

K-ONE TECHNOLOGY BERHAD ("K-ONE TECH" OR THE "COMPANY")

- **PROPOSED BONUS ISSUE OF 93,637,050 WARRANTS IN K-ONE TECH ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY FOUR (4) EXISTING ORDINARY SHARES OF RM0.10 EACH IN K-ONE TECH HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER**
-

1. INTRODUCTION

On behalf of the Board of Directors ("Board") of the Company, M&A Securities Sdn Bhd ("M&A Securities") wishes to announce that the Company proposes to undertake a bonus issue of 93,637,050 Warrants on the basis of one (1) Warrant for every four (4) existing ordinary shares of RM0.10 each in K-One Tech ("K-One Tech Shares") ("Proposed Bonus Issue of Warrants").

2. DETAILS OF THE PROPOSED BONUS ISSUE OF WARRANTS

2.1 Number of Warrants to be issued

The Proposed Bonus Issue of Warrants entails the issuance of 93,637,050 Warrants on the basis of one (1) Warrant for every four (4) existing K-One Tech Shares held by the entitled shareholders.

The issuance of 93,637,050 Warrants under the Proposed Bonus Issue of Warrants was arrived at based on the existing number of outstanding shares in K-One Tech of 374,548,200 K-One Tech Shares as at the date of this announcement.

2.2 Basis of determining the exercise price of the Warrants

The exercise price of the Warrants shall be determined by the Board using market based pricing principles after receipt of all relevant approvals but before the date of allotment and issue of the Warrants and shall take into account the five (5)-day volume weighted average market price ("5D-WAMP") of K-One Tech Shares preceding the price fixing date to be determined by the Board but in any event, shall not be lower than the par value of K-One Tech Shares of RM0.10 each.

2.3 Entitlements of the Warrants

The Warrants to be issued will be provisionally allotted and issued to the shareholders of K-One Tech whose names appear in the Record of Depositors of the Company on an entitlement date to be determined later.

2.4 Indicative salient terms of the Warrants

Terms	Details
Issue Size	: 93,637,050 Warrants.
Form	: The Warrants will be issued in registered form and will be constituted by a Deed Poll.
Exercise Price	: The exercise price of the Warrants shall be determined by the Board of K-One Tech at a later date after the receipt of all relevant approvals and after taking into consideration the 5D-WAMP of K-One Tech Shares immediately preceding the price fixing date. The exercise price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Exercise Period	: Three (3) years commencing on and including the date of issuance of the Warrants. Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.
Exercise Rights	: Each Warrant entitles the registered holder to subscribe for one (1) new K-One Tech Share at the Exercise Price during the Exercise Period and shall be subject to adjustments in accordance with the Deed Poll.
Rights of the Warrant holders	: The holder of Warrants is not entitled to any voting right or participation in any dividends, rights, allotments and/or other distributions in the Company until and unless such holder of Warrants exercise their Warrants into new shares in K-One Tech.
Board Lot	: The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new K-One Tech Shares at any time during the Exercise Period or such denomination as determined by Bursa Malaysia Securities Berhad ("Bursa Securities").
Ranking of new K-One Tech Shares	: All the new K-One Tech Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing K-One Tech Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, that may be declared, made or paid before the date of allotment and issue of the new K-One Tech Shares.
Listing of the Warrants	: An application will be made for the listing of and quotation for the Warrants and new K-One Tech Shares to be issued arising from the exercise of the Warrants on the ACE Market of Bursa Securities.
Adjustments in the exercise price and/or number of Warrants	: The Exercise Price and/or the number of Warrants held by each Warrant holder may from time to time be adjusted in the event of any alteration to the share capital of the Company in accordance with the provisions as set out in the Deed Poll.

Terms	Details
Transferability	: The Warrants shall be transferable in the manner in accordance with the Deed Poll subject always to the provisions of the Securities Industries (Central Depositories) Act, 1991, the Securities Industries (Central Depositories) Act, 1998 and the Rules of Bursa Depository Sdn Bhd and any appendices.
Rights in the event of winding-up, liquidation, compromise and/or arrangement	: Where a resolution has been passed for a member's voluntary winding up of the Company, or where there is a compromise or arrangement, then: <ul style="list-style-type: none"> <li style="margin-left: 2em;">(a) For the purpose of such winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders or some persons designated by them of such purposes by a special resolution, will be a party, the terms of such winding up, compromise or arrangement will be binding on all the Warrant holders; and <li style="margin-left: 2em;">(b) In any other case, every Warrant holder shall be entitled within six (6) weeks after the passing of such resolution for a member's voluntary winding-up of the Company or within six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrendering of his Warrants to the Company, exercise his Warrants and be treated as if he had exercised the Warrants immediately prior to the commencement of such winding up or such compromise or arrangement. If the Company is wound up, all exercise rights which have not been exercised within six (6) weeks of the passing of such resolution, shall lapse and the Warrants shall cease to be valid for any purpose.
Governing Laws	: Laws of Malaysia.

2.5 Utilisation of proceeds

The Proposed Bonus Issue of Warrants is not expected to raise any funds as the Warrants will be issued at no cost to the entitled shareholders of K-One Tech. The proceeds that may be raised by K-One Tech arising from the exercise of Warrants would depend upon the actual number of Warrants exercised and the exercise price of the Warrants. The proceeds from the exercise of the Warrants will be utilised for working capital purposes and/or business expansion.

3. RATIONALE FOR THE PROPOSED BONUS ISSUE OF WARRANTS

The Proposed Bonus Issue of Warrants is to reward existing shareholders of the Company while potentially enhancing the Company's capital base as the Proposed Bonus Issue of Warrants shall:-

- (i) aim to reward the existing shareholders of the Company for their support by enabling them to participate in a derivative of the Company without incurring any cost;
- (ii) provide the existing shareholders of the Company with an opportunity to increase their equity in the Company at a predetermined price during the tenure of the Warrants;
- (iii) allow the existing shareholders of the Company to further participate in the future prospects and growth of the Company;
- (iv) opportunity to increase the liquidity of K-One Tech Shares in the market; and
- (v) provide the Company with additional capital as and when the Warrants are exercised during the tenure of the Warrants without incurring additional financing cost and minimise any potential cash outflow in respect of interest servicing.

The Proposed Bonus Issue of Warrants will involve the issuance of Warrants without diluting the existing shareholders' equity interest assuming all shareholders fully exercise their Warrants entitlement subsequently.

4. FINANCIAL EFFECTS OF THE PROPOSED BONUS ISSUE OF WARRANTS

4.1 Share capital

The proforma effects of the Proposed Bonus Issue of Warrants on the issued and paid-up share capital of K-One Tech are set out as follows:-

	No. of K-One Tech Shares	RM
Existing as at 29 August 2012	374,548,200	37,454,820
To be issued pursuant to the full exercise of the Warrants	93,637,050	9,363,705
Enlarged share capital	468,185,250	46,818,525

4.2 Net assets and gearing

Based on the audited consolidated statements of financial position of K-One Tech as at 31 December 2011, the proforma effects of the Proposed Bonus Issue of Warrants on the net assets and gearing of K-One Tech are set out below:-

	Audited as at 31.12.2011 RM'000	Adjusted as at 2 May 2012⁽¹⁾ RM'000	I After I and the Proposed Bonus Issue of Warrants RM'000	II After II and assuming full exercise of Warrants RM'000	III ⁽⁴⁾After II and assuming full exercise of Warrants RM'000
Share capital	34,186	37,455	37,455	37,455	46,819
Share Premium					14,514 ⁽⁵⁾
Warrant reserve	-	-		1,405 ⁽³⁾	-
Foreign exchange reserves	(36)	(36)-	(36)	(36)	(36)
Retained earnings	9,700	9,600 ⁽²⁾	8,195	8,195	8,195
Shareholders' funds / Net assets	43,850	47,019	47,019	47,019	69,492
No. of K-One Tech Shares	341,859,000	374,548,200	374,548,200	374,548,200	468,185,250
Net assets per K-One Tech Share	0.13	0.13	0.13	0.13	0.15
Interest-bearing borrowings	34,060,219	34,060,219	34,060,219	34,060,219	34,060,219
Gearing (times)	0.78	0.72	0.72	0.72	0.49

Notes:

- ⁽¹⁾ After taking into account the issue of 32,689,200 new shares in the Company pursuant to the Company's private placement exercise which was completed on 2 May 2012.
- ⁽²⁾ After deducting estimated expenses in relation to the Proposed Bonus Issue of Warrants of RM100,000.
- ⁽³⁾ After issuance of 93,637,050 bonus issue of Warrants based on the fair value of RM0.015 per Warrant
- ⁽⁴⁾ Based on indicative exercise price of RM0.24 per Warrant. The said indicative exercise price represents a premium of RM0.033 (or 15.9% premium) to the 5-day volume weighted average price of K-One Tech Shares up to 28 August 2012 (being the market day preceding the date of this announcement) of RM0.207 per share.
- ⁽⁵⁾ The transfer of warrants reserve to share premium account of approximately RM1,405,000 upon full exercise of Warrants

4.3 Earnings

The Proposed Bonus Issue of Warrants is not expected to have an immediate material effect on the earnings and earnings per share of K-One Tech.

Although the exercise of the Warrants is expected to dilute the consolidated earnings per share of the Company as a result of the increase in the number of K-One Tech Shares in issue, the proceeds derived from the exercise of the Warrants are expected to contribute positively to the future earnings of K-One Tech.

4.4 Dividend

The Proposed Bonus Issue of Warrants is not expected to affect the dividend policy of the Company as future dividend payable by the Company would be dependent on inter-alia, the future profitability and cashflow position of K-One Tech.

4.5 Substantial shareholders' shareholdings

The Proposed Bonus Issue of Warrants will not have any effect on the shareholdings of the substantial shareholders of K-One Tech. Assuming full exercise of the Warrants, there is no effect to the percentage shareholdings of the substantial shareholders, but the number of K-One Tech Shares held by each substantial shareholder will increase proportionately.

5. APPROVALS REQUIRED

The Proposed Bonus Issue of Warrants is subject to the following approvals:-

- (i) Bursa Securities, for the following:-
 - a. the admission of the Warrants to the Official List of the ACE Market of Bursa Securities; and
 - b. the listing of and quotation for the Warrants and the new K-One Tech Shares to be issued arising from the exercise of the Warrants, on the ACE Market of Bursa Securities;
- (ii) the shareholders of K-One Tech, for the Proposed Bonus Issue of Warrants at an extraordinary general meeting of the Company to be convened at a later date;
- (iii) the approval of Bank Negara Malaysia for the issuance of the Warrants to the non-residents entitled shareholders of the Company, if required; and
- (iv) any other relevant authority, if required.

The Proposed Bonus Issue of Warrants is not conditional upon any other proposals undertaken or to be undertaken by the Company, if any.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Proposed Bonus Issue of Warrants other than their respective entitlements under the Proposed Bonus Issue of Warrants for which all shareholders of K-One Tech are entitled to.

7. DIRECTORS' RECOMMENDATION

After having considered all aspects of the Proposed Bonus Issue of Warrants, the Board is of the opinion that the Proposed Bonus Issue of Warrants is in the best interest of K-One Tech.

8. ADVISER

M&A Securities has been appointed as Adviser to K-One Tech for the Proposed Bonus Issue of Warrants.

9. APPLICATIONS TO THE RELEVANT AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, applications to the relevant authorities in respect of the Proposed Bonus Issue of Warrants are expected to be submitted within two (2) months from the date of this announcement and the Proposed Bonus Issue of Warrants is expected to be completed in the fourth quarter of 2012.

This announcement is dated 29 August 2012.