45,619</b>

	<-----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	
<b>At 1 January 2008</b>	<b>11,227</b>	<b>14,813</b>	-	<b>14,220</b>	<b>40,260</b>	<b>147</b>	<b>40,407</b>
Net profits for the period	-	-	-	2,075	2,075	196	2,271
<b>At 30 June 2008</b>	<b>11,227</b>	<b>14,813</b>	-	<b>16,295</b>	<b>42,335</b>	<b>343</b>	<b>42,678</b>

### Notes

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The unaudited Condensed consolidated results for the financial period ended 30 June 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for ACE Market.



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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2009**  
(The figures have not been audited)

	(Unaudited)	
	As at 30.06.2009 RM'000	As at 30.06.2008 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>(Loss /Profit before taxation</i>	(1,410)	2,271
Adjustments for:		
Depreciation of property, plant and equipment	854	362
Amortization of intangible assets	116	21
Amortization of leasehold land	12	-
Foreign currency exchange gain - unrealized	(164)	-
Interest income	-	(22)
Interest expenses	569	156
(Gain)/loss on disposal of property, plant and equipment	19	(4)
Share of (profits)/loss from associate company	(294)	(223)
Operating profit before working capital changes	(298)	2,561
Changes in working capital		
Increase in inventory	(4,768)	(3,166)
Decrease in trade receivables	1,183	1,498
(Increase)/Decrease in other receivables	(446)	9
Increase/(Decrease) in trade payables	439	(1,958)
Decrease in other payables	(951)	(194)
Cash used in operations	(4,841)	(1,250)
Interest paid	(569)	(156)
Taxation paid	(45)	-
<b><i>Net cash used in operating activities</i></b>	<b>(5,455)</b>	<b>(1,406)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(246)	(1,718)
Proceeds from disposal of property, plant and equipment	170	4
<b><i>Net cash used in investing activities</i></b>	<b>(76)</b>	<b>(1,714)</b>



**K-One Technology Berhad (539757-K)**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2009- continued**  
(The figures have not been audited)

	(Unaudited)	
	As at 30.06.2009 RM'000	As at 30.06.2008 RM'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from exercised ESOS	124	-
Drawdown of fixed deposits	276	-
Repayment of hire purchases	(309)	72
Repayment of borrowings, net of drawdown	3,070	(491)
Placement of bank guarantee	-	(10)
Interest Income	-	22
<b>Net cash generated from / (used in) financing activities</b>	<b>3,161</b>	<b>(407)</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,370)</b>	<b>(3,527)</b>
<b>EFFECT OF EXCHANGE RATE DIFFERENCES</b>	<b>328</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD</b>	<b>161</b>	<b>3,370</b>
<b>CASH AND CASH EQUIVALENT AT END OF PERIOD</b>	<b>(1,881)</b>	<b>(157)</b>

Cash and cash equivalent comprise of the following:

	As at 30.06.2009 RM'000	As at 31.03.2008 RM'000
Overdraft	(6,137)	(3,670)
Cash and bank balances	4,256	3,513
	<b>(1,881)</b>	<b>(157)</b>

**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 30 June 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for ACE Market.



**K-One Technology Berhad (539757-K)**  
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## **Interim Financial Reports for the Second Financial Quarter Ended 30 June 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 ACE 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>30.06.2009</u>
Australia Dollar	2.94
United States Dollar	3.52
EURO	5.02
Hong Kong Dollar	0.45
1000 Korea Won	2.88

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:

	6 months ended 30 June 2009 RM'000	6 months ended 30 June 2008 RM'000
Malaysia	4,963	7,095
Europe	13,311	8,356
USA	1,191	2,036
Australia	1,302	-
North Asia *	6,660	8,697
	<b>27,427</b>	<b>26,184</b>

\* 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 June 2009

Subsequent to the end of the current quarter ended 30 June 2009, the Company has disposed its entire 20% equity interest in an associate company, Moltec Precision Sdn Bhd (“Moltec”) for a cash consideration of RM4, 592, 800.

### 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 except as disclosed in Note 11, that the Company has disposed its entire 20% equity interest in an associate company, Moltec Precision Sdn Bhd (“Moltec”).

### 14. Changes in Contingent Liabilities or Contingent Assets

The contingent liabilities as at 30 June 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 second quarter ended 30 June 2009, the Group achieved revenue of RM15.3 million and profits attributable to equity holders of the parent company of RM0.3 million as compared to revenue of RM15.3 million and profit attributable to equity holders of the parent company of RM1.0 million for the corresponding second quarter ended 30 June 2008. This infers to same revenue but a drop in profits attributable to equity holders which is entirely attributed to a non-recurring expense i.e. forward hedging contract loss of RM1.1 million for the period under review. Discounting the forward hedging contract loss, the Group is in a better profit position compared to the corresponding quarter last year.

## **17. Comparison of Current Quarter Results with the Preceding Quarter**

Sales turnover for the 2<sup>nd</sup> quarter of 2009 was higher at RM15.3 million as compared to RM12.1 million in the 1<sup>st</sup> quarter of 2009, representing an increase of 26%. This increase is expected for the Group, as mass production picks up speed to meet increasing demand of network cameras, electronic sports headlamps and USB cables. The Group recorded profits attributable to equity holders of the parent company of RM0.3 million for the quarter ended 30 June 2009 as compared to a loss attributable to equity holders of the parent company of RM1.5 million for the preceding quarter ended 31 March 2009. For both the 1<sup>st</sup> and 2<sup>nd</sup> quarters, the Group's profitability was adversely impacted by forward hedging contract losses of RM 1.8 million and RM1.1 million respectively. Discounting the hedging loss, 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 uncertainty, overall sales and financial performance for the financial year ending 31 December 2009 are anticipated to be positive and thriving.

Moving forward in the next 2 quarters, the Group foresees increased 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 uncertain 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.

**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 carries with it tax exemption 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 except the disposal of 20% equity of associate company, Moltec Precision Sdn Bhd, which was sold off at its original purchase price of RM4, 592,800.

**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 30 June 2009 are as follows:

	RM'000
<b>Short term borrowings</b>	
<b><u>Unsecured</u></b>	
Bankers' Acceptance	10,995
Revolving Credits	1,000
Letter of Credits	56
Trust Receipt	120
ECR	1,149
Bank Overdraft	6,137
<b><u>Secured</u></b>	
Term Loan	59
Hire Purchase Creditors	210
	<b>19,726</b>
<b><u>Secured</u></b>	
Hire Purchase Creditors	563
Term Loan	3,914
	<b>4,477</b>
<b>Total Borrowings</b>	<b>24,203</b>

## 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 USD5.9 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 July 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.

	6 months ended		6 months and year to-date ended	
	30.06.09	30.06.08	30.06.09	30.06.08
(Loss)/Profit attributable to equity holders of the parent (RM'000)	315	1,021	(1,190)	2,075
Weighted average number of Ordinary Shares in issue ('000)	112,711	112,266	112,711	112,266
Basic Earnings Per Ordinary Share (sen)	0.28	0.91	(1.06)	1.85

### (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.

	6 months ended		6 months ended and year to-date	
	30.06.09	30.06.08	30.06.09	30.06.08
(Loss)/Profit attributable to equity holders of the parent (RM'000)	315	1,021	(1,190)	2,075
Weighted average number of Ordinary shares of RM0.10 each ('000)	112,711	112,266	112,711	112,266
Effect of dilution of share options ('000) <i>Based on post- bonus issue Esos exercise price of RM0.28 (rounded up to nearest 2 decimal place)</i>	-	1,736	-	1,585
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	112,711	114,002	112,711	113,851
Diluted Earnings Per Ordinary Share (sen)	0.28	0.90	(1.06)	1.82

**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 27 August 2009.

BY ORDER OF THE BOARD

**NG YIM KONG** (LS 0009297)

Company Secretary

Dated: 27 August 2009