

**K-One**

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

**Condensed Consolidated Statements of Comprehensive Income  
For The Third Quarter Ended 30 September 2015**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2015 Unaudited	30.9.2014 Unaudited	30.9.2015 Unaudited	30.9.2014 Unaudited
Operating revenue	41,605	48,918	112,152	131,889
Cost of sales	(35,598)	(43,508)	(99,500)	(114,152)
Other income	6,007	5,410	12,652	17,737
Interest income	1,308	21	2,183	168
Operating expenses	173	-	365	1
Profit from operations	(3,028)	(2,254)	(7,415)	(8,913)
Finance costs	4,460	3,177	7,785	8,993
Profit before tax	-	(74)	-	(445)
Income tax expense	4,460	3,103	7,785	8,548
Profit for the period	(116)	-	(403)	-
Non-controlling interests	4,344	3,103	7,382	8,548
<b>Profit after tax after Non-controlling interests</b>	<b>4,344</b>	<b>3,103</b>	<b>7,382</b>	<b>8,548</b>

Profit attributable to:

Owners of the Parent	4,344	3,103	7,382	8,548
Non-controlling interests	-	-	-	-
	4,344	3,103	7,382	8,548

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

Basic EPS	1.00	0.83	1.72	2.28
Diluted EPS	0.91	0.65	1.55	1.80

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

Figures in RM'000	3 months ended		9 months ended	
	30.9.2015 Unaudited	30.9.2014 Unaudited	30.9.2015 Unaudited	30.9.2014 Unaudited
Profit for the period	4,344	3,103	7,382	8,548
Items that may be subsequently reclassified to profit or loss	-	-	-	-
Foreign currency translation	(2)	(1)	17	-
<b>Total comprehensive income</b>	<b>4,342</b>	<b>3,102</b>	<b>7,399</b>	<b>8,548</b>
Profit attributable to:				
Owners of the Parent	4,342	3,102	7,399	8,548
Non-controlling interests	-	-	-	-
	<b>4,342</b>	<b>3,102</b>	<b>7,399</b>	<b>8,548</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 2014 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position**  
**As At 30 September 2015**

Figures in RM'000	Unaudited 30.9.2015	Audited 31.12.2014
<b>ASSETS</b>		
<i>Non-Current Assets</i>		
Property, plant and equipment	14,157	16,240
Intangible assets	440	513
Goodwill	5,546	5,546
<b>Non-Current Assets</b>	<b>20,143</b>	<b>22,299</b>
<i>Current Assets</i>		
Inventories	12,386	13,531
Trade receivables	39,763	42,685
Other receivables	320	614
Tax recoverable	136	223
Cash and bank balances	38,176	33,131
<b>Total Current Assets</b>	<b>90,781</b>	<b>90,184</b>
<b>TOTAL ASSETS</b>	<b>110,924</b>	<b>112,483</b>

<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	43,283	41,779
Share premium	10,509	9,433
Warrant reserves	636	756
Other reserves	(83)	(100)
Retained earnings	18,242	13,000
<b>Total Equity</b>	<b>72,587</b>	<b>64,868</b>

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

Figures in RM'000	Unaudited 30.9.2015	Audited 31.12.2014
<b>EQUITY AND LIABILITIES</b>		
<i>Non-Current Liabilities</i>		
Deferred tax liability	782	760
<b>Non-Current Liabilities</b>	<b>782</b>	<b>760</b>
<i>Current Liabilities</i>		
Trade payables	37,129	46,025
Other payables and accruals	85	828
Amount due to Directors	2	2
Tax payable	339	-
<b>Current Liabilities</b>	<b>37,555</b>	<b>46,855</b>
<b>Total Liabilities</b>	<b>38,337</b>	<b>47,615</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>110,924</b>	<b>112,483</b>
<b>Net assets per share attributable to Owners of the Parent (sen)</b>	<b>16.77</b>	<b>15.53</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 2014 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Changes in Equity  
For The Third Quarter Ended 30 September 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	Foreign Currency Translation Reserve	Retained Profits			
<b>At 1 January 2015</b>	41,779	9,433	756	(100)	13,000	64,868	-	64,868
Exchange difference arising from foreign subsidiary companies	-	-	-	17	-	17	-	17
Issue of shares – exercise of ESOS	708	-	-	-	-	708	-	708
Issue of shares – exercise of warrants	796	1,076	(120)	-	-	1,752	-	1,752
Net profit for the period	-	-	-	-	7,382	7,382	-	7,382
Dividend declared	-	-	-	-	(2,140)	(2,140)	-	(2,140)
	1,504	1,076	(120)	17	5,242	7,719	-	7,719
<b>At 30 September 2015</b>	43,283	10,509	636	(83)	18,242	72,587	-	72,587

<-----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	Foreign Currency Translation Reserve	Retained Profits			
<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	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	8,548	8,548	-	8,548
	-	-	-	-	8,548	8,548	-	8,548
<b>At 30 September 2014</b>	37,455	3,596	1,405	(121)	9,670	52,005	-	52,005

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 Third Quarter Ended 30 September 2015**

Figures in RM'000	9 months ended	
	30.9.2015	30.9.2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Profit / (loss) before taxation</i>	7,785	8,548
Adjustments for:		
Depreciation of property, plant and equipment	2,379	1,814
Amortization of intangible assets	81	69
Inventory write-off	1,579	-
Interest expenses	-	445
Interest income	(365)	(1)
Gain on early settlement of hire purchase	-	(9)
(Gain) on disposal of property, plant and equipment	-	(59)
Foreign exchange loss / (gain) – unrealized	(2,128)	(77)
Operating profit before working capital changes	9,331	10,730
Changes in working capital		
(Increase) / Decrease in inventory	(434)	6,190
Decrease in receivables	5,765	3,303
(Decrease) in payables	(12,199)	(1,617)
Cash generated from operations	2,463	18,606
Interest paid	-	(445)
Taxation refund	44	33
<b><i>Net cash from operating activities</i></b>	<b>2,507</b>	<b>18,194</b>

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

Figures in RM'000	9 months ended	
	30.9.2015	30.9.2014
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest income	365	1
Purchase of property, plant and equipment	(303)	(1,334)
Proceeds from disposal of property, plant and equipment	-	612
<b>Net cash (used in) investing activities</b>	<b>62</b>	<b>(721)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	2,460	-
Dividend paid	(2,140)	(13,879)
<b>Net cash (used in) financing activities</b>	<b>320</b>	<b>(13,879)</b>
Net increase in cash and cash equivalents	2,889	3,594
Effect of exchange rate changes	2,156	1
Cash and cash equivalents at beginning of the period	33,131	9,062
<b>CASH AND CASH EQUIVALENT AT END OF THE PERIOD</b>	<b>38,176</b>	<b>12,657</b>

**COMPOSITION OF CASH AND CASH EQUIVALENTS**

Figures in RM'000	9 months ended	
	30.9.2015	30.9.2014
Cash and bank balances	28,176	12,657
Placements in cash funds	10,000	-
Overdraft	-	-
	<b>38,176</b>	<b>12,657</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 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

For the year-to-date, a total 15,041,500 shares have been issued pursuant to the exercise of warrants and employee share options scheme respectively. In the current quarter, a total of 2,500 shares have been issued pursuant to the exercise of warrants.

There is an outstanding of 42,430,198 unconverted warrants as at the end of 30 September 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		9 months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Depreciation of property, plant and equipment	(790)	(589)	(2,379)	(1,814)
Amortization of intangible assets	(26)	(26)	(81)	(69)
Interest expenses	-	(74)	-	(445)
Gain on disposal of property, plant and equipment	-	14	-	59
Gain on early settlement of hire purchase	-	-	-	45
Inventory write-off	(1,579)	-	(1,579)	-
Foreign exchange (loss) / gain - realized	119	(79)	133	(154)
Foreign exchange (loss) / gain – unrealized	1,269	(228)	2,128	(77)
Interest income	173	-	365	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
<b>Sales</b>					
External sales	1,965	110,187	-	-	112,152
Internal sales	-	-	-	-	-
<b>Total operating sales</b>	<b>1,965</b>	<b>110,187</b>	<b>-</b>	<b>-</b>	<b>112,152</b>
Others and interest income	411	2,137	-	-	2,548
	<b>2,376</b>	<b>112,324</b>	<b>-</b>	<b>-</b>	<b>114,700</b>
<b>Results</b>					
Segment results	(606)	8,419	(28)	-	7,785
Finance costs	-	-	-	-	-
Income tax	-	(403)	-	-	(403)
Profit after tax before non-controlling interest					7,382
Non-controlling interest					-
Profit after tax after non-controlling interest					<b>7,382</b>

	Research, D&D and Sales RM'000	Manu- facturing RM'000	Invest- ment holding RM'000	Elimina- tion RM'000	Total RM'000
<b>Other information</b>					
Segment assets	15,517	94,613	658	-	110,788
Unallocated assets					136
					<b>110,924</b>
Segment liabilities	304	36,877	33	-	37,214
Unallocated liabilities					1,123
					<b>38,337</b>

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

### **(b) Sales Contribution by Geography**

The geographical sales breakdown are as follows:

	9 months ended	
	30.9.2015	30.9.2014
	RM'000	RM'000
Malaysia	388	1,135
Asia (excluding M'sia)	52,848	59,037
Europe	56,990	69,754
USA	1,912	1,655
Oceania	-	180
Africa	-	79
Middle East	14	49
	<u>112,152</u>	<u>131,889</u>

### **(c) Sales to Major Customers**

For the 9 months ended 30 September 2015, 4 major international customers (each with revenue of more than 10% of the Group revenue) contributed total revenue of approximately RM75.2 million (2014: RM106 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 30 September 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:-

	RM'000
K-One Industry Sdn Bhd	<u>22,756</u>
	<u><b>22,756</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 (3Q'15 vs 3Q'14 )**

For the third quarter ended 30 September 2015, the Group achieved sales revenue of RM 41.6 million as compared to sales revenue of RM 48.9 million for the corresponding quarter last year. The sales decline of approximately 15% were attributed to: a) the phasing out of specific mobile phone accessories resulting in sales contraction and b) the transfer of specific models of network camera business to North America towards the end of last year by our customer for corporate reasons resulting in a loss of sales revenue which have yet to be fully off-set by new business of an equivalent quantum in the same business segment.

On the other hand, the Group experienced a strong surge in demand for electronic headlamps, floor-care products, health-care devices and other consumer electronic lifestyle products which, however were not enough to make up for the preceding causes of sales shortfall. Nevertheless, the rising trend in the preceding business segments augurs well for long term business growth.

The Group registered profit attributable to equity holders of the parent company of RM 4.3 million as compared to the same of RM 3.1 million for the corresponding quarter last year. The significant jump in profit of 39% despite the sale decline was mainly attributed to productivity improvement, cost reduction exercises implemented, product mix bearing higher margins and the strengthening USD.

**(b) Current quarter versus the preceding quarter  
(3Q'15 vs 2Q'15)**

Sales revenue for the third quarter ended 30 September 2015 at RM 41.6 million was 10% higher than the preceding quarter of RM 37.9 million. The sales increase was particularly contributed by the increased demand for mobile phone accessories and network cameras. Sales of health-care products, electronic wearable gadgets, floor-care products and other consumer electronic lifestyle products boosted the sales increase.

The Group registered profit attributable to equity holders of the parent company of RM 4.3 million as compared to the same of RM 2.5 million in the preceding quarter, representing a 72% increase in profitability. The significant profit improvement was due to increased sales, product mix bearing healthy margins and the strong USD aiding profit sustenance.

**15. COMMENTARY ON PROSPECTS AND TARGETS**

Sales continued to scale upwards quarter-to-quarter over the last 3 quarters which is in accordance to the Group's normal business cycle. Cumulative sales for the initial 9 months of the year ended 30 September 2015 clocked in at RM 112.2 million against the same of RM 131.9 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 towards the end 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, electronic wearable products, automotive aggregates, industrial products, robotic vacuum cleaners and other consumer electronic lifestyle products look promising as we continue to work towards securing some of these businesses in the next few quarters. The Group continues to face headwinds in the mobile phone accessories segment, similar to what has been reported in the last quarter. In this respect, we continue to see 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.

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

For the rest of the year (2015), we expect the global economy to remain volatile and lackluster. We still foresee the major economies of Europe, China and Japan facing headwinds in maintaining GDP growth while US maybe expected to do better but remains uncertain. Nonetheless, 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 has been on a bullish rising trend over the last 3 quarters of 2015. Cumulatively, it registered profit attributable to equity holders of the parent company of RM7.4 million for the initial three quarters ended 30 September 2015 against the same of RM 8.5 million for the same period last year. 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		9 months ended	
	30.3.2015	30.3.2014	30.3.2015	30.3.2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax	198	-	32	-
Current tax	(82)	-	371	-
<b>Total Income Tax Expense</b>	<b>116</b>	<b>-</b>	<b>403</b>	<b>-</b>

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 September 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 September 2015, the realized and unrealized profits are as follows:

	9 months ended 30.9.2015 RM'000
Realised profit	9,933
Unrealised profit	2,128
Consolidation adjustments	6,181
<b>Total Retained Profit</b>	<b>18,242</b>

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

	9 months ended 30.9.2014 RM'000
Realised profit	5,655
Unrealised profit / (loss)	77
Consolidation adjustments	3,938
<b>Total Retained Profit</b>	<b>9,670</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		9 months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Profit attributable to equity holders of the parent (RM'000)	4,344	3,103	7,382	8,548
Weighted average number of Ordinary Shares in issue '000)	432,826	374,549	427,901	374,549
Basic Earnings Per Ordinary Share (sen)	1.00	0.83	1.72	2.28

(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		9 months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Profit attributable to equity holders of the parent (RM'000)	4,344	3,103	7,382	8,548
Weighted average number of Ordinary Shares in issue ('000)	432,826	374,549	427,901	374,549
Effect of dilution of share options and warrants ('000)	42,432	100,725	48,418	100,725
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	475,258	475,274	476,319	475,274
Diluted Earnings Per Ordinary Share (sen)	0.91	0.65	1.55	1.80

**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 20 November 2015.

**BY ORDER OF THE BOARD**  
NG YIM KONG (LS 0009297)  
Company Secretary  
Dated: 20 Nov 2015.