

K-One

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2013**

**Condensed Consolidated Statements of Comprehensive Income
For The Second Quarter Ended 30 June 2013**

Figures in RM'000	3 months ended		6 months ended	
	30.06.2013 Unaudited	30.06.2012 Unaudited	30.06.2013 Unaudited	30.06.2012 Unaudited
Operating revenue	35,728	38,169	71,814	74,073
Other income	3,773	1,590	4,237	2,301
Cost of sales	39,501 (32,634)	39,759 (33,144)	76,051 (71,448)	76,374 (63,805)
Operation expenses	(3,077)	(5,459)	(6,031)	(10,266)
Profit / (Loss) from operations	3,790	1,156	(1,428)	2,303
Inventory write-down (due to fire)	-	(8,877)	-	(8,877)
Finance costs	(397)	(469)	(776)	(988)
Profit / (Loss) before tax	3,393	(8,190)	(2,204)	(7,562)
Income tax expense	-	-	-	-
Profit / (Loss) for the period	3,393	(8,190)	(2,204)	(7,562)
Non-controlling interests	-	-	-	-
Profit / (Loss) after tax after Non-controlling interests	3,393	(8,190)	(2,204)	(7,562)

Profit / (Loss) attributable to:

Owners of the Parent	3,393	(8,190)	(2,204)	(7,562)
Non-controlling interests	-	-	-	-
	3,393	(8,190)	(2,204)	(7,562)

Profit / (Loss) per share (EPS)

Attributable to owners
of the Parent (sen):

Basic EPS	0.91	(2.25)	(0.59)	(2.14)
Diluted EPS	0.71	(1.98)	(0.46)	(1.84)

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 Second Quarter Ended 30 June 2013**

Figures in RM'000	3 months ended		6 months ended	
	30.06.2013 Unaudited	30.06.2012 Unaudited	30.06.2013 Unaudited	30.06.2012 Unaudited
Profit / (Loss) for the period	3,393	(8,190)	(2,204)	(7,562)
Currency translation differences arising from consolidation	(4)	11	14	8
Total comprehensive income / (loss)	3,389	(8,179)	(2,190)	(7,554)

Profit / (loss) attributable to:

Owners of the Parent	3,389	(8,179)	(2,190)	(7,554)
Non-controlling interests	-	-	-	-
	3,389	(8,179)	(2,190)	(7,554)

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 30 June 2013**

Figures in RM'000	Unaudited 30.06.2013	Audited 31.12.2012
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	15,108	15,303
Intangible assets	955	751
Goodwill	5,546	5,546
Non-Current Assets	21,609	21,600
<i>Current Assets</i>		
Inventories	29,904	38,749
Trade receivables	26,402	32,169
Other receivables	1,132	4,179
Tax recoverable	366	316
Cash and bank balances	13,459	8,471
Assets classified as held for sale	-	1,563
Total Current Assets	71,263	85,447
TOTAL ASSETS	92,872	107,047

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	37,455	37,455
Share premium	3,596	3,596
Warrant reserves	1,405	1,405
Other reserves	(89)	(103)
Retained earnings	(2,096)	108
Equity Attributable to Owners of the Parent	40,271	42,461
Non-controlling interests	-	
Total Equity	40,271	42,461

Condensed Consolidated Statements of Financial Position (Cont'd)
As At 30 June 2013

Figures in RM'000	Unaudited 30.06.2013	Audited 31.12.2012
EQUITY AND LIABILITIES		
<i>Non-Current Liabilities</i>		
Bank borrowings	1,659	1,677
Non-Current Liabilities	1,659	1,677
<i>Current Liabilities</i>		
Trade payables	31,565	36,243
Other payables and accruals	623	1,082
Amount due to Directors	2	2
Bank overdraft	4,677	4,391
Bank borrowings	14,075	21,190
Tax payables	-	1
Current Liabilities	50,942	62,909
Total Liabilities	52,601	64,586
TOTAL EQUITY AND LIABILITIES	92,872	107,047
Net assets per share attributable to Owners of the Parent (sen)	10.75	11.34

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 Second Quarter Ended 30 June 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			
At 1 January 2013	37,455	3,596	1,405	(103)	108	42,461	-	42,461	
Exchange difference arising from foreign subsidiary companies	-	-	-	14	-	14	-	14	
Net (loss) for the period	-	-	-	-	(2,204)	(2,204)	-	(2,204)	
	-	-	-	14	(2,204)	(2,190)	-	(2,190)	
At 30 June 2013	37,455	3,596	1,405	(89)	(2,096)	40,271	-	40,271	

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			
At 1 January 2012	34,186	-	-	(36)	9,701	43,851	-	43,851	
Exchange difference arising from foreign subsidiary companies	-	-	-	8	-	8	-	8	
Private Placement	3,269	3,596	-	-	-	6,865	-	6,865	
Net profit for the period	-	-	-	-	(7,562)	(7,562)	-	(7,562)	
	3,269	3,596	-	8	(7,562)	(689)	-	(689)	
At 30 June 2012	37,455	3,596	-	(28)	2,139	43,162	-	43,162	

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 6 months Period 30 June 2013

Figures in RM'000	6 months ended	
	30.06.2013	30.06.2012
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit / (loss) before taxation</i>	(2,204)	(7,562)
Adjustments for:		
Depreciation of property, plant and equipment	1,168	1,141
Amortization of intangible assets	29	40
Amortization of prepaid land leases	-	12
Inventory write-down (due to fire)	-	8,877
Interest expenses	777	988
Interest income	(1)	(9)
Gain /(loss) on disposal of property, plant and equipment	(337)	1
Foreign exchange loss/(gain) – unrealized	(123)	22
Operating profit / (loss) before working capital changes	(691)	3,510
Changes in working capital		
Decrease/(Increase) in inventory	8,846	(1,193)
Decrease in receivables	8,544	(7,101)
Decrease in amount due to Director	-	(2,207)
(Decrease) / Increase in payables	(4,735)	258
Cash generated from operations	11,964	(6,733)
Interest paid	(777)	(988)
Taxation paid	(53)	(57)
Net cash from / (used in) operating activities	11,134	(7,778)

Condensed Consolidated Statements of Cash Flows (Cont'd)
For The 6 Months Period Ended 30 June 2013

Figures in RM'000	6 months ended	
	30.06.2013	30.06.2012
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	1	9
Withdrawal of fixed deposits	-	504
Purchase of property, plant and equipment	(1,205)	(378)
Proceeds from disposal of property, plant and equipment	1,900	-
Net cash from / (used in) investing activities	696	135
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of borrowings	(7,011)	(3,156)
Proceeds from issuance of share at premium	-	6,865
Net cash used in financing activities	(7,133)	3,709
Net increase / (decrease) in cash and cash equivalents	4,697	(3,934)
Effect of exchange rate changes	(18)	5
Cash and cash equivalents at beginning of the period	4,103	5,921
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	8,782	1,992

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	6 months ended	
	30.06.2013	30.06.2012
Cash and Bank Balances	13,459	5,870
Overdraft	(4,677)	(3,878)
	8,782	1,992

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		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Depreciation of property, plant and equipment	(566)	(567)	(1,168)	(1,141)
Amortization of intangible assets	(17)	(20)	(29)	(40)
Amortization of prepaid land leases	-	(6)	-	(12)
Interest expenses	(397)	(469)	(777)	(988)
Inventory write-down (due to fire)	-	(8,877)	-	(8,877)
Gain /(loss) on disposal of property, plant and equipment	336	(1)	337	(1)
Foreign exchange (loss) / gain – unrealized	(306)	(102)	123	(22)
Interest income	1	8	1	9

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
Sales						
External sales	570	35,158	-	-	-	35,728
Internal sales	-	-	-	-	-	-
Total operating sales	570	35,158	-	-	-	35,728
Other income	7	3,766	-	-	-	3,773
	577	38,924	-	-	-	39,501
Results						
Segment results	(28)	3,882	(22)	(42)	-	3,790
Finance costs	-	(379)	-	-	-	(397)
Income tax	-	-	-	-	-	-
(Loss) after tax before non-controlling interest						3,393
Non-controlling interest						-
(Loss) after tax after non-controlling interest						3,393

	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	9,806	82,087	298	315	-	92,506
Unallocated assets						366
						92,872
Segment liabilities	520	31,579	71	18	-	32,188
Unallocated liabilities						20,413
						52,601

9. SEGMENT INFORMATION (cont'd)

(b) Sales Contribution by Geography

The geographical sales breakdowns are as follows:

	6 months ended	
	30.06.2013	30.06.2012
	RM'000	RM'000
Malaysia	904	3,286
Europe	39,397	40,060
USA	1,868	909
Oceania	9	11
Africa	16	-
Middle East	14	-
North Asia*	29,606	29,807
	<u>71,814</u>	<u>74,073</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 6 months ended 30 June 2013, 3 major customers contributed RM60 million, representing approximately 83% of total sales revenue (2012: RM56 million, representing 76% 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 30 June 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	35,756
K-One Electronics Sdn Bhd	21,660
K-One Manufacturing Sdn Bhd	11,000
	68,416

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 (2Q13 vs 2Q12)

For the second quarter ended 30 June 2013, the Group achieved sales revenue of RM 35.7 million as compared to sales revenue of RM 38.2 million for the corresponding quarter last year. The decline in sales of approximately 7% was mainly attributed to the decision made earlier to divest from the unprofitable household appliances' wire-harness system business which effected its full impact in the second quarter of 2013 as this business was halted and the reduced demand for electronic headlamps as it transitioned to new models in the ensuing quarters. Nevertheless, overall total sales from the core businesses of mobile phone accessories, network cameras and consumer technology products increased, comparing the second quarter of 2013 against the corresponding same quarter of 2012.

15. PERFORMANCE REVIEW(cont'd)

**(a) Current quarter compared to the corresponding quarter of last year
(2Q13 vs 2Q12)**

The Group registered profit attributable to equity holders of the parent company of RM 3.4 million as compared to a loss of RM 8.2 million for the corresponding quarter last year. The profit was mainly attributed to the reimbursement of insurance claim amounting to RM 3.3 million relating to the fire mishap which happened in 2012. From the operation aspect, the Group registered a profit of approximately RM 0.1 million. Therefore, the divestment from unprofitable businesses was a step in the right direction.

**(b) Current quarter versus the preceding quarter
(2Q13 vs 1Q13)**

Sales revenue for the second quarter ended 30 June 2013 at RM 35.7 million was 1% lower than the preceding quarter of RM 36.1 million. The marginal decrease was due to the transition to new models for mobile phone accessories and electronic headlamps respectively, therefore causing reduced demand for the second quarter of 2013. Furthermore, following the last buy for the household appliances' wire-harness system business in the first quarter of 2013, the preceding business was stopped in the second quarter of 2013. This also contributed to the marginal decrease, comparing the second quarter to the first quarter of 2013. .

The Group registered profit attributable to equity holders of the parent company of RM 3.4 million as compared to a loss attributable to equity holders of the parent company of RM 5.6 million in the preceding quarter. Although the turnaround was mainly attributed to the insurance reimbursement of approximately RM 3.3 million, it is notable that the operational financial performance had improved to become profitable following the final divestment from the unprofitable household appliances wire-harness system business.

16. COMMENTARY ON PROSPECTS AND TARGETS

The Eurozone recession persists and the region's economy is struggling. The US economy continues to be uncertain while China, the second largest economy in the world remains lack-lustre. Nonetheless, the Group registered sustainable sales of RM 71.8 million in the first half of 2013 against sales of RM 74.1 million for the same period last year (2012). The marginal decrease of 3% was mainly attributed to the loss in sales due to the divestment from the unprofitable household appliances wire-harness system business. In fact, the Group's core businesses of mobile phone accessories, computer peripherals and consumer technology products recorded an overall total increase in business. However, it was insufficient to off-set the decrease caused by the loss in sales resulting from the exit from the household appliances wire-harness business, comparing the first half of 2013 against the same of 2012.

For the second half of 2013, the Group expects the sales momentum of its core businesses of mobile phone accessories, computer peripherals and consumer technology products to intensify based upon two key reasons. Firstly, sales for the second half of the year has normally been much higher than the first as the Group is required to meet increased demand during the year end festive seasons overseas. Secondly, the Group is preparing and anticipating the launch of new models for existing and new customers which is expected to increase sales in the second half of 2013.

The Group would continue to exercise prudence in mitigating currency fluctuations, conducting materials cost reduction, improvement of productivity and controlling of expenses/overheads, all with the aim of sustaining and enhancing the profitability turnaround.

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 disposed off its factory, comprising of 3 individual lots located in Sungai Petani for a total of RM 1.9 million for the current quarter and financial year-to-date. The net carrying value of the said property was RM 1.56 million.

19. QUOTED SECURITIES

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

20. CORPORATE PROPOSALS

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 30 June 2013 are as follows:

	RM'000
<i>Short term borrowings</i>	
Bankers' Acceptance	9,825
Revolving Credits	1,000
Bank Overdraft	4,677
Foreign currency trust receipts	2,967
Term Loan	191
Hire-purchase Payables	92
	18,752
<i>Long term borrowings</i>	
Term Loan	1,548
Hire-purchase Payables	111
	1,659
Total Borrowings	20,411

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 quarter.

25. REALISED AND UNREALISED PROFITS / LOSSES

As at the end of the current quarter under review ended 30 June 2013, the realized and unrealized profits are as follows:

	6 months ended 30.06.2013 RM'000
Realised profit / (loss)	(2,219)
Unrealised profit / (loss)	123
Total Retained Profit / (loss)	(2,096)

As at the end of the previous financial period ended 30 June 2012, the realized and unrealized profits are as follows:

	6 months ended 30.06.2012 RM'000
Realised profit	2,161
Unrealised profit	(22)
Total Retained Profit	2,139

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		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Profit / (loss) attributable to equity holders of the parent (RM'000)	3,393	(8,190)	(2,204)	(7,562)
Weighted average number of Ordinary Shares in issue '000)	374,548	363,412	374,548	352,636
Basic Earnings /(loss) Per Ordinary Share (sen)	0.91	(2.25)	(0.59)	(2.14)

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		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Profit /(loss) attributable to equity holders of the parent (RM'000)	3,393	(8,190)	(2,204)	(7,562)
Weighted average number of Ordinary Shares in issue ('000)	374,548	363,412	374,548	352,636
Effect of dilution of share options and warrants ('000)	100,726	50,156	100,726	59,241
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	475,274	413,568	475,274	411,877
Diluted Earnings /(loss) Per Ordinary Share (sen)	0.71	(1.98)	(0.46)	(1.84)

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 5 August 2013.

BY ORDER OF THE BOARD
NG YIM KONG (LS 0009297)
Company Secretary
Dated: 5 August 2013.