

K-One

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2015**

**Condensed Consolidated Statements of Comprehensive Income
For The Second Quarter Ended 30 June 2015**

Figures in RM'000	3 months ended		6 months ended	
	30.06.2015 Unaudited	30.06.2014 Unaudited	30.06.2015 Unaudited	30.06.2014 Unaudited
Operating revenue	37,924	37,085	70,547	82,971
Cost of sales	(33,544)	(31,392)	(63,902)	(70,644)
Other income	4,380	5,693	6,645	12,327
Interest income	7	69	16	147
Operating expenses	117	-	192	1
Profit from operations	(2,025)	(3,398)	(3,528)	(6,659)
Finance costs	2,479	2,364	3,325	5,816
Profit before tax	-	(160)	-	(371)
Income tax expense	2,479	2,204	3,325	5,445
Profit for the period	39	-	(287)	-
Non-controlling interests	2,518	2,204	3,038	5,445
Profit after tax after Non-controlling interests	2,518	2,204	3,038	5,445

Profit attributable to:

Owners of the Parent	2,518	2,204	3,038	5,445
Non-controlling interests	-	-	-	-
	2,518	2,204	3,038	5,445

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

Basic EPS	0.58	0.59	0.71	1.45
Diluted EPS	0.53	0.46	0.64	1.15

**Condensed Consolidated Statements of Comprehensive Income
For The Second Quarter Ended 30 June 2015 (Cont'd)**

Figures in RM'000	3 months ended		6 months ended	
	30.06.2015 Unaudited	30.06.2014 Unaudited	30.06.2015 Unaudited	30.06.2014 Unaudited
Profit for the period	2,518	2,204	3,038	5,445
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation	5	4	19	1
Total comprehensive income	2,523	2,208	3,057	5,446

Profit attributable to:

Owners of the Parent	2,523	2,208	3,057	5,446
Non-controlling interests	-	-	-	-
	2,523	2,208	3,057	5,446

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 2014 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Financial Position
As At 30 June 2015

Figures in RM'000	Unaudited 30.06.2015	Audited 31.12.2014
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	14,783	16,240
Intangible assets	466	513
Goodwill	5,546	5,546
Non-Current Assets	20,795	22,299
<i>Current Assets</i>		
Inventories	12,257	13,531
Trade receivables	33,521	42,685
Other receivables	444	614
Tax recoverable	134	223
Cash and bank balances	35,800	33,131
Total Current Assets	82,156	90,184
TOTAL ASSETS	102,951	112,483

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	43,283	41,779
Share premium	10,508	9,433
Warrant reserves	636	756
Other reserves	(81)	(100)
Retained earnings	13,898	13,000
Total Equity	68,244	64,868

**Condensed Consolidated Statements of Financial Position
As At 30 June 2015 (Cont'd)**

Figures in RM'000	Unaudited 30.06.2015	Audited 31.12.2014
EQUITY AND LIABILITIES		
<i>Non-Current Liabilities</i>		
Deferred tax liability	449	760
Non-Current Liabilities	449	760
<i>Current Liabilities</i>		
Trade payables	33,641	46,025
Other payables and accruals	42	828
Amount due to Directors	2	2
Tax payable	573	-
Current Liabilities	34,258	46,855
Total Liabilities	34,707	47,615
TOTAL EQUITY AND LIABILITIES	102,951	112,483
Net assets per share attributable to Owners of the Parent (sen)	15.77	15.53

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015**

<-----Attributable to Owners of the Parent ----->								
Figures in RM'000	<i>Non-distributable</i>			<i>Distributable</i>		Total	Non-controlling Interest	Total Equity
	Share Capital	Share Premium	Warrant Reserve	Reserve	Retained Profits			
At 1 January 2015	41,779	9,433	756	(100)	13,000	64,868	-	64,868
Exchange difference arising from foreign subsidiary companies	-	-	-	19	-	19	-	19
Issue of shares – exercise of ESOS	708	-	-	-	-	708	-	708
Issue of shares – exercise of warrants	796	1,075	(120)	-	-	1,751	-	1,751
Net profit for the period	-	-	-	-	3,038	3,038	-	3,038
Dividend declared	-	-	-	-	(2,140)	(2,140)	-	(2,140)
	1,504	1,075	(120)	19	898	3,376	-	3,376
At 30 June 2015	43,283	10,508	636	(81)	13,898	68,244	-	68,244

<-----Attributable to Owners of the Parent ----->								
Figures in RM'000	<i>Non-distributable</i>			<i>Distributable</i>		Total	Non-controlling Interest	Total Equity
	Share Capital	Share Premium	Warrant Reserve	Reserve	Retained Profits			
At 1 January 2014	37,455	3,596	1,405	(121)	1,122	43,457	-	43,457
Exchange difference arising from foreign subsidiary companies	-	-	-	1	-	1	-	1
Net for the period	-	-	-	-	5,445	5,445	-	5,445
	-	-	-	1	5,445	5,446	-	5,446
At 30 June 2014	37,455	3,596	1,405	(120)	6,567	48,903	-	48,903

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 2014 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Cash Flows
For The Second Quarter Ended 30 June 2015**

Figures in RM'000	6 months ended	
	30.06.2015	30.06.2014
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit / (loss) before taxation</i>	3,325	5,445
Adjustments for:		
Depreciation of property, plant and equipment	1,589	1,225
Amortization of intangible assets	55	43
Interest expenses	-	371
Interest income	(192)	(1)
Gain on early settlement of hire purchase		(9)
(Gain) on disposal of property, plant and equipment	-	(45)
Foreign exchange loss / (gain) – unrealized	(859)	305
Operating profit before working capital changes	3,918	7,334
Changes in working capital		
Decrease in inventory	1,274	3,074
Decrease in receivables	10,690	15,565
(Decrease) in payables	(14,104)	(13,575)
Cash generated from operations	1,778	12,398
Interest paid	-	(371)
Taxation refund	65	57
<i>Net cash from operating activities</i>	1,843	12,084

**Condensed Consolidated Statements of Cash Flows
For The Second Quarter Ended 30 June 2015 (Cont'd)**

Figures in RM'000	6 months ended	
	30.06.2015	30.06.2014
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	192	1
Purchase of property, plant and equipment	(140)	(330)
Proceeds from disposal of property, plant and equipment	-	71
Net cash (used in) investing activities	52	(258)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,459	-
Dividend paid	(2,140)	(9,430)
Net cash (used in) financing activities	319	(9,430)
Net increase in cash and cash equivalents	2,214	2,396
Effect of exchange rate changes	455	1
Cash and cash equivalents at beginning of the period	33,131	9,062
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	35,800	11,459

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	6 months ended	
	30.06.2015	30.06.2014
Cash and bank balances	25,800	13,673
Placements in cash funds	10,000	-
Overdraft	-	(2,214)
	35,800	11,459

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2014.

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 2014.

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 quarter, a total 4,839,400 shares have been issued pursuant to the exercise of warrants. There is an outstanding of 42,432,698 unconverted warrants as at the end of 30 June 2015 which is due to expire in December 2015.

Except for the preceding, 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

Since the end of the previous financial year, an interim single tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 31 December 2015 amounting to RM2,139,933 was declared. Such dividend was paid on 30 April 2015.

8. Notes to Consolidated Statement of Comprehensive Income

Figures in RM'000	3 months ended		6 months ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Depreciation of property, plant and equipment	(795)	(608)	(1,589)	(1,225)
Amortization of intangible assets	(27)	(24)	(55)	(43)
Interest expenses	-	(160)	-	(371)
Gain on disposal of property, plant and equipment	-	40	-	45
Gain on early settlement of hire purchase	-	45	-	45
Foreign exchange (loss)/gain-realised	207	(37)	14	(75)
Foreign exchange (loss) / gain – unrealized	518	(289)	859	(305)
Interest income	117	-	192	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	Invest- ment Holding RM'000	Elimina- tion RM'000	Total RM'000
Sales					
External sales	1,550	68,997	-	-	70,547
Internal sales	-	-	-	-	-
Total operating sales	1,550	68,997	-	-	70,547
Others and interest income	110	98	-	-	208
	1,660	69,095	-	-	70,755
Results					
Segment results	(764)	4,108	(19)	-	3,325
Finance costs	-	-	-	-	-
Income tax	-	(287)	-	-	(287)
Profit after tax before non-controlling interest					3,038
Non-controlling interest					-
Profit after tax after non-controlling interest					3,038

	Research, D&D and Sales RM'000	Manu- facturing RM'000	Invest- ment holding RM'000	Elimina- tion RM'000	Total RM'000
Other information					
Segment assets	16,550	85,805	462	-	102,817
Unallocated assets					134
					102,951
Segment liabilities	615	33,032	36	-	33,683
Unallocated liabilities					1,024
					34,707

9. SEGMENT INFORMATION (Cont'd)

(b) Sales Contribution by Geography

The geographical sales breakdown are as follows:

	6 months ended	
	30.06.2015	30.06.2014
	RM'000	RM'000
Malaysia	183	831
Asia (excluding M'sia)	33,166	33,487
Europe	35,696	47,468
USA	1,488	892
Oceania	-	180
Africa	-	79
Middle East	14	34
	<u>70,547</u>	<u>82,971</u>

(c) Sales to Major Customers

For the 6 months ended 30 June 2015, 4 major international customers (each with revenue of more than 10% of the Group revenue) from the manufacturing segment contributed total revenue of approximately RM44.9 million (2014: RM67 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 year ended 30 June 2015.

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>22,756</u>
	<u>22,756</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 (2Q'15 vs 2Q'14)

For the second quarter ended 30 June 2015, the Group achieved sales revenue of RM 37.9 million as compared to sales revenue of RM 37.1million for the corresponding quarter last year. The marginal increase in sales of 2% was mainly attributed to the surge in demand for electronic headlamps, floor-care products, health-care devices and other consumer electronic products. Additionally, mobile phone accessories sales improved slightly to contribute to the quarter-on-quarter business growth comparison for the respective years concerned.

The quarter year-on-year sales growth though commendable but was marginal as it was subdued by the loss of some network camera business which the customer decided to transfer their production to their identified site in North America for corporate reasons in the second half of last year. The Group is still working towards finding more replacement business in this segment. Fortunately, the strong sales from the electronic headlamps, floor-care and health-care segments managed to off-set the decline in sales contribution from the network camera business.

The Group registered profit attributable to equity holders of the parent company of RM 2.5 million as compared to the same of RM 2.2 million for the corresponding quarter last year. The improved profit was mainly attributable to prudent management of expenses, productivity improvement and cost reduction exercises implemented.

(b) Current quarter versus the preceding quarter (2Q'15 vs 1Q'15)

Sales revenue for the second quarter ended 30 June 2015 at RM 37.9 million was 16% higher than the preceding quarter of RM 32.6 million. The sales increase was particularly contributed by the increased demand of the new electronic headlamps and network cameras. Sales of health-care and wearable products remain buoyant.

The Group registered profit attributable to equity holders of the parent company of RM 2.5 million as compared to the same of RM 0.5 million in the preceding quarter, representing a 400% increase in profitability. The significant profit improvement was due to a change in the product mix in the second quarter as compared to the first and a reduction in prototype/sample development costs. Furthermore, the strengthening USD also aided the profit improvement.

15. COMMENTARY ON PROSPECTS AND TARGETS

Sales for the second quarter of 2015 improved by 14% against the first quarter which is encouraging. For the first half of 2015, sales clocked in at RM70.5 million against the same of RM83 million for the same period last year. This represented a decrease of 15% which was mainly caused by the loss of some network camera business in the second half of last year which have yet to be made up, although sales in other segments posted growth which, however, was not sufficient to off-set the specific business loss. Nevertheless, the Group is pursuing for more replacement business in the network camera space.

The prospects in the health-care/medical devices, wearable products, automotive aggregates, industrial products, robotic vacuum cleaners and other consumer electronic products look promising as we continue to work towards securing some of these businesses in the next few quarters. However, sales in the mobile phone accessories segment will pose challenges as the global mobile phone OEMs step-up their pricing war to defend their turf against a rising tide of very competitive up and coming mobile phone OEMs from China such as Xiaomi, One Plus and Oppo.

For the rest of the year (2015), we foresee challenges in the global economic and financial environment. The major economies of Europe, China and Japan are facing headwinds in maintaining GDP growth while US is expected to do better but remains uncertain. The Group shall rely on its management experience and technical expertise to navigate through such volatile and challenging times, in an effort to grow our business.

The Group's profitability for the second quarter of 2015 of RM 2.5 million saw a vast improvement over its first quarter of RM0.5 million. Moving forward towards year end, it will strive and expect to deliver satisfactory profit.

It will continue to be prudent and will follow through with its cost reduction exercise, expense/overhead control, productivity improvement, business risk mitigation and sales price management. The strength of the USD, which we anticipate to continue for the rest of the year will work in favour to the Group's business.

17. INCOME TAX EXPENSE

	3 months ended		6 months ended	
	30.03.2015	30.03.2014	30.03.2015	30.03.2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax	8	-	(166)	-
Current tax	(47)	-	453	-
Total Income Tax Expense	(39)	-	287	-

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

Reversal in provision of current tax for the quarter was made due to the availability of unabsorbed pioneer business losses carried forward.

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 does not have any secured nor unsecured borrowings as at 30 June 2015.

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

An interim single tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 31 December 2015 amounting to RM 2,139,933 was declared. Such dividend was paid on 30 April 2015.

25. REALISED AND UNREALISED PROFIT / (LOSS)

As at the end of the current quarter under review ended 30 June 2015, the realized and unrealized profits are as follows:

	6 months ended 30.06.2015 RM'000
Realised profit	6,858
Unrealised profit	859
Consolidation adjustments	6,181
Total Retained Profit	13,898

25. REALISED AND UNREALISED PROFIT / (LOSS) (Cont'd)

As at the end of the previous financial period ended 30 June 2014, the realized and unrealized profits are as follows:

	6 months ended 30.06.2014 RM'000
Realised profit	6,872
Unrealised profit / (loss)	(305)
Consolidation adjustments	3,938
Total Retained Profit	10,505

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	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Profit attributable to equity holders of the parent (RM'000)	2,518	2,204	3,038	5,445
Weighted average number of Ordinary Shares in issue '000)	431,914	374,548	425,398	374,548
Basic Earnings Per Ordinary Share (sen)	0.58	0.59	0.71	1.45

(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.

26. EARNINGS PER SHARE (Cont'd)

	3 months ended		6 months ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Profit attributable to equity holders of the parent (RM'000)	2,518	2,204	3,038	5,445
Weighted average number of Ordinary Shares in issue ('000)	431,914	374,548	425,398	374,548
Effect of dilution of share options and warrants ('000)	44,089	100,726	49,869	100,726
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	476,003	475,274	475,267	475,274
Diluted Earnings Per Ordinary Share (sen)	0.53	0.46	0.64	1.15

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 26 Aug 2015.

BY ORDER OF THE BOARD
NG YIM KONG (LS 0009297)
Company Secretary
Dated: 26 Aug 2015.