

**K-One**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

**Condensed Consolidated Statements of Comprehensive Income  
For The First Quarter Ended 31 March 2013**

Figures in RM'000	3 months ended		3 months ended	
	31.03.2013 Unaudited	31.03.2012 Unaudited	31.03.2013 Unaudited	31.03.2012 Unaudited
Operating revenue	36,086	35,904	36,086	35,904
Other income	464	711	464	711
Cost of sales	36,550 (38,814)	36,615 (30,661)	36,550 (38,814)	36,615 (30,661)
Operation expenses	(2,954)	(4,807)	(2,954)	(4,807)
Profit / (Loss) from operations	(5,218)	1,147	(5,218)	1,147
Finance costs	(379)	(519)	(379)	(519)
Profit / (Loss) before tax	(5,597)	628	(5,597)	628
Income tax expense	-	-	-	-
Profit / (Loss) for the period	(5,597)	628	(5,597)	628
Non-controlling interests	-	-	-	-
<b>Profit / (Loss) after tax after Non-controlling interests</b>	<b>(5,597)</b>	<b>628</b>	<b>(5,597)</b>	<b>628</b>

Profit / (Loss) attributable to:

Owners of the Parent	(5,597)	628	(5,597)	628
Non-controlling interests	-	-	-	-
	(5,597)	628	(5,597)	628

Profit / (Loss) per share (EPS)

Attributable to owners  
of the Parent (sen):

Basic EPS	(1.49)	0.18	(1.49)	0.18
Diluted EPS	(1.18)	0.15	(1.18)	0.15

The above condensed consolidated statements of comprehensive income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Comprehensive Income  
For The First Quarter Ended 31 March 2013**

Figures in RM'000	3 months ended		3 months ended	
	31.03.2013 Unaudited	31.03.2012 Unaudited	31.03.2013 Unaudited	31.03.2012 Unaudited
Profit / (Loss) for the period	(5,597)	628	(5,597)	628
Currency translation differences arising from consolidation	10	(3)	10	(3)
<b>Total comprehensive income / (loss)</b>	<b>(5,587)</b>	<b>625</b>	<b>(5,587)</b>	<b>625</b>

Profit / (loss) attributable to:

Owners of the Parent	(5,587)	625	(5,587)	625
Non-controlling interests	-	-	-	-
	<b>(5,587)</b>	<b>625</b>	<b>(5,587)</b>	<b>625</b>

The above condensed consolidated statements of comprehensive income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position  
As At 31 March 2013**

Figures in RM'000	Unaudited 31.03.2013	Audited 31.12.2012
<b>ASSETS</b>		
<i>Non-Current Assets</i>		
Property, plant and equipment	15,138	15,303
Intangible assets	739	751
Goodwill	5,546	5,546
<b>Non-Current Assets</b>	<b>21,423</b>	<b>21,600</b>
<i>Current Assets</i>		
Inventories	31,403	38,749
Trade receivables	25,715	32,169
Other receivables	643	4,179
Tax recoverable	346	316
Cash and bank balances	10,069	8,471
Assets classified as held for sale	1,562	1,563
<b>Total Current Assets</b>	<b>69,738</b>	<b>85,447</b>
<b>TOTAL ASSETS</b>	<b>91,161</b>	<b>107,047</b>

<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	37,455	37,455
Share premium	3,596	3,596
Warrant reserves	1,405	1,405
Other reserves	(93)	(103)
Retained earnings	(5,489)	108
Equity Attributable to Owners of the Parent	36,874	42,461
Non-controlling interests	-	
<b>Total Equity</b>	<b>36,874</b>	<b>42,461</b>

**Condensed Consolidated Statements of Financial Position (Cont'd)**  
**As At 31 March 2013**

Figures in RM'000	Unaudited 31.03.2013	Audited 31.12.2012
<b>EQUITY AND LIABILITIES</b>		
<i>Non-Current Liabilities</i>		
Bank borrowings	1,713	1,677
<b>Non-Current Liabilities</b>	<b>1,713</b>	<b>1,677</b>
<i>Current Liabilities</i>		
Trade payables	28,657	36,243
Other payables and accruals	606	1,082
Amount due to Directors	2	2
Bank overdraft	3,770	4,391
Bank borrowings	19,539	21,190
Tax payables	-	1
<b>Current Liabilities</b>	<b>52,574</b>	<b>62,909</b>
<b>Total Liabilities</b>	<b>54,287</b>	<b>64,586</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>91,161</b>	<b>107,047</b>
<b>Net assets per share attributable to Owners of the Parent (sen)</b>	<b>9.84</b>	<b>11.34</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 2012 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Changes in Equity  
For The First Quarter Ended 31 March 2013**

Figures in RM'000	<-----Attributable to Owners of the Parent ----->							Non-controlling Interest	Total Equity
	Share Capital	Non-distributable Share Premium	Warrant Reserve	Reserve	Distributable Retained Profits	Total			
<b>At 1 January 2013</b>	37,455	3,596	1,405	(103)	108	42,461	-	42,461	
Exchange difference arising from foreign subsidiary companies	-	-	-	10	-	10	-	10	
Net (loss) for the period	-	-	-	-	(5,597)	(5,597)	-	(5,597)	
<b>At 31 March 2013</b>	37,455	3,596	1,405	(93)	(5,489)	36,874	-	36,874	

Figures in RM'000	<-----Attributable to Owners of the Parent ----->							Non-controlling Interest	Total Equity
	Share Capital	Non-distributable Share Premium	Warrant Reserve	Reserve	Distributable Retained Profits	Total			
<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	

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 2012 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Cash Flows  
For The 3 Months Ended 31 March 2013**

Figures in RM'000	3 months ended	
	31.03.2013	31.03.2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Profit / (loss) before taxation</i>	(5,597)	628
Adjustments for:		
Depreciation of property, plant and equipment	602	574
Amortization of intangible assets	12	20
Amortization of prepaid land leases	-	6
Interest expenses	379	519
Interest income	(1)	(1)
Loss on disposal of property, plant and equipment	(1)	-
Foreign exchange loss/(gain) – unrealized	(429)	80
Operating profit / (loss) before working capital changes	(5,035)	1,826
Changes in working capital		
Decrease/(Increase) in inventory	7,347	(2,263)
Decrease in receivables	10,022	40
(Decrease) in payables	(7,663)	(1,897)
Cash generated from operations	4,671	2,294
Interest paid	(379)	(519)
Taxation paid	(33)	(15)
<b><i>Net cash from / (used in) operating activities</i></b>	<b>4,259</b>	<b>(2,828)</b>

**Condensed Consolidated Statements of Cash Flows (Cont'd)**  
**For The 12 Months Year Ended 31 March 2013**

Figures in RM'000	3 months ended	
	31.03.2013	31.03.2012
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest income	1	1
Purchase of property, plant and equipment	(437)	(226)
Proceeds from disposal of property, plant and equipment	1	-
<b>Net cash used in investing activities</b>	<b>(435)</b>	<b>(225)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net repayment of hire purchase	(50)	(69)
Net proceeds from borrowings	-	(2,942)
Net repayment of borrowings	(1,565)	(142)
<b>Net cash used in financing activities</b>	<b>(1,615)</b>	<b>(3,153)</b>
Net increase / (decrease) in cash and cash equivalents	2,209	(6,206)
Effect of exchange rate changes	(13)	(3)
Cash and cash equivalents at beginning of the period	4,103	5,510
<b>CASH AND CASH EQUIVALENT AT END OF THE PERIOD</b>	<b>6,299</b>	<b>3,314</b>

**COMPOSITION OF CASH AND CASH EQUIVALENTS**

Figures in RM'000	3 months ended	
	31.03.2013	31.03.2012
Cash and Bank Balances	10,069	7,072
Overdraft	(3,770)	(7,360)
	<b>6,299</b>	<b>(288)</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 2012 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**

The interim financial statements are unaudited and had been prepared in accordance with the MFRS 134 –Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB) and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) for the ACE Market and should be read in conjunction with the audited statutory financial statements presented for the financial year ended 31 December 2012.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2012.

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

The audited financial statements of the preceding financial year were not subjected 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.

**7. DIVIDENDS PAID**

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

**8. Notes to Consolidated Statement of Comprehensive Income**

Figures in RM'000	3 months ended		3 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Depreciation of property, plant and equipment	(602)	(574)	(602)	(574)
Amortization of intangible assets	(12)	(20)	(12)	(20)
Interest expenses	(379)	(519)	(379)	(519)
Gain on disposal of property, plant and equipment	1	-	1	-
Foreign exchange (loss) / gain – unrealized	429	80	429	80
Interest income	1	1	1	1

## 9. 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	1,053	35,033	-	-	-	36,086
Internal sales	-	512	-	-	(512)	-
Total operating sales	1,053	35,545	-	-	(512)	36,086
Other income	37	427	-	-	-	464
	1,090	35,972	-	-	(512)	36,550
<b>Results</b>						
Segment results	209	(5,399)	(16)	(12)	-	(5,218)
Finance costs	-	(379)	-	-	-	(379)
Income tax	-	-	-	-	-	-
(Loss) after tax before non-controlling interest						(5,597)
Non-controlling interest						-
(Loss) after tax after non-controlling interest						<b>(5,597)</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
<b>Other information</b>						
Segment assets	8,438	81,763	299	315	-	90,815
Unallocated assets						346
						<b>91,161</b>
Segment liabilities	428	28,766	50	19	-	29,263
Unallocated liabilities						25,024
						<b>54,287</b>

## 9. SEGMENT INFORMATION (cont'd)

### (b) Sales Contribution by Geography

The geographical sales breakdowns are as follows:

	3 months ended	
	31.03.2013	31.03.2012
	RM'000	RM'000
Malaysia	285	1,825
Europe	18,144	19,854
USA	933	288
Oceania	5	2
Africa	16	-
North Asia*	16,703	13,935
	<u>36,086</u>	<u>35,904</u>

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

### (c) Sales from Major Customers

For the 3 months ended 31 March 2013, 3 major customers contributed RM29 million, representing approximately 81% of total sales revenue (2012: RM27 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.

## 11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 31 March 2013.

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

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

	RM'000
K-One Industry Sdn Bhd	35,106
K-One Electronics Sdn Bhd	21,660
K-One Manufacturing Sdn Bhd	25,000
	<b>81,766</b>

## **13. CAPITAL COMMITMENTS**

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

## **14. SUBSEQUENT EVENT**

There are no 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 (1Q13 vs 1Q12)**

For the first quarter ended 31 March 2013, the Group achieved sales revenue of RM 36.1 million as compared to sales revenue of RM35.9 million for the corresponding quarter last year. The mobile phone accessories, electronic headlamps, floor-care products and other consumer electronic products recorded gains. However, these gains were mainly off-set by the decreased household appliances' wire-harness system business with last time buy as the Group had decided to exit from this business as it was not profitable and also a shortfall in meeting the demand in network cameras due to a delay in the supply of incoming parts to complete the assembly which has since been resolved. Overall, the Group still managed to register an approximately 1% sales growth, comparing this quarter against the same quarter last year.

**15. PERFORMANCE REVIEW(cont'd)**

**(a) Current quarter compared to the corresponding quarter of last year  
(1Q13 vs 1Q12)**

The Group registered a loss attributable to equity holders of the parent company of RM 5.6million as compared to a profit of RM 0.6 million for the corresponding quarter last year. The loss was mainly attributed to the household appliances' wire-harness system business which was not profitable, therefore, had decided to exit from this business segment and the discontinuation of specific consumer electronic products, thereby, resulting in margin compression. With this decision to exit from the household appliances' wire harness system business, the Group would be able to move forward positively. Furthermore, the discontinuation of specific consumer electronic products with new replacement models would augur well for the Group in the long term, as the selling prices for these products would be reinitialized with higher margin.

**(b) Current quarter versus the preceding quarter  
(1Q13 vs 4Q12)**

Sales revenue for the first quarter ended 31 March 2013 at RM 36.1 million was 8% lower than the preceding quarter of RM 39.4 million. The decrease was expected as demand normally eased after the year end festive period. In any event, there was notable strength in the sales of mobile phone accessories for the quarter concerned.

The Group registered loss attributable to equity holders of the parent company of RM 5.6 million as compared to loss attributable to equity holders of the parent company of RM 4.5 million in the preceding quarter. The higher loss was mainly attributed to the exiting from the household appliances' wire-harness system business and the discontinuation of specific consumer electronic products which resulted in margin compression.

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

Despite the continuing weakness in the Eurozone economy, the uncertainties in the US economy and a soft economy in China, the Group registered sustainable sales revenue of RM 36.1 million for the first quarter ended 31 March 2013. Sales is expected to grow, inspite of exiting from the household appliances' wire-harness system business, as it would be compensated by the increase in business from the core business segments; namely; mobile phone accessories, computer peripherals and the consumer electronics sectors which are expected to be sustainable and vibrant as the Group is in niche markets in these sectors. The exiting from the household appliances' wire-harness system business bodes positively for the financials of the Group as it would not be required to carry the burden of the loss from this business segment moving forward. The Group would continue its strategy of phasing out long running products with low margin and replacing them with more innovative products with higher margin.

It will also forge ahead with pitching for business in the medical/healthcare and automotive segments. In this regard, the Group has in May 2013 been certified with TS 16949, implying that we are ready and qualified to take business from the automotive OEMs or its Tier 1 suppliers.

The implementation of the minimum wage policy at the beginning of 2013 increased our cost of production. We have cushioned this adverse impact to some extent and expect to further mitigate it by continuously re-designing our processes for semi-automation or full automation, simplifying the processes and reviewing ways to further improve productivity.

We expect the insurance claim for the fire mishap which happened in April 2012 to be finalized by the end of the second quarter of 2013. With the preceding insurance finalization and having taken the above crucial steps of exiting from non-profitable household appliances' wire-harness system business, the discontinuation of specific consumer electronic products with the replacement with new models, hence higher margin and focusing in reducing costs and improving productivity, we are expecting to turnaround as we march forward in 2013.

**17. INCOME TAX EXPENSE**

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.

**18. 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.

**19. QUOTED SECURITIES**

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

**20. CORPORATE PROPOSALS**

To-date, we have completed the planned utilization of all proceeds, totaling approximately RM 6.9 million raised from the Private Placement of 32,689,200 new K-One shares which was listed and quoted on the ACE Market of Bursa Malaysia Securities Bhd. on 2 May 2012.

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



## 21. BORROWINGS AND DEBTS SECURITIES

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 31 March 2013 are as follows:

	RM'000
<b><i>Short term borrowings</i></b>	
Bankers' Acceptance	13,098
Revolving Credits	1,000
Bank Overdraft	3,770
Foreign currency trust receipts	4,928
Term Loan	360
Hire-purchase Payables	153
	23,309
<b><i>Long term borrowings</i></b>	
Term Loan	1,591
Hire-purchase Payables	122
	1,713
<b>Total Borrowings</b>	<b>25,022</b>

## 22. 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.

## 23. 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.

## 24. PROPOSED DIVIDEND

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

## 25. REALISED AND UNREALISED PROFITS / LOSSES

As at the end of the current quarter under review ended 31 March 2013, the realized and unrealized profits are as follows:

	3months ended 31.03.2013 RM'000	3 months ended 31.03.2013 RM'000
Realised profit / (loss)	(5,918)	(5,918)
Unrealised (loss)	429	429
<b>Total Retained Profit / (loss)</b>	<b>(5,489)</b>	<b>(5,489)</b>

As at the end of the previous financial period ended 31 December 2012, the realized and unrealized profits are as follows:

	3 months ended 31.03.2012 RM'000	3 months ended 31.03.2012 RM'000
Realised profit	628	628
Unrealised profit	-	-
<b>Total Retained Profit</b>	<b>628</b>	<b>628</b>

## 26. 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		3 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Profit / (loss) attributable to equity holders of the parent (RM'000)	(5,597)	628	(5,597)	628
Weighted average number of Ordinary Shares in issue '000)	374,548	341,859	374,548	341,859
Basic Earnings /(loss) Per Ordinary Share (sen)	(1.49)	0.18	(1.49)	0.18

**26. EARNINGS PER SHARE (cont'd)**

(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 and warrants.

	3 months ended		3 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Profit /(loss) attributable to equity holders of the parent (RM'000)	(5,597)	628	(5,597)	628
Weighted average number of Ordinary Shares in issue ('000)	374,548	341,859	374,548	341,859
Effect of dilution of share options and warrants ('000)	100,726	68,325	100,726	68,325
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	475,274	410,184	475,274	410,184
Diluted Earnings /(loss) Per Ordinary Share (sen)	(1.18)	0.15	(1.18)	0.15

**27. 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 29 May 2013.

**BY ORDER OF THE BOARD**  
NG YIM KONG (LS 0009297)  
Company Secretary

Dated: 29 May 2013.