

K-One

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**Condensed Consolidated Statements of Comprehensive Income
For The First Quarter Ended 31 March 2018**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2018 Unaudited	31.3.2017 Unaudited	31.3.2018 Unaudited	31.3.2017 Unaudited
Operating revenue	18,786	19,967	18,786	19,967
Cost of sales	(14,934)	(16,366)	(14,934)	(16,366)
Gross profit	3,852	3,601	3,852	3,601
Other income	140	140	140	140
Interest income	415	437	415	437
Operating expenses	(4,239)	(12,616)	(4,239)	(12,616)
Profit/(Loss) from operations	168	(8,438)	168	(8,438)
Share of profit after tax of equity-accounted associate	137	-	137	-
Profit/(Loss) before tax	305	(8,438)	305	(8,438)
Income tax expense	(277)	(360)	(277)	(360)
Profit/(Loss) for the period	28	(8,798)	28	(8,798)
Non-controlling interests	-	-	-	-
Profit/(Loss) after tax after Non-controlling interests	28	(8,798)	28	(8,798)

Loss attributable to:

Owners of the Parent	28	(8,798)	28	(8,798)
Non-controlling interests	-	-	-	-
	28	(8,798)	28	(8,798)

Earnings/(Loss) per share
EPS/(LPS)
attributable to owners
of the Parent (sen):

Basic EPS/(LPS)	0.01	(1.83)	0.01	(1.83)
Diluted EPS/(LPS)	0.01	(1.83)	0.01	(1.83)

**Condensed Consolidated Statements of Comprehensive Income
For The First Quarter Ended 31 March 2018 (Cont'd)**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2018 Unaudited	31.3.2017 Unaudited	31.3.2018 Unaudited	31.3.2017 Unaudited
Profit/(Loss) for the period	28	(8,798)	28	(8,798)
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	(7)	(16)	(7)	(16)
Total comprehensive income	21	(8,814)	21	(8,814)

Loss attributable to:

Owners of the Parent	21	(8,814)	21	(8,814)
Non-controlling interests	-	-	-	-
	21	(8,814)	21	(8,814)

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position
As At 31 March 2018**

Figures in RM'000	Unaudited 31.3.2018	Audited 31.12.2017
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	9,561	9,751
Intangible assets	138	171
Deferred tax assets	247	277
Investment in associate company	8,837	-
Non-Current Assets	18,783	10,199
<i>Current Assets</i>		
Inventories	14,843	15,675
Trade receivables	15,559	15,503
Other receivables	1,460	10,217
Tax recoverable	1,610	1,356
Short term cash investments	29,467	32,374
Cash and bank balances	20,411	18,615
Total Current Assets	83,350	93,740
TOTAL ASSETS	102,133	103,939

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	69,659	69,659
Reserves	13,652	12,825
Retained earnings	3,235	3,209
Total Equity	86,546	85,693

**Condensed Consolidated Statements of Financial Position
As At 31 March 2018 (Cont'd)**

Figures in RM'000	Unaudited 31.-3.2018	Audited 31.12.2017
EQUITY AND LIABILITIES		
<i>Current Liabilities</i>		
Trade payables	14,229	15,290
Other payables and accruals	968	2,859
Amount due to Directors	2	2
Tax payable	388	95
Current Liabilities	15,587	18,246
Total Liabilities	15,587	18,246
TOTAL EQUITY AND LIABILITIES	102,133	103,939
Net assets per share attributable to Owners of the Parent (sen)	16.67	16.51

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018**

Figures in RM'000	←----Attributable to Owners of the Parent ----→						Total	Non-controlling Interest	Total Equity
	Share Capital	Share Premium	Share Options Reserve	Foreign Currency Translation Reserve	Retained Earnings				
At 1 January 2018	69,659	-	12,840	(12)	3,206	85,693	-	85,693	
Comprehensive profit									
Profit for the period	-	-	-	-	28	28	-	28	
Other comprehensive income									
Foreign currency translation difference	-	-	-	(7)	-	(7)	-	(7)	
Total comprehensive profit	-	-	-	(7)	28	21	-	21	
Transactions with owners									
Share based payment under Employees' Share Options Scheme (ESOS)	-	-	832	-	-	832	-	832	
Total transactions with owners	-	-	832	-	-	832	-	832	
At 31 March 2018	69,659	-	13,672	(19)	3,234	86,546	-	86,546	

**Condensed Consolidated Statements of Changes in Equity
For The First Quarter Ended 31 March 2018 (Cont'd)**

Figures in RM'000	←----Attributable to Owners of the Parent ----→							Non-controlling Interest	Total Equity
	←----- Non-distributable -----→				Distributable				
	Share Capital	Share Premium	Share Options Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total			
At 1 January 2017	47,266	15,885	-	2	12,813	75,966	-	75,966	
Comprehensive loss									
Loss for the period	-	-	-	-	(8,798)	(8,798)	-	(8,798)	
Other comprehensive income									
Foreign currency translation difference	-	-	-	(16)	-	(16)	-	(16)	
Total comprehensive loss	-	-	-	(16)	(8,798)	(8,814)	-	(8,814)	
Transactions with owners									
Transition to no-par value regime*	15,885	(15,885)	-	-	-	-	-	-	
Issuance of ordinary shares	6,508	-	-	-	-	6,508	-	6,508	
Share based payment under ESOS	-	-	9,687	-	-	9,687	-	9,687	
Total transactions with owners	22,393	(15,885)	9,687	-	-	16,195	-	16,195	
At 31 March 2017	69,659	-	9,687	(14)	4,015	83,347	-	83,347	

***Note 1:**

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the Share Premium account of RM15,885,356 has been transferred to the Share Capital account. Pursuant to Section 618(3) of the New Act, the Group may exercise its right to use the credit amount being transferred from the Share Premium account within 24 months upon the commencement of the New Act i.e. by 31 January 2019.

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Cash Flows
For The First Quarter Ended 31 March 2018**

Figures in RM'000	3 months ended	
	31.3.2018	31.3.2017
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit/(Loss) before taxation</i>	305	(8,438)
Adjustments for:		
Depreciation of property, plant and equipment	175	147
Amortization of intangible assets	32	31
ESOS expense	832	9,687
Interest income	(415)	(437)
Foreign exchange loss – unrealized	345	185
Share of profit of associate	(137)	-
Operating profit before working capital changes	1,137	1,175
Changes in working capital:		
Decrease/(Increase) in inventory	832	(149)
Decrease/(Increase) in receivables	65	4,772
(Decrease)/Increase in payables	(2,083)	2,254
(Used in)/Cash generated from operations	(49)	8,052
Taxation paid	(208)	(547)
<i>(Used in)/Net cash from operating activities</i>	(257)	7,505
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	415	437
Withdrawal/(Placement) in short term cash fund	2,907	(3,040)
Payment for land lease	(869)	-
Purchase of property, plant and equipment	(36)	(110)
Purchase of intangible assets	-	(8)
<i>Net cash used in investing activities</i>	2,417	(2,721)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	6,497
<i>Net cash from financing activities</i>	-	6,497

Condensed Consolidated Statements of Cash Flows
For The First Quarter Ended 31 March 2018 (Cont'd)

Figures in RM'000	3 months ended	
	31.3.2018	31.3.2017
Net increase in cash and cash equivalents	2,160	11,281
Effect of exchange rate changes	(364)	(102)
Cash and cash equivalents at beginning of the period	5,115	23,651
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	6,911	34,830

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	3 months ended	
	31.3.2018	31.3.2017
Cash and bank balances	6,611	26,330
Deposit placed with licensed banks	13,800	14,500
	20,411	40,830
Less: Non-short term fixed deposits	(13,500)	(6,000)
	6,911	34,830

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2017.

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 2017, except for the following Malaysian Financial Reporting Standards (MFRSs) and IC Interpretations (IC Int):

New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First Time Adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int

Foreign Currency Transactions and Advance Consideration

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 (99.2% export in 1Q 2018; 96.0% export in 1Q 2017) 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 and equity 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	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
Depreciation of property, plant and equipment	(175)	(147)	(175)	(147)
Amortization of intangible assets	(32)	(31)	(32)	(31)
Foreign exchange loss				
- realized	(414)	96	(414)	96
- unrealized	(345)	(185)	(345)	(185)
Interest income	415	437	415	437

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	Manu- facturing	Investment Holding / Associate Company	Elimina- tion	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales					
External sales	193	18,593	-	-	18,786
Internal sales	-	-	-	-	-
Total operating sales	193	18,593	-	-	18,786
Others and interest income	402	153	-	-	555
	595	18,746	-	-	19,341
Results					
Segment results	277	(117)	145	-	305
Finance costs	-	-	-	-	-
Income tax	(33)	(244)	-	-	(277)
Profit after tax before non-controlling interest					28
Non-controlling interest					-
Profit after tax after non-controlling interest					28

9. SEGMENT INFORMATION (Cont'd)
(a) Contribution by Activities (Cont'd)

	Research, D&D and Sales	Manu- facturing	Investment Holding / Associate Company	Elimina- tion	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Other information					
Segment assets	48,838	42,539	9,134	-	100,511
Unallocated assets					1,622
					102,133
Segment liabilities	240	15,236	21	-	15,497
Unallocated liabilities					90
					15,587

9. SEGMENT INFORMATION (Cont'd)

(b) Sales Contribution by Geography

The geographical sales breakdown is as follows:

	3 months ended	
	31.3.2018	31.3.2017
	RM'000	RM'000
Malaysia	152	789
Asia (excluding M'sia)	5,048	1,642
Europe	12,402	16,326
USA	1,171	1,192
Middle East	13	18
	18,786	19,967

(c) Sales to Major Customers

For the 3 months ended 31 March 2018, three (3) major international customers (each with revenue of more than 10% of the Group's revenue) contributed total revenue of approximately RM14.4 million (1Q 2017: RM16.4 million).

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 2017, save for the acquisition of the associate company, AHM Consultancy & Security Services Sdn. Bhd.

12. CONTINGENT ASSETS & LIABILITIES

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

	<u>RM'000</u>
K-One Industry Sdn Bhd	<u>22,576</u>
	<u>22,576</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 (1Q'18 vs 1Q'17)

For the first quarter ended 31 March 2018, the Group achieved sales revenue of RM18.8 million as compared to RM 20.0 million for the corresponding quarter last year. The 6% decline in sales was mainly attributed to the 13% strengthening of the Ringgit (RM) to an average of RM3.86:USD1 in 1Q'18 from an average of RM4.42:USD1 in the same quarter a year ago. Being almost fully export oriented and with sales predominantly denominated in USD, the appreciated RM had more than off-set the Group's revenue growth experienced during the quarter.

Notwithstanding the RM's steep upward trajectory against the USD, sales of industrial products increased substantially following the sorting out of the qualification process which delayed production in the preceding quarter. There were also notable sales increases of floor-care and consumer electronic products. However, sales of network cameras (electronic security/surveillance peripherals) continued its downward trend in view of the phasing out of specific model(s). Demand for electronic headlamps was maintained but it was skewed towards lower cost models, hence, resulting in a reduction in sales revenue for the current quarter.

The Group registered profit attributable to equity holders of the parent company of RM 28.8 thousand as compared to a loss of RM 8.8 million for the corresponding quarter last year which took into consideration the ESOS expense of RM9.7 million. Gross profit margin for the quarter had improved (1Q'18:21% vs 1Q'17:18%) despite the strong RM due to the Group's concerted efforts on materials cost down and deepening push into higher margin businesses. The profit achieved took into account the foreign exchange loss and the share of profit contributed by its associate company following the completion of the acquisition of a 30% stake in AHM Consultancy & Security Services Sdn. Bhd. (AHM) in January 2018.

**(b) Current quarter versus the preceding quarter
(1Q'17 vs 4Q'16)**

Sales revenue for the first quarter ended 31 March 2018 at RM 18.8 million represented an approximately 2% increase from the preceding quarter of RM 18.5 million. The sales increase was mainly attributed to the surge in sales of industrial products driven by the fulfillment of backlog caused by materials shortages and delay in the qualification process in the previous quarters. Healthcare/medical devices revenue increase also helped to prop up sales in the current quarter. On the contrary, sales of electronic headlamps and floor-care products declined in view of softer demand.

The higher sales recorded in the current quarter as compared to the previous was not in line with historical trends as the last quarter of the year under normal circumstances should be the peak of the sales cycle, whilst, sales would normally ease off in the first quarter of the following year. This exception can be explained as the last quarter's sales was subdued due to the eleventh-hour engineering change requests and prolonged qualification process on certain new models, thereby, causing production to spill over to the current quarter following the resolutions of the preceding issues.

The Group posted profit attributable to equity holders of the parent company of RM 28.8 thousand as compared to a loss of RM 3.3 million in the preceding quarter, primarily driven by higher sales, gross margin improvement (1Q'18:21% vs 4Q'17:20%) and share of profit from its associate company but was negated by foreign exchange loss due to weakening of the USD in the quarter concerned.

16. COMMENTARY ON PROSPECTS AND TARGETS

After a challenging 2017, the Group continues to reinvent itself to embrace this disruptive era with rapidly evolving technologies, business models, demographics, and workplace attitudes that are progressing concurrently. The Group is continuously leveraging on digital platforms and innovations to market its services and products. It is also bridging its talent gaps by hiring the right people to engage in digital marketing and sales so as to enhance its customary sales approach of referrals, etc.

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

The re-balancing of its product portfolio, with emphasis on products such as industrial products, IoT devices, automotive aggregates, electronic security/surveillance solutions and medical/healthcare devices with higher margins and longer product life cycles is ongoing and cannot be over-emphasized.

Following the successful acquisition of a 30% shareholding in AHM in early 2018, the Group is prepared to take on further acquisitions this year to augment its business. It is on the look out for synergistic business which falls within the realm or framework of Industry 4.0 such as Smart Manufacturing, IoT, Software Applications, Cloud Computing, Big Data, Artificial Intelligence(AI) and Specialized Electronics. The Group has the financial flexibility to undertake additional synergistic M&As as an expansion strategy to further enhance its long-term sustainability.

The rest of the year is anticipated to undergo continued volatility in the midst of heightened global business protectionism and rising geopolitical tensions. Therefore, the Group expects business in the months ahead to be challenging. Nevertheless, against the backdrop of an increasingly more challenging and complex operating environment, the Group will accelerate its business and digital innovations as well as pursue operational efficiency.

17. INCOME TAX EXPENSE/(CREDIT)

	3 months ended		3 months ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM'000	RM'000	RM'000	RM'000
Deferred tax	30	-	30	-
Current tax	247	360	247	360
Total Income Tax Expense	277	360	277	360

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period.

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 property 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 has neither any secured nor unsecured borrowings as at 31 March 2018.

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at the end of the current quarter and up to the date of this report, there are no off balance sheets 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. EARNINGS / (LOSS) PER SHARE

The basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

(a) Basic earnings per share

	3 months ended		3 months ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
Profit/ Loss attributable to equity holders of the parent (RM'000)	28	(8,798)	28	(8,798)
Weighted average number of Ordinary Shares in issue ('000)	519,144	481,437	519,144	481,437
Earnings/(Loss) Per Ordinary Share (sen)	0.01	(1.83)	0.01	(1.83)

(b) Diluted earnings per share

	3 months ended		3 months ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
Profit/ Loss attributable to equity holders of the parent (RM'000)	28	(8,798)	28	(8,798)
Weighted average number of Ordinary Shares in issue ('000)	519,144	481,437	519,144	481,437
Effect of Share Options ('000)	-	-	-	-
Adjusted weighted average number of Ordinary Shares in issue ('000)	519,144	481,437	519,144	481,437
Diluted Earnings/(Loss) Per Ordinary Share (sen)	0.01	(1.83)	0.01	(1.83)

Note:

The diluted earnings/loss per share equals the basic earnings/loss per share due to the anti-dilutive effect of the Options which has been ignored in calculating the diluted earnings/loss per share.

26. 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 28 May 2018.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)

Company Secretary

28 May 2018