

**K-One**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

**Condensed Consolidated Income Statement  
For The First Quarter Ended 31 March 2012**

Figures in RM'000	Unaudited Current Quarter Ended 31.03.2012	Unaudited Comparative Quarter Ended 31.03.2011	Unaudited Cumulative YTD 31.03.2012	Unaudited Cumulative YTD 31.3.2011
Operating revenue	35,904	31,212	35,904	31,212
Other income	711	30	711	30
Cost of sales	36,615	31,242	36,615	31,242
Operating expenses	(30,661)	(25,596)	(30,661)	(25,596)
	(4,807)	(3,217)	(4,807)	(3,217)
Profit from operations	1,147	2,429	1,147	2,429
Finance costs	(519)	(352)	(519)	(352)
Profit before tax	628	2,077	628	2,077
Income tax expense	-	(20)	-	(20)
Profit for the period	628	2,057	628	2,057
Non-controlling interests	-	-	-	-
<b>Profit after tax after Non-controlling interest</b>	<b>628</b>	<b>2,057</b>	<b>628</b>	<b>2,057</b>

Profit attributable to:

Owners of the Parent				
Non-controlling interests	628	2,057	628	2,057

Earnings per share (EPS)

Attributable to owners  
of the Parent (sen):

Basic EPS	0.18	0.98	0.18	0.98
Diluted EPS	0.15	0.82	0.15	0.82

The above condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Comprehensive Income  
For The First Quarter Ended 31 March 2012**

Figures in RM'000	Unaudited Current Quarter Ended 31.03.2012	Unaudited Comparative Quarter Ended 31.03.2011	Unaudited Current Quarter Ended 31.03.2012	Unaudited Comparative Quarter Ended 31.03.2011
Profit for the period	628	2,057	628	2,057
Currency translation differences arising from consolidation	(3)	94	(3)	94
<b>Total comprehensive income</b>	<b>625</b>	<b>2,151</b>	<b>625</b>	<b>2,151</b>

Profit attributable to:

Owners of the Parent	625	2,151	625	2,151
Non-controlling interests	-	-	-	-
	<b>625</b>	<b>2,151</b>	<b>625</b>	<b>2,151</b>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Financial Position  
As At 31 March 2012**

Figures in RM'000	Unaudited 31.3.2012	Audited 31.12.2011
<b>ASSETS</b>		
<i>Non-Current Assets</i>		
Property, plant and equipment	12,122	12,470
Prepaid land leases	799	805
Intangible assets	801	821
Goodwill	5,546	5,546
<b>Non-Current Assets</b>	<b>19,268</b>	<b>19,642</b>
<i>Current Assets</i>		
Inventories	53,198	50,935
Trade receivables	24,376	24,147
Other receivables	2,374	2,523
Tax recoverable	353	311
Fixed deposits - pledged	504	504
Cash and bank balances	7,072	12,776
<b>Current Assets</b>	<b>87,877</b>	<b>91,196</b>
<b>TOTAL ASSETS</b>	<b>107,145</b>	<b>110,838</b>

<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	34,186	34,186
Other reserves	(39)	(36)
Retained earnings	10,329	9,701
Equity Attributable to Owners of the Parent	44,476	43,851
Non-controlling interests	-	-
<b>Total Equity</b>	<b>44,476</b>	<b>43,851</b>

**Condensed Consolidated Statement of Financial Position (Cont'd)**  
**As At 31 March 2012**

Figures in RM'000	Unaudited 31.3.2012	Audited 31.12.2011
<b>EQUITY AND LIABILITIES</b>		
<i>Non-Current Liabilities</i>		
Bank borrowings	1,910	2,169
Hire purchase payables	170	325
<b>Non-Current Liabilities</b>	<b>2,080</b>	<b>2,494</b>
<i>Current Liabilities</i>		
Trade payables	27,865	29,347
Other payables and accruals	1,154	1,370
Amount due to Directors	2,210	2,210
Bank overdraft	7,360	6,855
Bank borrowings	21,635	24,459
Hire purchase payables	338	252
Tax payables	27	-
<b>Current Liabilities</b>	<b>60,589</b>	<b>64,493</b>
<b>Total Liabilities</b>	<b>62,669</b>	<b>66,987</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>107,145</b>	<b>110,838</b>
<b>Net assets per share attributable to Owners of the Parent (sen)</b>	<b>13.01</b>	<b>12.83</b>

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Changes in Equity  
For The Year Ended 31 March 2012**

Figures in RM'000	<-----Attributable to Owners of the Parent ----->						
	<i>Non-distributable</i>		<i>Distributable</i>	Retained Profits	Total	Non-controlling Interest	Total Equity
	Share Capital	Share Premium	Reserve				
<b>At 1 January 2012</b>	34,186	-	(36)	9,701	43,851	-	43,851
Exchange difference arising from foreign subsidiary companies	-	-	(3)	-	(3)	-	(3)
Net profit for the period	-	-	-	628	628	-	628
<b>At 31 March 2012</b>	34,186	-	(39)	10,329	44,476	-	44,476

Figures in RM'000	<-----Attributable to Owners of the Parent ----->						
	<i>Non-distributable</i>		<i>Distributable</i>	Retained Profits	Total	Non-controlling Interest	Total Equity
	Share Capital	Share Premium	Reserve				
<b>At 1 January 2011</b>	11,395	15,117	(75)	29,600	56,037	-	56,037
Exercised ESOS	22,791	(15,117)	-	(7,674)	-	-	-
Exchange difference arising from foreign subsidiary companies	-	-	94	-	94	-	94
Net profit for the year	-	-	-	2,057	2,057	-	2,057
<b>At 31 March 2011</b>	34,186	-	19	23,983	58,188	-	58,188

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Cash Flows  
For The 3 Months Period Ended 31 March 2012**

Figures in RM'000	Unaudited Current Quarter Ended 31.3.2012	Unaudited Comparative Quarter Ended 31.03.2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Profit before taxation</i>	628	2,057
Adjustments for:		
Depreciation of property, plant and equipment	574	397
Amortization of intangible assets	20	16
Amortization of prepaid land leases	6	4
Interest income	(1)	-
Interest expenses	519	352
Gain from discontinued operations	-	(8)
Foreign exchange loss/(gain) – unrealized	80	(49)
Operating profit before working capital changes	1,826	2,769
Changes in working capital		
Increase in inventory	(2,263)	(3,084)
Decrease in receivables	40	1,589
(Decrease)/increase in payables	(1,897)	2,892
Cash absorbed by operations	(2,294)	(1,618)
Interest paid	(519)	(352)
Taxation paid	(15)	(130)
<b><i>Net cash used in operating activities</i></b>	<b>(2,828)</b>	<b>(2,100)</b>

**Condensed Consolidated Statement of Cash Flows (Cont'd)**  
**For The 3 Months Period Ended 31 March 2012**

Figures in RM'000	Unaudited Current Quarter Ended 31.3.2012	Unaudited Comparative Quarter Ended 31.03.2011
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest income	1	-
Purchase of property, plant and equipment	(226)	(155)
Proceeds from disposal of property, plant and equipment	-	9
<b>Net cash used in investing activities</b>	<b>(225)</b>	<b>(146)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net repayment of hire purchase	(69)	(83)
Net proceeds from borrowings	(2,942)	(245)
Net repayment of term loan	(142)	-
<b>Net cash used in financing activities</b>	<b>(3,153)</b>	<b>(328)</b>
Net decrease in cash and cash equivalents	(6,206)	(2,574)
Effect of exchange rate changes	(3)	378
Cash and cash equivalents at beginning of the year	5,921	5,510
<b>CASH AND CASH EQUIVALENT AT END OF THE YEAR</b>	<b>(288)</b>	<b>3,314</b>

**COMPOSITION OF CASH AND CASH EQUIVALENTS**

Figures in RM'000	Unaudited Current Quarter Ended 31.3.2012	Unaudited Comparative Quarter Ended 31.03.2011
Cash and Bank Balances	7,072	6,428
Overdraft	(7,360)	(3,114)
	<b>(288)</b>	<b>3,314</b>

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



**Part A: Explanatory Notes Pursuant to Financial Reporting Standard 134 (“FRS 134”) Interim Financial Reporting**

**1. BASIS OF PREPARATION**

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2012 and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS134, Interim Financial Reporting in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These are the Group’s interim financial statements for part of the period covered by the Group’s first MFRS framework annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The adoption of the MFRSs and Amendments do not have any material impact on the financial statements of the Group.

**2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT**

The audited financial statements of the preceding financial year were not subject to any qualification.

**3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group’s business, being predominantly export in nature and caters largely for the consumer electronics market, is subject to seasonal fluctuations. Business in the second half of the year is normally stronger than the first half of the year due to surge in consumer demand during Christmas and New Year seasons overseas.

**4. UNUSUAL ITEM DUE TO THEIR NATURE, SIZE OR INCIDENCE**

During the quarter under review, there were no unusual items affecting assets, liabilities, equity, net income or cash flows to the effect that is unusual in nature, size or incidence.

**5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES**

There were no changes in estimates that have had any material effect on the financial year-to-date results.

## 6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt securities during the period under review and up to the date of this report. However, following the approval by Bursa Securities on 10 January 2012 in relation to its private placement exercise, the Group issued an additional 32,689,200 shares at RM0.10 par value on 2 May 2012, thus increasing the total issued shares to 374,548,200. This private placement to third party investors which is deemed completed, raised approximately RM6.9 million for purposes of working capital requirement, outstanding trade facility reduction and upgrading/expansion of Design and Development and production facilities respectively.

## 7. DIVIDENDS PAID

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

## 8. SEGMENT INFORMATION

Segment information is provided based on contribution by activities, sales contribution by geography and sales by major customers. 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, D&D and Sales RM'000	Manu- facturing RM'000	Digital Pen & Paper Solutions RM'000	Invest- ment Holding RM'000	Elimina- tion RM'000	Total RM'000
<b>Sales</b>						
External sales	432	35,393	79	-	-	35,904
Internal sales	37	-	-	-	(37)	-
<b>Total operating sales</b>	<b>469</b>	<b>35,393</b>	<b>79</b>	<b>-</b>	<b>(37)</b>	<b>35,904</b>
Other income	44	667	-	-	-	711
Interest income	-	-	-	-	-	-
	513	36,060	79	-	(37)	36,615
<b>Results</b>						
Segment results	(439)	1,668	(59)	(23)	-	1,147
Finance costs	-	(519)	-	-	-	(519)
Income tax	-	-	-	-	-	-
Profit after tax before non-controlling interest						628
Non-controlling interest						-
<b>Profit after tax after non-controlling interest</b>						<b>628</b>

	Research, D&D and Sales 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	10,167	95,806	512	307	-	106,792
Unallocated assets						353
						<b>107,145</b>
Segment liabilities	239	28,726	24	30	-	29,019
Unallocated liabilities						33,650
						<b>62,669</b>

## 9. SEGMENT INFORMATION (Cont'd)

### (b) Sales Contribution by Geography

The geographical sales breakdowns are as follows:

	3 months ended	
	31.3.2012 RM'000	31.3.2011 RM'000
Malaysia	1,825	3,285
Europe	19,854	17,276
USA	288	658
Oceania	2	10
North Asia*	13,935	9,983
	<b>35,904</b>	<b>31,212</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. This European customer has been acquired by its Japanese counterpart with effect from 4Q'2011.

### (c) Sales from Major Customers

For the 3 months ended 31March 2012, 3 major customers contributed RM27million, representing approximately 76% of total sales revenue (2011: RM22 million, representing 71% of total sales revenue).

## 10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the financial quarter under review or in the preceding financial year ended 31 December 2011.

#### **11. CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the financial year ended 31 March 2012.

#### **12. CONTINGENT ASSETS & LIABILITIES**

As at end of the quarter under review, the corporate guarantee for credit facilities granted to subsidiary companies are:-

	RM'000
K-One Industry Sdn Bhd	33,392
K-One Electronics Sdn Bhd	11,660
K-One Manufacturing Sdn Bhd	7,000
	<b>52,052</b>

#### **13. CAPITAL COMMITMENTS**

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

#### **14. SUBSEQUENT EVENT**

We have three factories located at Kawasan Perindustrian Silibin in Ipoh. They comprise of a main factory and two secondary factories. On 10 April 2012, fire gutted one of our secondary factories located at the above industrial estate. The latest estimated damages was at about RM 10 million, comprising of raw materials , work-in-progress, finished goods, own brand products, components, parts, machinery, equipment, renovations, fittings, furniture, etc.. The source and cause of the fire was due to an electrical fault ie arcing of trunking wire within the factory premise and it was accidental based on Jabatan Bomba dan Penyelamat Malaysia's report dated 4 May 2012. The Group expects no material financial impact as it is fully covered by insurance. The insurance claim process is in progress.

Furthermore, replacement production had been put in place in the main factory to replace finished goods damaged by the fire without adversely impacting existing customers' orders. The replacement production process is expected to be completed by June 2012. Customers had been advised and they were satisfied with the recovery plans. Relevant suppliers were activated to produce replacement parts and they were supportive.

We have taken proactive action to enhance fire prevention measures.

As with the above, there are no further subsequent events which have a material impact on the financial statements under review.

## **15. PERFORMANCE REVIEW**

### **(a) Current quarter compared to the corresponding quarter of last year (1Q12vs1Q11)**

For the first quarter ended 31 March 2012, the Group achieved sales revenue of RM35.9 million as compared to sales revenue of RM31.2 million for the corresponding quarter last year. The increase of 15% was mainly due to the increased market demand of mobile phone accessories, household appliances' sub-systems and network cameras. Notwithstanding the surge in demand of network cameras due to increased market demand for the quarter, it was further boosted by production recovery for customers affected by the Thai floods in the last quarter.

The Group achieved profit attributable to equity holders of the parent company of RM 0.63 million which was lower when compared to the same of RM 2.06 million for the corresponding quarter last year. The decline of 69% was mainly attributable to the continuing selling price pressure on long running products sold in the midst of increasing competition in the weak and unstable global business environment. The weightage of long running products to newly launched products was still skewed towards the former in the first quarter. However, this weightage profile is expected to shift towards the new products which are anticipated to have higher margins as the ensuing quarters unfold, hence, leading to improving profits.

### **(b) Current quarter versus the preceding quarter (1Q12 vs 4Q11)**

Sales revenue for the first quarter of 2012 at RM35.9 million was 1% higher than the preceding quarter of RM35.5 million. This promising out of the historical trend higher sale in the first quarter, though marginal, as compared to the preceding quarter could be explained by 2 major reasons. Firstly, it was attributed to the rebound in the mobile phone accessories sales resulting from the business re-focus relating to one of our major customers. Secondly, the increased market demand of network cameras for a key customer, compounded by the necessity to fulfill orders which spilled-over from the last quarter of last year as a result of the Thai floods boosted sales of network cameras further.

The Group managed to turnaround from a loss attributable to equity holders of the parent company of RM18.4 million in the preceding quarter to a profit attributable to equity holders of the parent company of RM0.63 million in the

current quarter. This turnaround was mainly due to improving overall margins which was made possible by the phasing out of certain long running products and the phasing in of new products with better margins, selective increase in selling prices wherever possible, materials cost-down, outsourcing strategy to reduce costs and more prudent overheads management.

## **16. COMMENTARY ON PROSPECTS AND TARGETS**

Despite the challenging and volatile global economy, the Group's business is seeing signs of strong growth as evident in the first quarter sales. Our two fold strategy of: 1) retaining and growing existing customers thru' competitive pricing, improved service and innovation and 2) seeking out new customers in the automotive and healthcare/medical markets have begun to unveil promising results. Therefore, the Group is optimistic of significant escalating sales growth for the rest of the year, barring further deterioration of the global economy. The confidence is not unfounded as the Group targets to widen its horizon to gear up towards not just enlarging its existing customer-type base but also to include automotive and healthcare/medical market segments which cannot be over-emphasized. The move will likely see the Group entering into a new phase of growth as the new market segments provide a much needed stability in terms of product life cycle, margins and opportunities to counter the existing market matrix of mobile phone accessories, computer peripherals and consumer technology spheres.

Although we are optimistic of our business growth moving forward, we are at the same time on alert of the looming global uncertainties such as the Eurozone crisis, the dismay recovery in the US and a lack-lustre China. As such, we can further expect the exchange rate and commodity prices to remain volatile and unpredictable. That as a backdrop, the Group is continuously taking proactive measures to mitigate and overcome these challenges by making sure we are constantly a step ahead by adopting winning and prudent strategies. These can only be done with good resource planning, diligent human capital and precise execution which the Group believes it has.

## 16. INCOME TAX EXPENSE

Figures in RM'000	3 months ended		Cumulative 3 months	
	31.3.2012	31.3.2011	31.3.2011	31.3.2011
Deferred tax	-	-	-	-
Current tax	-	20	-	20
	-	20	-	20
(Over)/under provision of tax in prior year				
Deferred tax	-	-	-	-
Tax expense	-	-	-	-
<b>Total Income Tax Expense</b>	-	20	-	20

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

There is provision of taxation in respect of a subsidiary company on its other income and there is no provision for subsidiaries that have available unabsorbed business losses or with tax exemption status.

The holding company, K-One Technology Bhd. 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 25% on the estimated taxable profit.

## 17. SALES OF UNQUOTED SECURITIES AND PROPERTIES

There were no purchases or disposal of unquoted securities during the quarter and financial year to-date. The Group has not disposed off any properties for the current quarter and financial year-to-date.

## 18. QUOTED SECURITIES

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

#### 19. CORPORATE PROPOSALS

There are no corporate proposals announced but not completed as at the reporting date.

#### 20. BORROWINGS AND DEBTS SECURITIES

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 31 March 2012 are as follows:

	RM'000
<b><i>Short term borrowings</i></b>	
Bankers' Acceptance	15,873
Revolving Credits	1,000
Bank Overdraft	7,360
Foreign currency trust receipts	4,117
Term Loan	645
Hire-purchase Payables	338
	29,333
<b><i>Long term borrowings</i></b>	
Term Loan	1,910
Hire-purchase Payables	170
	2,080
<b>Total Borrowings</b>	<b>31,413</b>

#### 21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at the end of the current quarter and up to the date of this report, there is no off balance sheet financial instruments which have a material impact to the financial statements under review.

#### 22. CHANGES IN MATERIAL LITIGATION

As at the date of this report, 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.

#### 23. PROPOSED DIVIDEND

There is no dividend proposed in the current quarter and the previous corresponding quarters.



## 24. REALISED AND UNREALISED PROFITS / LOSSES

As at the end of the current quarter under review ended 31 March 2012, the realized and unrealized profits are as follows:

	3 months ended 31.3.2012 RM'000	YTD ended 31.3.2012 RM'000
Realised profits	628	628
Unrealised profits	-	-
<b>Total Retained Profits</b>	<b>628</b>	<b>628</b>

As at the end of last financial year ended 31 December 2011, the realized and unrealized profits are as follows:

	3 months ended 31.3.2011 RM'000	YTD ended 31.3.2011 RM'000
Realised profits	2,008	2,008
Unrealised profits	49	49
<b>Total Retained Profits</b>	<b>2,057</b>	<b>2,057</b>

## 25. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings 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		YTD ended	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
Profit attributable to equity holders of the parent (RM'000)	628	2,057	628	2,057
Weighted average number of Ordinary Shares in issue ('000)	341,859	210,180	341,859	210,180
Basic Earnings Per Ordinary Share (sen)	0.18	0.98	0.18	0.98

(b) 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.

	3 months ended		YTD ended	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
Profit-attributable to equity holders of the parent (RM'000)	628	2,057	628	2,057
Weighted average number of Ordinary Shares in issue ('000)	341,859	210,180	341,859	210,180
Effect of dilution of share options ('000)	68,325	41,745	68,325	41,745
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	410,184	251,925	410,184	251,925
Diluted Earnings Per Ordinary Share (sen)	0.15	0.82	0.15	0.82

**26. 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 18 May 2012.

**BY ORDER OF THE BOARD**

NG YIM KONG (LS 0009297)

Company Secretary

Dated: 18 May 2012.