

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009**



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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009
(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
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
	RM'000	RM'000	RM'000	RM'000
Operating revenue	25,029	17,625	52,456	43,809
Cost of sales	(17,542)	(13,984)	(37,037)	(34,068)
Gross profit	7,487	3,641	15,419	9,741
Other income	1,147	16	1,336	42
Operating expenses	(6,395)	(2,188)	(15,531)	(6,132)
Profit from operations	2,239	1,469	1,224	3,651
Interest income	1	2	1	24
Interest expense	(263)	(126)	(832)	(282)
Profit before taxation	1,977	1,345	393	3,393
Taxation	(63)	(35)	(73)	(35)
Profit after taxation before Minority interest	1,914	1,310	320	3,358
Share of profit from associate company	(294)	65	-	288
Net profit for the period	1,620	1,375	320	3,646
<u>Attributable to:</u>				
Equity holders of the parent	1,435	1,362	245	3,437
Minority interests	185	13	75	209
Net profit for the period	1,620	1,375	320	3,646
<u>Earnings per share attributable to:</u>				
Equity holders of the parent				
Basic (sen)	1.27	1.21	0.22	3.06
Diluted (sen)	1.27	1.19	0.22	3.01

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



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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2009

	(Unaudited) As at 30.09.2009 RM'000	(Audited) As at 31.12.2008 RM'000
ASSETS		
<i>Non-current assets</i>		
Property, plant and equipment	11,035	12,240
Prepaid land leases	859	876
Intangible assets	773	945
Investment in associate company	-	5,518
Goodwill	5,546	5,546
	<u>18,213</u>	<u>25,125</u>
<i>Current assets</i>		
Inventories	39,412	31,606
Trade receivables	22,372	16,822
Other receivables	1,996	1,749
Tax in credit	129	81
Time deposits – pledged	-	276
Cash and cash equivalents	8,941	6,199
	<u>72,850</u>	<u>56,733</u>
Total Assets	<u>91,063</u>	<u>81,858</u>
EQUITY AND LIABILITIES		
<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	20,438	20,188
	<u>46,602</u>	<u>46,228</u>
Minority interest	403	252
Total Equity	<u>47,005</u>	<u>46,480</u>

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2009- continued

		(Unaudited) As at 30.09.2009 RM'000	(Audited) As at 31.12.2008 RM'000
	Note		
EQUITY AND LIABILITIES			
<i>Non-current liabilities</i>			
Hire purchase creditors	24	512	820
Deferred taxation liability		131	126
Long term loan	24	3,853	3,161
		<u>4,496</u>	<u>4,107</u>
<i>Current liabilities</i>			
Trade payables		17,351	11,746
Other payables and accruals		740	1,696
Amount due to Directors		-	111
Bank overdraft	24	5,985	6,039
Borrowings	24	15,234	11,338
Hire purchase creditors	24	209	263
Tax payable		43	78
		<u>39,562</u>	<u>31,271</u>
Total Liabilities		44,058	35,378
Total Equity and Liabilities		<u>91,063</u>	<u>81,858</u>
Net assets per share attributable to equity holders of the parent (sen)		41.35	41.17

Notes

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009

	<-----Attributable to equity holders of the parent ----->					Minority Interest	Total Equity
	<i>Non-distributable</i>			<i>Distributable</i>			
	Share Capital	Share Premium	Foreign Exchange Reserve	Retained Profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009	11,227	14,813	(84)	20,272	46,228	252	46,480
Exercised ESOS	44	80	-	-	124	-	124
Exchange difference arising from foreign subsidiary companies	-	-	5	-	5	31	36
Net assets shared by MI	-	-	-	-	-	45	45
Net profit for the period	-	-	-	245	245	75	320
At 30 September 2009	11,271	14,893	(79)	20,517	46,602	403	47,005

	<-----Attributable to equity holders of the parent ----->					Minority interest	Total Equity
	<i>Non-distributable</i>			<i>Distributable</i>			
	Share Capital	Share Premium	Foreign Exchange Reserve	Retained Profits	Total		
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 profit 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

Notes

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

	(Unaudited)	
	As at 30.09.2009 RM'000	As at 30.09.2008 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	393	3,393
Adjustments for:		
Depreciation of property, plant and equipment	1,268	912
Amortization of intangible assets	176	98
Amortization of leasehold land	17	-
Interest income	(1)	(24)
Interest expenses	832	282
Loss/(Gain) on disposal of property, plant and equipment	20	(10)
Inventory written down	465	-
Dividend income	(797)	-
Loss on disposal of associate company	925	-
Operating profit before working capital changes	3,298	4,651
Changes in working capital		
Increase in inventory	(8,271)	(5,832)
(Increase) /Decrease in trade receivables	(5,550)	778
Decrease in other receivables	548	48
Increase in trade payables	5,608	428
Decrease in other payables	(1,069)	(3,395)
Cash used in operations	(5,436)	(3,322)
Interest paid	(832)	(282)
Taxation paid	(157)	(92)
<i>Net cash used in operating activities</i>	(6,425)	(3,696)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	-	(167)
Proceeds from disposal of an associate company	4,593	-
Proceeds from issuance of shares to minority shareholders	45	-
Purchase of property, plant and equipment	(275)	(2,876)
Proceeds from disposal of property, plant and equipment	170	35
<i>Net cash generated from/(used in) investing activities</i>	4,533	(3,008)



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009- continued
(The figures have not been audited)

	(Unaudited)	
	As at 30.09.2009 RM'000	As at 30.09.2008 RM'000
	<u> </u>	<u> </u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from exercised ESOS	124	-
Drawdown of fixed deposits	276	-
Repayment of hire purchases	(171)	(74)
Repayment of borrowings, net of drawdown	4,588	4,200
Placement of bank guarantee	-	(10)
Interest Income	1	24
<i>Net cash generated from financing activities</i>	<u>4,818</u>	<u>4,140</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,926	(2,564)
EFFECT OF EXCHANGE RATE DIFFERENCES	(131)	(81)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	161	3,370
CASH AND CASH EQUIVALENT AT END OF PERIOD	<u>2,956</u>	<u>725</u>
Cash and cash equivalent comprise of the following:		
	As at 30.09.2009 RM'000	As at 30.09.2008 RM'000
	<u> </u>	<u> </u>
Overdraft	(5,985)	(3,307)
Cash and bank balances	8,941	4,032
	<u>2,956</u>	<u>725</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 30 September 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.



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Interim Financial Reports for the Third Financial Quarter Ended 30 September 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 translation of subsidiary companies’ functional currencies are as follows:

	<u>30.09.2009</u>
Australia Dollar	3.06
United States Dollar	3.49
Euro Dollar	5.06
Hong Kong Dollar	0.45
1000 Korea Won	2.95

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:

	9 months ended 30 September 2009 RM'000	9 months ended 30 September 2008 RM'000
Malaysia	8,566	11,850
Europe	25,860	10,902
USA	1,961	2,692
Australia	2,493	1,438
North Asia *	13,576	16,927
	52,456	43,809

* 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 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

On 23 July 2009, the Board of Directors announced that 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.

Except for the above, there are no changes in the composition of the Group during the quarter under review and up to the date of this report.

14. Changes in Contingent Liabilities or Contingent Assets

The contingent liabilities as at 30 September 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
	<hr/>
	33,752
	<hr/>

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 2009, the Group achieved revenue of RM25.0 million and profit attributable to equity holders of the parent company of RM1.4 million as compared to revenue of RM17.6 million and profit attributable to equity holders of the parent company of RM1.4 million for the corresponding third quarter ended 30 September 2008.

The significant increase in revenue of 42% is contributed by the acceleration of mass production of network cameras, electronic sports headlamps and USB cables to meet the upsurge in market demand, which is in line with the current green shoots appearing in the global economy. The profit attributable to equity holders remained the same despite the surge in revenue which is due entirely to the writing off of forward hedging currency contract loss of approximately RM 1.6 million.

17. Comparison of Current Quarter Results with the Preceding Quarter

Sales turnover for the third quarter of 2009 was higher at RM25.0 million as compared to RM15.3 million in the second quarter, representing an increase of 63%. This significant increase is expected for the Group, as mass production moves to full throttle to meet surging consumer demand of network cameras, electronic sports headlamps and USB cables. The Group recorded profit attributable to equity holders of the parent company of RM1.4 million for the quarter ended 30 September 2009 as compared to RM0.3 million profit attributable to equity holder for the preceding quarter ended 30 June. Both the second and third quarters' profitability were adversely impacted by forward hedging currency losses of RM 1.1 million and RM 1.6 million respectively, otherwise, they would have been better.

18. Prospects for the current financial year

Although green shoots have appeared in the economic front, the current global economy still appears uncertain. In our view, our overall sales and financial performance for the financial year ending 31 December 2009 are anticipated to be thriving as the manufacturing of new product lines in the electronic security, healthcare and consumer technology market segments ramp up to meet surging consumer demand during the year end festive period. These preceding markets are expected to remain resilient, in fact, rally in sales beyond the current financial year. This is premised on consumers and establishments normally taking precautions in economic uncertainties by enhancing their safety measures such as installing network cameras at home and in the workplace. In the healthcare sector, it can be assumed to be recession proof as consumers will continue to indulge in healthcare services and products, irrespective of the economic health.

After having factored in almost all the forward hedging currency losses totaling approximately RM 4.5 million to-date, we do not expect any further significant adverse impact in this respect for the rest of the year as the outstanding forward hedging currency contract is only USD 1.3 million maturing in the fourth quarter of 2009. Furthermore, the USD is currently weak and is expected to be so for the rest of the year. Hence, our forward hedging contract is expected to mature at about the same value as we hedged in the earlier part of the year. Moving forward to 2010, we do not have any more hedging contracts as we have since relied more on natural hedging i.e. paying suppliers in the same currency as our customers' remittance whenever possible.

We also expect economies of scale in manufacturing to work favourably for our bottom line.

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

There is no provision of taxation in respect of subsidiary companies which has no tax exemption for those in an operating tax loss position. As for the Company, since it is awarded with MSC-Status, which carries with it tax exemption until 2012, there is no provision for tax expense.

We note that although the Company's business income is exempted from tax in accordance to its MSC-Status, 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 for 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 September 2009 are as follows:

	RM'000
Short term borrowings	
<u>Unsecured</u>	
Bankers' Acceptance	12,080
Revolving Credits	700
Letter of Credits	116
Trust Receipt	-
ECR	890
Bank Overdraft	5,985
<u>Secured</u>	
Term Loan	1,448
Hire Purchase Creditors	209
	21,428
<u>Secured</u>	
Hire Purchase Creditors	512
Term Loan	3,853
	4,365
Total Borrowings	25,793

25. Off Balance Sheet Financial Instruments

As at the end of the current quarter, outstanding forward hedging currency contracts is USD1.3 million. We do not expect any significant adverse impact from these outstanding contracts in view of the current weak USD and our expectation that it would remain so in the coming quarter where our outstanding forward hedging contracts mature. In any case, the outstanding forward hedging contract is small and after its maturing in the fourth quarter of 2009, we do not have anymore of such contracts. We have since relied more on natural hedging i.e. paying suppliers in the same currency as our customers' remittance whenever possible.

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.

	9 months ended		9 months and year to-date ended	
	30.09.09	30.09.08	30.09.09	30.09.08
Profit attributable to equity holders of the parent (RM'000)	1,435	1,362	245	3,437
Weighted average number of Ordinary Shares in issue ('000)	112,711	112,266	112,711	112,266
Basic Earnings Per Ordinary Share (sen)	1.27	1.21	0.22	3.06

(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.

	9 months ended		9 months ended and year to-date	
	30.09.09	30.09.08	30.09.09	30.09.08
Profit attributable to equity holders of the parent (RM'000)	1,435	1,362	245	3,437
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>	-	2,061	-	2,061
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	112,711	114,327	112,711	114,327
Diluted Earnings Per Ordinary Share (sen)	1.27	1.19	0.22	3.01

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 10 November 2009.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)

Company Secretary

Dated: 10 November 2009