



K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

**Condensed Consolidated Statements of Comprehensive Income
For The Third Quarter Ended 30 September 2017**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2017 Unaudited	30.9.2016 Unaudited	30.9.2017 Unaudited	30.9.2016 Unaudited
Operating revenue	20,261	19,380	59,721	60,626
Cost of sales	(15,773)	(17,571)	(47,749)	(52,971)
Gross profit	4,488	1,809	11,972	7,655
Other income	23	266	541	1,374
Interest income	345	404	1,015	965
Operating expenses	(3,418)	(4,741)	(19,030)	(12,133)
Profit/(Loss) from operations	1,438	(2,262)	(5,502)	(2,139)
Finance costs	-	-	-	-
Profit/(Loss) before tax	1,438	(2,262)	(5,502)	(2,139)
Income tax expense	(330)	(99)	(1,148)	(209)
Profit/(Loss) for the period	1,108	(2,361)	(6,650)	(2,348)
Non-controlling interests	-	-	-	-
Profit/(Loss) after tax after Non-controlling interests	1,108	(2,361)	(6,650)	(2,348)

Profit/(Loss) attributable to:

Owners of the Parent	1,108	(2,361)	(6,650)	(2,348)
Non-controlling interests	-	-	-	-
	1,108	(2,361)	(6,650)	(2,348)

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

Basic EPS/(LPS)	0.22	(0.50)	(1.31)	(0.50)
Diluted EPS/(LPS)	0.21	(0.50)	(1.31)	(0.50)

**Condensed Consolidated Statements of Comprehensive Income
For The Third Quarter Ended 30 September 2017 (Cont'd)**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2017 Unaudited	30.9.2016 Unaudited	30.9.2017 Unaudited	30.9.2016 Unaudited
Profit/(Loss) for the period	1,108	(2,361)	(6,650)	(2,348)
Items that may be subsequently reclassified to profit or loss	-	-	-	-
Foreign currency translation	(3)	68	(9)	173
Total comprehensive income	1,105	(2,293)	(6,659)	(2,175)

Profit/(Loss) attributable to:

Owners of the Parent	1,105	(2,293)	(6,659)	(2,175)
Non-controlling interests	-	-	-	-
	1,105	(2,293)	(6,659)	(2,175)

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position
As At 30 September 2017**

Figures in RM'000	Unaudited 30.9.2017	Audited 31.12.2016
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	8,489	8,730
Intangible assets	196	289
Deferred tax assets	130	130
Non-Current Assets	8,815	9,149
<i>Current Assets</i>		
Inventories	11,976	9,502
Trade receivables	16,385	18,676
Other receivables	846	1,304
Tax recoverable	1,990	863
Short term cash investments	35,298	23,000
Cash and bank balances	28,949	29,651
Total Current Assets	95,444	82,996
TOTAL ASSETS	104,259	92,145

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	69,659	47,266
Reserves	9,680	15,887
Retained earnings	5,963	12,613
Total Equity	85,302	75,766

**Condensed Consolidated Statements of Financial Position
As At 30 September 2017 (Cont'd)**

Figures in RM'000	Unaudited 30.9.2017	Audited 31.12.2016
EQUITY AND LIABILITIES		
<i>Current Liabilities</i>		
Trade payables	16,883	15,778
Other payables and accruals	865	538
Amount due to Directors	2	2
Tax payable	1,207	61
Current Liabilities	18,957	16,379
Total Liabilities	18,957	16,379
TOTAL EQUITY AND LIABILITIES	104,259	92,145
Net assets per share attributable to Owners of the Parent (sen)	16.43	16.07

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017**

Figures in RM'000	←----Attributable to Owners of the Parent ----→							Non-controlling Interest	Total Equity
	←-----Non-distributable-----→				Distributable				
	Share Capital	Share Premium	ESOS Reserve	Foreign Currency Translation Reserve	Retained Profits	Total			
At 1 January 2017	47,266	15,885	-	2	12,613	75,766	-	75,766	
Transfer of Share Premium *Note 1	15,885	(15,885)	-	-	-	-	-	-	
Exchange difference arising from foreign subsidiary companies	-	-	-	(9)	-	(9)	-	(9)	
Issuance of ordinary shares	6,508	-	-	-	-	6,508	-	6,508	
New Options granted	-	-	9,687	-	-	9,687	-	9,687	
Net loss for the period	-	-	-	-	(6,650)	(6,650)	-	(6,650)	
	22,393	(15,885)	9,687	(9)	(6,650)	9,536	-	9,536	
At 30 September 2017	69,659	-	9,687	(7)	5,963	85,302	-	85,302	

Figures in RM'000	←----Attributable to Owners of the Parent ----→							Non-controlling Interest	Total Equity
	←-----Non-distributable-----→				Distributable				
	Share Capital	Share Premium	ESOS Reserve	Foreign Currency Translation Reserve	Retained Profits	Total			
At 1 January 2016	47,266	15,885	-	(5)	22,039	85,185	-	85,185	
Exchange difference arising from foreign subsidiary companies	-	-	-	173	-	173	-	173	
Net loss for the period	-	-	-	-	(2,348)	(2,348)	-	(2,348)	
	-	-	-	173	(2,348)	(2,175)	-	(2,175)	
At 30 September 2016	47,266	15,885	-	168	19,691	83,010	-	83,010	

***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 2016 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Cash Flows
For The Third Quarter Ended 30 September 2017**

Figures in RM'000	9 months ended	
	30.9.2017	30.9.2016
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Loss before taxation</i>	(5,502)	(2,139)
Adjustments for:		
Depreciation of property, plant and equipment	446	2,004
Amortization of intangible assets	95	98
Impairment of property, plant and equipment	-	1,598
ESOS expense	9,687	-
Interest income	(1,015)	(965)
Foreign exchange loss – unrealized	501	346
Operating profit before working capital changes	4,212	942
Changes in working capital:		
(Decrease)/Increase in inventory	(2,474)	832
Decrease in receivables	2,679	9,391
Increase/(Decrease) in payables	1,332	(12,212)
Cash generated from/(used in) operations	5,749	(1,047)
Taxation paid	(1,127)	(440)
<i>Net cash from operating activities</i>	4,622	(1,487)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	1,015	965
Placement in short term cash fund	(12,298)	(13,000)
Placement in time deposits	(13,500)	(23,238)
Purchase of property, plant and equipment	(199)	(807)
Purchase of intangible assets	(8)	
<i>Net cash used in investing activities</i>	(24,990)	(36,080)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	6,508	-
<i>Net cash from financing activities</i>	6,508	-

Condensed Consolidated Statements of Cash Flows
For The Third Quarter Ended 30 September 2017 (Cont'd)

Figures in RM'000	9 months ended	
	30.9.2017	30.9.2016
Net decrease in cash and cash equivalents	(13,860)	(37,567)
Effect of exchange rate changes	(342)	280
Cash and cash equivalents at beginning of the period	29,651	52,149
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	15,449	14,862

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	9 months ended	
	30.9.2017	30.9.2016
Cash and bank balances	15,449	8,362
Deposit placed with licensed banks	13,500	14,500
	28,949	20,862
Less: Non-short term fixed deposits	(13,500)	(6,000)
	15,449	14,862

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2016.

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 2016.

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 (98.7% export in 3Q 2017; 99.4% export in FY 2016) 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		9 months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Depreciation of property, plant and equipment	(148)	(673)	(446)	(2004)
Amortization of intangible assets	(32)	(33)	(95)	(98)
Impairment of property, plant and equipment	-	(1,598)	-	(1,598)
Foreign exchange (loss)/gain - realized	(93)	146	(192)	(1,244)
Foreign exchange loss - unrealized	(361)	(1,381)	(501)	(346)
Interest income	345	404	1,015	965

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	1,236	58,485	-	-	59,721
Internal sales	-	-	-	-	-
Total operating sales	1,236	58,485	-	-	59,721
Others and interest income	1,234	322	-	-	1,556
	2,470	58,807	-	-	61,277
Results					
Segment results	(8,175)	2,673	-	-	(5,502)
Finance costs	-	-	-	-	-
Income tax	(192)	(956)	-	-	(1,148)
Loss after tax before non- controlling interest					(6,650)
Non-controlling interest					-
Loss after tax after non- controlling interest					(6,650)

	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	63,019	38,805	315	-	102,139
Unallocated assets					2,120
					104,259
Segment liabilities	202	17,525	21	-	17,748
Unallocated liabilities					1,209
					18,957

9. SEGMENT INFORMATION (Cont'd)

(b) Sales Contribution by Geography

The geographical sales breakdown is as follows:

	9 months ended	
	30.9.2017	30.9.2016
	RM'000	RM'000
Malaysia	762	292
Asia (excluding M'sia)	5,844	9,467
Europe	47,540	48,475
Oceania	-	120
USA	5,532	2,253
Middle East	43	19
	<hr/>	<hr/>
	59,721	60,626
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(c) Sales to Major Customers

For the 9 months ended 30 September 2017, three (3) major international customers (each with revenue of more than 10% of the Group revenue) contributed total revenue of approximately RM46.1 million (2016: RM46.3 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 2017.

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>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
(3Q'17 vs 3Q'16)**

The Group clocked in a 5% increase in sales revenue to RM 20.3 million for the third quarter ended 30 September 2017 as compared to RM 19.4 million for the corresponding quarter last year. Powering the jump in the sales turnover were electronic headlamps, floor-care products, industrial products and medical devices. The increase in sales contribution from medical devices is commendable despite coming from a low base as it reflects the Group's continued expansion and diversification strategies into new markets for sustainable growth. Nevertheless, sales growth for the current quarter continued to be curtailed by declining demand of network cameras (electronic security/surveillance peripherals) in view of the phasing out of specific models.

15. PERFORMANCE REVIEW (Cont'd)

**(a) Current quarter compared to the corresponding quarter of last year
(3Q'17 vs 3Q'16)**

The Group registered profit attributable to equity holders of the parent company of RM 1.1 million as compared to a loss of RM 2.4 million for the corresponding quarter last year. Profit margin improved to 22% (3Q'16: 9%) through the Group's product portfolio re-balancing in favour of products having higher margin and longer product life cycles in the likes of industrial products and medical devices, cost control and LEAN manufacturing/management efforts. Profit growth was negated to a small extent by foreign exchange loss due to weakening of the USD in the quarter concerned.

**(b) Current quarter versus the preceding quarter
(3Q'17 vs 2Q'17)**

Sales revenue for the third quarter ended 30 September 2017 at RM 20.3 million represented a 4% increase from the preceding quarter of RM 19.5 million. The sales increase was mainly attributed to the timely rebound of sales in electronic headlamps which encountered a decline in demand in the previous quarter after a strong sales push in conjunction with new product launch in early 2017. On the same note, sales growth was further augmented by strong demand of floor-care products. However, declining sales of network cameras (electronic security/surveillance peripherals) in view of the phasing out of specific models and the postponed deliveries of industrial products due to materials shortage to complete the entire assembly process held back a stronger sales growth momentum which would usually be experienced in the second half of the year.

The Group posted profit attributable to equity holders of the parent company of RM 1.1 million as compared to the same of RM 1.0 million in the preceding quarter. The increase in profit was mainly due to a combination of improved sales turnover and higher profit margin of 22% versus 19% in the previous quarter, but partly offset by foreign exchange loss in line with weakening of the USD during the period.

16. COMMENTARY ON PROSPECTS AND TARGETS

Cumulative sales for the initial 9 months of the year ended 30 September 2017 topped at RM 59.7 million against RM 60.6 million for the corresponding period a year ago, representing a marginal decrease of 1% which was chiefly due to the weaker sales performance from electronic security/surveillance peripherals in view of the phasing out of specific models and the effect of no contribution from the mobile phone accessories (ODM/OEM) business following the complete exit from this business segment in the second half of 2016. Fortunately, the sales contraction due to the aforesaid factors (exit from the mobile phone accessories (ODM/OEM) business and declining contribution from the electronic security/surveillance peripherals due to the phasing out of specific models) was cushioned by the Group's better performance in its emerging business of medical devices and other core operations of electronic headlamps, floor-care products, industrial products and consumer electronic lifestyle products.

The stabilised sales performance reflects the transition phase of the Group. The mainstay and re-balanced product portfolio will stand as the core to deliver the necessary sales growth and profit sustainability in the near to medium term. The Group's strategic roadmap to diversify into the medical/healthcare, automotive, electronic wearables and IoT markets which yield higher margins, longer product life cycles and with upwards industry dynamics is beginning to take shape, although slower than expected.

On another front, the delay in the completion of the acquisition of a 30% stake in AHM Consultancy & Security Services Sdn Bhd (AHM) for another three (3) months ending on 17 January 2018 with the intention to facilitate the necessary approval process and/or documentation does not deter the Group's security initiative. In September 2017, the Group participated in the IFSEC South-East Asia Exhibition (IFSEC) held in Kuala Lumpur. IFSEC is an exhibition 'playground' dedicated for security, fire and safety professionals. It was a timely and perfect platform for the Group to showcase its unique patrol management software that works in conjunction with the relevant hardware to manage security patrol via web and mobile technologies. The Group is planning to officially launch the said software in the near future.

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

Looking ahead to the final three months of 2017 which is seasonally and normally the strongest quarter of the year, sales is expected to improve which is mainly driven by fulfilling the backlog of industrial products' demand caused by materials shortage in the previous quarter. However, the sales increase is expected to be mild as it is anticipated to be moderated by declining sales of electronic security/surveillance peripherals due to the phasing out of specific models. Earnings are expected to remain stable in the coming quarter barring any unforeseen circumstances such as further weakening of the USD. The Group will continue its efforts to further improve its efficiency, productivity and product quality by focusing on LEAN manufacturing/management and digitisation to reinforce its reputation as an experienced high-quality specialized ODM/OEM and emerging OBM (Own Brand Manufacturer).

17. INCOME TAX EXPENSE/(CREDIT)

	3 months ended		9 months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
Deferred tax	0	49	0	(36)
Current tax	330	(148)	1,148	(173)
Total Income Tax Expense	330	(99)	1,148	(209)

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

Save as disclosed below, there are no other corporate proposal:

Proposed Acquisition of 30% stake in AHM Consultancy & Security Services Sdn Bhd:

On 17 March 2017, the Group announced the acquisition of a 30% stake in AHM Consultancy & Security Services Sdn Bhd for a cash consideration of RM 8.7 million. The subject acquisition is principally involved in the provision of armed and unarmed guarding, cash-in-transit services, security escorting, private investigation, body guarding and supply of security surveillance systems in Malaysia. The acquiree has provided a profit guarantee of RM14 million over a 2 year period following completion of the acquisition. The Group will complement the acquiree with its technology expertise in enhancing the provision of security services to customers.

The Group and the vendors had mutually agreed to extend the completion of the acquisition for another 3 more months to end on 17 January 2018 to facilitate the approval process by the Ministry of Home Affairs, Malaysia and/or any other necessary documentation.

21. BORROWINGS AND DEBTS SECURITIES

The Group has neither any secured nor unsecured borrowings as at 30 September 2017.

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 LOSS

As at the end of the financial period ended 30 September 2017, the realised and unrealised losses are as follows:

	9 months ended 30.9.2017 RM'000
Realised loss	(192)
Unrealised loss	(501)
Consolidation adjustments	6,656
Total Retained Profit	5,963

26. 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		9 months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Profit/(loss) attributable to equity holders of the parent (RM'000)	1,108	(2,361)	(6,650)	(2,348)
Weighted average number of Ordinary Shares in issue ('000)	519,144	472,655	506,713	472,655
Basic Earnings/(Loss) Per Ordinary Share (sen)	0.22	(0.50)	(1.31)	(0.50)

26. EARNINGS / (LOSS) PER SHARE (Cont'd)

(b) Diluted earnings per share

	3 months ended		9 months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Profit/(loss) attributable to equity holders of the parent (RM'000)	1,108	(2,361)	(6,650)	(2,348)
Weighted average number of Ordinary Shares in issue ('000)	519,144	472,655	506,713	472,655
Adjustment for Share Options ('000)	17,106	-	17,106	-
Adjusted weighted average number of Ordinary Shares in issue ('000)	536,250	472,655	523,819	472,655
Diluted Earnings/(Loss) Per Ordinary Share (sen)	0.21	0.50	(1.31)*	0.50

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

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 17 November 2017.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

17 November 2017