

**K-One**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 December 2014**

**Condensed Consolidated Statements of Comprehensive Income  
For The Fourth Quarter Ended 31 December 2014**

Figures in RM'000	3 months ended		12 months ended	
	31.12.2014 Unaudited	31.12.2013 Unaudited	31.12.2014 Unaudited	31.12.2013 Audited
Operating revenue	54,208	51,774	186,097	171,251
Cost of sales	(46,263)	(46,750)	(160,415)	(162,792)
Gross profit	7,945	5,024	25,682	8,459
Other income	(70)	(138)	99	4,376
Interest income	23	-	23	-
Operating expenses	(3,877)	(2,621)	(12,790)	(10,305)
Profit from operations	4,021	2,265	13,014	2,530
Finance costs	(30)	(246)	(475)	(1,384)
Profit-before-tax	3,991	2,019	12,539	1,146
Income tax expense	(684)	(133)	(684)	(133)
Profit for the period	3,307	1,886	11,855	1,013
Non-controlling interests	-	-	-	-
<b>Profit-after-tax after non-controlling interests</b>	<b>3,307</b>	<b>1,886</b>	<b>11,855</b>	<b>1,013</b>

Profit attributable to:

Owners of the Parent	3,307	1,886	11,855	1,013
Non-controlling interests	-	-	-	-
	3,307	1,886	11,855	1,013

Profit per share (EPS)

Attributable to owners  
of the Parent (sen):

Basic EPS	0.86	0.50	3.13	0.27
Diluted EPS	0.71	0.40	2.49	0.21

**Condensed Consolidated Statements of Comprehensive Income (Cont'd)**  
**For The Fourth Quarter Ended 31 December 2014**

Figures in RM'000	3months ended		12 months ended	
	31.12.2014 Unaudited	31.12.2013 Unaudited	31.12.2014 Unaudited	31.12.2013 Audited
Profit for the period	3,307	1,886	11,855	1,013
Items that may be subsequently reclassified to profit or loss	-	-	-	-
Foreign currency translation	21	(59)	21	(17)
<b>Total comprehensive income</b>	<b>3,328</b>	<b>1,827</b>	<b>11,876</b>	<b>996</b>

Profit attributable to:

Owners of the Parent	3,328	1,827	11,876	996
Non-controlling interests	-	-	-	-
	<b>3,328</b>	<b>1,827</b>	<b>11,876</b>	<b>996</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 2013 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position**  
**At 31 December 2014**

Figures in RM'000	Unaudited 31.12.2014	Audited 31.12.2013
<b>ASSETS</b>		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,254	17,210
Intangible assets	499	917
Goodwill	5,546	5,546
<b>Non-Current Assets</b>	<b>22,299</b>	<b>23,673</b>
<i>Current Assets</i>		
Inventories	13,531	20,806
Trade receivables	41,827	45,573
Other receivables	614	962
Tax recoverable	257	300
Cash and bank balances	33,131	13,103
<b>Total Current Assets</b>	<b>89,360</b>	<b>80,744</b>
<b>TOTAL ASSETS</b>	<b>111,659</b>	<b>104,417</b>

<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	41,779	37,455
Share premium	9,433	3,596
Warrant reserves	756	1,405
Other reserves	(100)	(121)
Retained earnings	12,977	1,122
Equity Attributable to Owners of the Parent	64,845	43,457
Non-controlling interests	-	-
<b>Total Equity</b>	<b>64,845</b>	<b>43,457</b>

**Condensed Consolidated Statements of Financial Position (Cont'd)**  
**At 31 December 2014**

Figures in RM'000	Unaudited 31.12.2014	Audited 31.12.2013
<b>EQUITY AND LIABILITIES</b>		
<i>Non-Current Liabilities</i>		
Deferred tax liability	793	131
Bank borrowings	-	1,074
<b>Non-Current Liabilities</b>	<b>793</b>	<b>1,205</b>
<i>Current Liabilities</i>		
Trade payables	45,241	40,527
Other payables and accruals	778	449
Amount due to Directors	2	2
Bank overdraft	-	4,041
Bank borrowings	-	14,732
Tax payables	-	4
<b>Current Liabilities</b>	<b>46,021</b>	<b>59,755</b>
<b>Total Liabilities</b>	<b>46,814</b>	<b>60,960</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>111,659</b>	<b>104,417</b>
<b>Net assets per share attributable to Owners of the Parent (sen)</b>	<b>15.52</b>	<b>11.60</b>

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Changes in Equity  
For The Fourth Quarter Ended 31 December 2014**

Figures in RM'000	<-----Attributable to Owners of the Parent ----->							Non-Controlling Interest	Total Equity
	Share Capital	Non-Distributable		Warrant Reserve	Translation Reserve	Distributable			
		Share Premium			Retained Profits	Total			
<b>At 1 January 2014</b>	37,455	3,596	1,405	(121)	1,122	43,457	-	43,457	
Exchange difference arising from foreign subsidiary companies	-	-	-	21	-	21	-	12	
Net profit for the year					11,855	11,855		11,855	
Issue of shares via exercise of warrants	4,324	5,837	(649)	-	-	9,512	-	9,512	
	4,324	5,837	(649)	21	11,855	21,388		21,388	
<b>At 31 December 2014</b>	41,779	9,433	756	(100)	12,977	64,845	-	64,845	

Figures in RM'000	<-----Attributable to Owners of the Parent ----->							Non-Controlling Interest	Total Equity
	Share Capital	Non-Distributable		Warrant Reserve	Translation Reserve	Distributable			
		Share Premium			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	-	-	-	(17)	-	(17)	-	(17)	
Net profit for the period					1,013	1,013		1,013	
	-	-	-	(17)	1,013	996		996	
<b>At 31 December 2013</b>	37,455	3,596	1,405	(120)	1,122	43,457	-	43,457	

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Cash Flows  
For The Fourth Quarter Ended 31 December 2014**

Figures in RM'000	12 months ended	
	31.12.2014	31.12.2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Profit before taxation</i>	12,539	1,146
Adjustments for:		
Depreciation of property, plant and equipment	2,446	2,327
Allowance for specific doubtful debts no longer required	-	(291)
Allowance for doubtful debts	715	-
Bad debts written off	-	362
Amortization of intangible assets	96	66
Inventories written off	-	65
Interest expenses	475	1,384
Interest income	(23)	(1)
Gain on early settlement of hire purchase	(9)	-
Gain on disposal of property, plant and equipment	(57)	(337)
Foreign exchange loss / (gain) – unrealized	(662)	(293)
Operating profit before working capital changes	15,520	4,428
Changes in working capital		
Decrease in inventory	7,275	17,878
Decrease/(Increase) in receivables	2,872	(9,348)
Increase in payables	6,212	3,068
Cash generated from operations	31,879	16,026
Interest paid	(475)	(1,384)
Taxation paid/(refund)	17	17
<b>Net cash from operating activities</b>	<b>31,421</b>	<b>14,659</b>

**Condensed Consolidated Statements of Cash Flows (Cont'd)**  
**For The Fourth Quarter Ended 31 December 2014**

Figures in RM'000	12 months ended	
	31.12.2014	31.12.2013
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest income	23	1
Purchase of property, plant and equipment	(1,721)	(4,233)
Purchase of intangible assets	-	(233)
Proceeds from disposal of property, plant and equipment	611	1,900
<b>Net cash (used in) investing activities</b>	<b>(1,087)</b>	<b>(2,565)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital via exercise of warrants	9,512	-
Net repayment of borrowings	(15,798)	(7,060)
<b>Net cash (used in) financing activities</b>	<b>(6,286)</b>	<b>(7,060)</b>
Net increase in cash and cash equivalents	24,048	5,034
Effect of exchange rate changes	21	(52)
Cash and cash equivalents at beginning of the period	9,062	4,080
<b>CASH AND CASH EQUIVALENT AT END OF THE PERIOD</b>	<b>33,131</b>	<b>9,062</b>

**COMPOSITION OF CASH AND CASH EQUIVALENTS**

Figures in RM'000	12 months ended	
	31.12.2014	31.12.2013
Cash and Bank Balances	33,131	13,103
Overdraft	-	(4,041)
	<b>33,131</b>	<b>9,062</b>

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 has been prepared in accordance with MFRS 134 – Interim Financial Reporting issued by the 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 2013.

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 2013.

**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

In the current fourth quarter, 43,238,852 shares have been issued pursuant to the exercise of warrants which raised approximately RM9.5 million for the Group. There is an outstanding 50,398,198 unconverted warrants which is due to expire in December 2015. Except for the above, there were no other 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		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Depreciation of property, plant and equipment	(632)	(577)	(2,446)	(2,327)
Allowance for specific doubtful debts no longer required	-	292	-	292
Allowance for doubtful debts	(715)	-	(715)	-
Bad debts written off		(362)		(362)
Amortization of intangible assets	(27)	(22)	(96)	(66)
Inventories written off		(65)		(65)
Interest expenses	(30)	(246)	(475)	(1,384)
Gain on disposal of property, plant and equipment	(2)	-	57	337
Gain on early settlement of hire purchase loan	9	-	9	-
Foreign exchange (loss) / gain – unrealized	434	184	662	293
Interest income	23	-	23	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 for FY 2014

	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>Revenue</b>						
External Revenue	3,409	182,688	-	-	-	186,097
<b>Total operating sales</b>	<b>3,409</b>	<b>182,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186,097</b>
<b>Results</b>						
Segment results	(220)	13,285	(10)	(41)	-	13,014
Finance costs	-	(475)	-	-	-	(475)
Income tax	-	-	-	-	-	(684)
<b>Profit- after-tax</b>						<b>11,855</b>
<b>Other information</b>						
Segment assets	5,225	105,707	167	303		111,402
Unallocated assets						257
<b>Total assets</b>						<b>111,659</b>
Segments liabilities	612	45,359	9	39		46,019
Unallocated liabilities						795
<b>Total liabilities</b>						<b>46,814</b>

**9. SEGMENT INFORMATION (Cont'd)**

**(b) Sales Contribution by Geography**

The geographical sales breakdown are as follows:

	12 months ended	
	31.12.2014	31.12.2013
	RM'000	RM'000
Malaysia	1,311	2,281
Europe	102,276	105,791
USA	2,674	3,359
Oceania	180	9
Africa	79	26
Middle-East	49	69
North Asia	79,528	59,716
	<u>186,097</u>	<u>171,251</u>

**(c) Sales to Major Customers**

For the 12 months ended 31 December 2014, 3 major customers contributed RM 151 million, representing approximately 81% of total sales revenue (2013: RM 147 million, representing 86% 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 quarter ended 31 December 2014.

**12. CONTINGENT ASSETS & LIABILITIES**

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

	RM'000
K-One Industry Sdn Bhd	<u>28,756</u>
	<u><b>28,756</b></u>

**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  
(4Q'14 vs 4Q'13 )**

For the fourth quarter ended 31 December 2014, the Group achieved sales revenue of RM 54.2 million as compared to sales revenue of RM51.8 million for the corresponding quarter last year. The increase of 5% in sales was mainly attributed to the increased demand of mobile phone accessories and to a lesser extent, contributions from new consumer electronic products' customers and also health-care devices' customers.

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

**(a) Current quarter compared to the corresponding quarter of last year (cont'd)  
(4Q'14 vs 4Q'13)**

The Group registered profit attributable to equity holders of the parent company of RM3.3 million as compared to the same of RM1.9 million for the corresponding quarter last year. Profit increased by 74% due mainly to the contributions from the streaming of new products with better margins and the existing products having improved margins as a result of various profit enhancement measures such as materials cost reduction and productivity improvement taken thus far. Additionally, the current quarter benefitted from not having to carry the remnants of the loss making wire-harness (household appliances) business which pulled down the profitability for the same quarter last year. Operating expenses were higher due mainly to more frequent trips overseas to manage and secure potential future business. Interest payment was reduced to an immaterial amount while on the contrary, the Group recorded interest income. In fact, as at the close of the fourth quarter, the Group has no short and long term borrowings from the banks.

**(b) Current quarter versus the preceding quarter  
(4Q'14 vs 3Q'14)**

Sales revenue for the fourth quarter ended 31 December 2014 at RM54.2 million was 11% higher than the preceding quarter of RM48.9 million. The increase in sales was mainly attributed to the continued ramping up of production of mobile phone accessories, particularly new product lines to tie in with new product launches and fulfilment of higher demand from the consumer electronics and health-care devices' customers.

The Group registered profit attributable to equity holders of the parent company of RM3.3 million as compared to the same of RM3.1 million in the preceding quarter, representing a 6% increase in profitability. The profit increase was mainly due to a higher sales turnover of 11% and improved margins contributed by new product launches.

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

The Group achieved sales of RM186.1 million in 2014 against the same of RM171.3 in 2013. Thus, the year-on-year sales growth is 9%. The key contributors to the sales growth were attributed to mobile phone accessories and the emerging consumer electronics and healthcare devices. As has been since the establishment of the Group in 2001, on average, more than 90% of its sales are for the export market. For 2014, the Group exported 99% of its products/services so its performance is very dependent on the sentiment of the global economy. In this regard, the global economy, on the overall and in particular, the major ones such as US, Europe, China and Japan experienced intermittent and uncertain growth in 2014. Against such a backdrop, the Group has nevertheless performed well in growing its sales.

Moving forward, in the current year (2015), the Group anticipates to sustain and grow through tapping the existing customers in mobile phone accessories, surveillance cameras, consumer electronic products and automotive aggregates plus targeting emerging markets such as the healthcare wearables and medical devices industries. Furthermore, the Group expects to enhance its growth by leveraging on its track record in mobile phone accessories and consumer electronic products' innovation by focusing on new customers in these sectors. The market diversification into healthcare wearables and customer expansion will have their business challenges which the Group will attempt to resolve by relying on its technical and management experience.

Profit wise, the Group made profit attributable to equity holders of the parent company of RM11.9 million for 2014 as compared to RM1 million in 2013, representing an increase of 1,090%. The turnaround in 2013 has been extended to 2014 in a convincing manner. The significant increase in profits were attributable to the launching of new products with better margins from both existing and new customers, materials cost reduction, productivity improvement, overheads/expenses control and last but not least, sales growth.

## 16. COMMENTARY ON PROSPECTS AND TARGETS(Cont'd)

Exercises such as materials cost reduction, productivity improvement and the likes to enhance profitability will continue in 2015 even though we expect improving profits based on assumed projected increased sales as the year unfolds. Nonetheless, it is good to exercise prudence in this uncertain cum volatile global economic climate, a case of uncertainty being the quick and sudden tumble of crude oil price towards the end of last year resulting in a major impact in the global economy and business landscape.

Towards the final month of last year and the beginning of this year, the US dollar has strengthened and held its strength against the Malaysian Ringgit. This works to the Group's advantage as more than 90% of its sales remittances are denominated in US dollars. On the other hand, it will have an adverse impact on earnings if the Malaysian Ringgit takes on the reverse role and gain strength against the US dollar. In this respect, it has been the Group's guiding principle and practice to conduct natural hedging ie paying almost all its major suppliers in the same currency ie US dollars as its receiving remittances to mitigate the risks posed by currency fluctuations.

## 17. INCOME TAX EXPENSE

	3 months ended		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax	662	133	662	133
Current tax	22	-	22	-
<b>Total Income Tax Expense</b>	<b>684</b>	<b>133</b>	<b>684</b>	<b>133</b>

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

The effective tax rate of the Group for the period under review is lower than the statutory tax rate of 25% mainly due to available unabsorbed business losses.



**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.

**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**

The Group does not have any secured or unsecured borrowings as at 31 December 2014.

**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 December 2014, the realized and unrealized profits are as follows:

	12 months ended 31.12.2014 RM'000
Realised profit	12,315
Unrealised profit	662
<b>Total Retained Profit</b>	<b>12,977</b>

As at the end of the previous financial period ended 31 December 2013, the realized and unrealized profits are as follows:

	12 months ended 31.12.2013 RM'000
Realised profit	829
Unrealised profit	293
<b>Total Retained Profit</b>	<b>1,122</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		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Profit attributable to equity holders of the parent (RM'000)	3,307	1,886	11,855	1,013
Weighted average number of Ordinary Shares in issue ('000)	384,550	374,548	379,201	374,548
Basic Earnings Per Ordinary Share (sen)	0.86	0.50	3.13	0.27

**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		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Profit attributable to equity holders of the parent (RM'000)	3,307	1,886	11,855	1,013
Weighted average number of Ordinary Shares in issue ('000)	384,550	374,548	379,201	374,548
Effect of dilution of share options and warrants ('000)	82,267	100,726	96,073	100,726
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	466,817	475,274	475,274	475,274
Diluted Earnings Per Ordinary Share (sen)	0.71	0.40	2.49	0.21

**27. AUTHORIZED FOR ISSUE**

The interim financial statements are authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 25 February 2015.

**BY ORDER OF THE BOARD**  
NG YIM KONG (LS 0009297)  
Company Secretary  
25 February 2015