



K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**Condensed Consolidated Statements of Comprehensive Income
For The Second Quarter Ended 30 June 2017**

Figures in RM'000	3 months ended		6 months ended	
	30.6.2017 Unaudited	30.6.2016 Unaudited	30.6.2017 Unaudited	30.6.2016 Unaudited
Operating revenue	19,493	18,985	39,460	41,246
Cost of sales	(15,610)	(16,305)	(31,976)	(35,400)
Gross profit	3,833	2,680	7,484	5,846
Other income	212	1,069	518	1,108
Interest income	399	373	670	561
Operating expenses	(2,996)	(2,806)	(15,612)	(7,392)
Profit/(Loss) from operations	1,498	1,316	(6,940)	123
Finance costs	-	-	-	-
Profit/(Loss) before tax	1,498	1,316	(6,940)	123
Income tax (expense)/credit	(458)	56	(818)	(110)
Profit/(Loss) for the period	1,040	1,372	(7,758)	13
Non-controlling interests	-	-	-	-
Profit/(Loss) after tax after Non-controlling interests	1,040	1,372	(7,758)	13

Profit/(Loss) attributable to:

Owners of the Parent	1,040	1,372	(7,758)	13
Non-controlling interests	-	-	-	-
	1,040	1,372	(7,758)	13

Earnings/(Loss) per share

EPS/(LPS)

attributable to owners

of the Parent (sen):

Basic EPS/(LPS)	0.20	0.29	(1.55)	0.00
Diluted EPS/(LPS)	0.19	0.29	(1.55)	0.00

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

Figures in RM'000	3 months ended		6 months ended	
	30.6.2017 Unaudited	30.6.2016 Unaudited	30.6.2017 Unaudited	30.6.2016 Unaudited
Profit/(Loss) for the period	1,040	1,372	(7,758)	13
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	(6)	105	(22)	159
Total comprehensive income	1,034	1,477	(7,780)	172
Profit/(Loss) attributable to:				
Owners of the Parent	1,034	1,477	(7,780)	172
Non-controlling interests	-	-	-	-
	1,034	1,477	(7,780)	172

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 June 2017

Figures in RM'000	Unaudited 30.6.2017	Audited 31.12.2016
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	8,595	8,730
Intangible assets	234	289
Deferred tax assets	330	330
Non-Current Assets	9,159	9,349
<i>Current Assets</i>		
Inventories	9,526	9,502
Trade receivables	14,918	18,676
Other receivables	988	1,304
Tax recoverable	1,687	863
Short term cash investments	35,149	23,000
Cash and bank balances	30,931	29,651
Total Current Assets	93,199	82,996
TOTAL ASSETS	102,358	92,345

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	69,659	47,266
Reserves	9,667	15,887
Retained earnings	5,054	12,813
Total Equity	84,380	75,966

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

Figures in RM'000	Unaudited 30.6.2017	Audited 31.12.2016
EQUITY AND LIABILITIES		
<i>Current Liabilities</i>		
Trade payables	16,629	15,778
Other payables and accruals	469	538
Amount due to Directors	2	2
Tax payable	878	61
Current Liabilities	17,978	16,379
Total Liabilities	17,978	16,379
TOTAL EQUITY AND LIABILITIES	102,358	92,345
Net assets per share attributable to Owners of the Parent (sen)	16.23	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 Second Quarter Ended 30 June 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	12,813	75,966	-	75,966
Transfer of Share Premium *Note 1	15,885	(15,885)	-	-	-	-	-	-
Exchange difference arising from foreign subsidiary companies	-	-	-	(22)	-	(22)	-	(22)
Issuance of ordinary shares	6,508	-	-	-	-	6,508	-	6,508
New Options granted	-	-	9,687	-	-	9,687	-	9,687
Net loss for the period	-	-	-	-	(7,759)	(7,759)	-	(7,759)
	22,393	(15,885)	9,687	(22)	(7,759)	8,414	-	8,414
At 30 June 2017	69,659	-	9,687	(20)	5,054	84,380	-	84,380

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	-	-	-	159	-	159	-	159
Net profit for the period	-	-	-	-	13	13	-	13
	-	-	-	159	13	172	-	172
At 30 June 2016	47,266	15,885	-	154	20,052	85,357	-	85,357

***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 Second Quarter Ended 30 June 2017**

Figures in RM'000	6 months ended	
	30.6.2017	30.6.2016
CASH FLOW FROM OPERATING ACTIVITIES		
<i>(Loss)/Profit before taxation</i>	(6,940)	123
Adjustments for:		
Depreciation of property, plant and equipment	298	1,333
Amortization of intangible assets	63	67
ESOS expense	9,687	-
Interest income	(670)	(561)
Foreign exchange loss/(gain) – unrealized	140	(1,035)
Operating profit/(loss)before working capital changes	2,578	(73)
Changes in working capital:		
Increase in inventory	(24)	(2,186)
Decrease in receivables	4,042	11,882
Increase/ (Decrease) in payables	926	(8,256)
Cash generated from operations	7,522	1,367
Taxation paid	(824)	87
<i>Net cash from operating activities</i>	6,698	1,454
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	670	561
Placement in short term cash fund	(12,148)	-
Purchase of property, plant and equipment	(163)	(725)
Purchase of intangible assets	(8)	-
<i>Net cash used in investing activities</i>	(11,649)	(164)
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 Second Quarter Ended 30 June 2017 (Cont'd)**

Figures in RM'000	6 months ended	
	30.6.2017	30.6.2016
Net increase in cash and cash equivalents	1,557	1,290
Effect of exchange rate changes	(277)	496
Cash and cash equivalents at beginning of the period	23,651	52,145
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	24,931	53,931

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	6 months ended	
	30.6.2017	30.6.2016
Cash and bank balances	16,431	24,693
Deposit placed with licensed banks	14,500	29,238
	30,931	54,603
Less: Non-short term fixed deposits	(6,000)	(6,000)
	24,931	53,931

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 (96.0% export in 2Q’17; 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		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Depreciation of property, plant and equipment	(151)	(673)	(298)	(1,333)
Amortization of intangible assets	(32)	(33)	(63)	(67)
Foreign exchange loss - realized	(195)	(2,489)	(99)	(2,425)
Foreign exchange gain/(loss) - unrealized	47	(1,307)	(140)	1,035
Interest income	399	373	670	561

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	660	38,800	-	-	39,460
Internal sales	-	-	-	-	-
Total operating sales	660	38,800	-	-	39,460
Others and interest income	910	278	-	-	1,188
	1,570	39,078	-	-	40,648
Results					
Segment results	(8,872)	1,932	-	-	(6,940)
Finance costs	-	-	-	-	-
Income tax	(136)	(682)	-	-	(818)
Loss after tax before non- controlling interest					(7,758)
Non-controlling interest					-
Loss after tax after non- controlling interest					(7,758)

	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	60,781	39,078	482	-	100,341
Unallocated assets					2,017
					102,358
Segment liabilities	361	16,713	23	-	17,097
Unallocated liabilities					881
					17,978

9. SEGMENT INFORMATION (Cont'd)

(b) Sales Contribution by Geography

The geographical sales breakdown is as follows:

	6 months ended	
	30.6.2017	30.6.2016
	RM'000	RM'000
Malaysia	1,738	109
Asia (excluding M'sia)	3,409	7,955
Europe	31,578	31,130
Oceania	-	30
USA	2,692	2,007
Middle East	43	15
	39,460	41,246

(c) Sales to Major Customers

For the 6 months ended 30 June 2017, three (3) major international customers (each with revenue of more than 10% of the Group revenue) contributed total revenue of approximately RM31.2 million (1H'16: RM30.3 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 June 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 save for Note 20 (b).

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'17 vs 2Q'16)**

The Group experienced a 3% increase in sales revenue to RM19.5 million for the second quarter ended 30 June 2017 as compared to RM19.0 million for the corresponding quarter last year. The positive sales momentum was driven by the medical devices, industrial products and consumer electronic lifestyle gadgets' business segments. Sales contribution from medical devices made the positive difference as it was not in the sales equation in the same quarter last year. Nevertheless, sales growth for the current quarter was curtailed by sluggish demand of network cameras 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 (Cont'd)
(2Q'17 vs 2Q'16)**

The Group registered profit attributable to equity holders of the parent company of RM 1.0 million as compared to the same of RM 1.4 million for the corresponding quarter last year. Although the net profit-after-tax for the current quarter dipped by 29% in comparison to the corresponding quarter last year, profit margin improved to 20% (2Q'16:14%) as a result of product portfolio re-balancing in favour of products having higher margin and longer product life cycles in the likes of industrial products, niche consumer electronic lifestyle products, medical devices and electronic wearables. Operating profit for the current quarter is healthier than the corresponding quarter last year as it was not overly propped up by the strong USD as it was for the same period last year.

**(b) Current quarter versus the preceding quarter
(2Q'17 vs 1Q'17)**

Sales revenue for the second quarter ended 30 June 2017 at RM 19.5 million represented a 3% decline from the preceding quarter of RM 20.0 million. The sales decrease was mainly attributed to a decline in demand of electronic headlamps after a strong sales push in conjunction with new product launch in the preceding quarter. Fortunately, improved sales performance of electronic security/surveillance peripherals, floor-care products, industrial products and other consumer electronic lifestyle gadgets cushioned the aforesaid sales normalisation.

The Group posted profit attributable to equity holders of the parent company of RM 1.0 million as compared to a loss of RM 8.8 million in the preceding quarter. The previous quarter's loss was purely attributed to the recognition of ESOS expense of RM 9.7 million in accordance with the appropriate accounting treatment under MFRS 2. Gross profit margin inched slightly higher for the comparative two quarters (2Q'17:20%; 1Q'17:18%).

16. COMMENTARY ON FIRST HALF 2017, PROSPECTS AND TARGETS

For the 1st half of 2017, sales clocked in at RM39.5 million as compared to RM41.2 million for the same period last year. The 4% decline is mainly attributed to the reduced contribution coming from the electronic security/surveillance business segment and to some extent the stronger USD registered in the corresponding period last year which translated to more Ringgits. On a more positive note, all other key business segments, comprising of consumer electronic lifestyle, industrial, floor-care and medical/healthcare registered positive growth, which however was insufficient to off-set the sales decline coming mainly from the electronic security/surveillance business segment.

In the short term i.e. over the few months till the end of 2017, the Group's mainstay and re-balanced product portfolio in the likes of industrial products, floor-care products, electronic security/surveillance peripherals, consumer electronic lifestyle gadgets and electronic wearables will stand as the core to deliver the necessary sales growth and profit sustainability. The Group expects the newer IoT products, medical/healthcare devices and automotive aggregates to progressively escalate their sales and profit contributions, albeit slower than expected in view of the long gestation period, but surely, moving forward.

On another front, the Group expects to conclude its proposed acquisition of a 30% stake in AHM Consultancy & Security Services Sdn Bhd (AHM), which was announced on 17 March 2017 as soon as practically possible. The Group will complement AHM with its technology expertise in enhancing the provision of security services which would be a win-win situation for both parties. The Group is planning to participate in the upcoming IFSEC South-East Asia Exhibition dedicated for security, fire and safety professionals to be held in September 2017 in Kuala Lumpur to showcase its electronic security hardware and software products/solutions.

Besides driving organic growth, the Group is continuing with its search for complementary businesses to be acquired to boost its business growth and at the same time tap on the acquirees' relevant technology expertise to catalyse its identified "sunrise" businesses. It hopes to be able to work out one or two acquisitions in 2017.

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

The medium term macroeconomic outlook is anticipated to undergo continued volatility in the global economic and political climate. The Group will take the necessary steps to mitigate such volatility risks, intensify its efforts to identify new and innovative businesses as well as continue to improve its efficiency, productivity and cost control to bring about the expected sales growth and profit sustainability.

17. INCOME TAX EXPENSE/(CREDIT)

	3 months ended		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
Deferred tax	-	62	-	(85)
Current tax	458	(6)	818	(25)
Total Income Tax Expense	458	56	818	(110)

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

(a) ESOS Scheme

On 22 November 2016, the Group announced the proposal to undertake the establishment of an ESOS scheme for eligible employees and directors of the Group. Following Bursa Malaysia's approval, the shareholders of K-One Technology Bhd had also approved the Proposed ESOS at the Extraordinary General Meeting convened on 20 January 2017.

The maximum number of new Shares which may be issued and allotted pursuant to the exercise of the Options under the ESOS scheme shall not exceed thirty percent (30%) of the total issued and paid-up share capital of K-One Technology Bhd (excluding treasury shares) at any point of time throughout the duration of the ESOS scheme of up to ten (10) years.

On 13 March 2017, the Group offered a total of 130,000,000 options over new shares ("Options") to its Directors and eligible employees in accordance with the By-Laws under its ESOS. The Options were fully subscribed.

No Directors and eligible employees have exercised their options as at the reporting date.

(b) 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, commencing from the official acquisition date. The Group will complement the acquiree with its technology expertise in enhancing the provision of security services to customers.

As at the date of this report, the acquisition is yet to be completed. The Group anticipates to complete the acquisition in the next couple of months or as soon as it is practically possible.

21. BORROWINGS AND DEBTS SECURITIES

The Group does not have any secured nor unsecured borrowings as at 30 June 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 PROFIT / (LOSS)

As at the end of the financial period ended 30 June 2017, the realised and unrealised profits / (loss) are as follows:

	6 months ended 30.6.2017 RM'000
Realised loss	(1,025)
Unrealised profit	190
Consolidation adjustments	5,889
Total Retained Profit	5,054

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		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Profit/(loss) attributable to equity holders of the parent (RM'000)	1,040	1,372	(7,758)	13
Weighted average number of Ordinary Shares in issue ('000)	519,144	472,655	500,395	472,655
Basic Earnings/(Loss) Per Ordinary Share (sen)	0.20	0.29	(1.55)	0.00

(b) Diluted earnings per share

	3 months ended		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Profit/(loss) attributable to equity holders of the parent (RM'000)	1,040	1,372	(7,758)	13
Weighted average number of Ordinary Shares in issue ('000)	519,144	472,655	500,395	472,655
Adjustment for Share Options ('000)	25,366	-	25,366	-
Adjusted weighted average number of Ordinary Shares in issue ('000)	544,510	472,655	525,761	472,655
Diluted Earnings/(Loss) Per Ordinary Share (sen)	0.19	0.29	(1.55)*	0.00

* 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 14 August 2017.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

14 August 2017