

**K-One**  
**K-One Technology Berhad (539757-K)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**

# K-One

**K-One Technology Berhad (539757-K)**

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.12.2009 RM'000	Preceding year corresponding quarter 31.12.2008 RM'000	Current year to date 31.12.2009 RM'000	Preceding year corresponding period 31.12.2008 RM'000
Operating revenue	31,676	18,134	84,132	61,943
Cost of sales	(26,774)	(10,227)	(63,811)	(44,277)
Gross profit	4,902	7,907	20,321	17,666
Other income	135	1,323	1,471	954
Operating expenses	(4,155)	(6,344)	(19,686)	(12,085)
(Loss)/Profits from operations	882	2,886	2,106	6,535
Interest income	10	-	11	18
Interest expense	(253)	(364)	(1,085)	(640)
(Loss)/Profits before taxation	639	2,522	1,032	5,913
Taxation	135	(188)	62	(187)
(Loss)/Profits after taxation before Minority interest	774	2,334	1,094	5,726
Share of profits from associate company	-	175	-	465
Net (loss)/profits for the period	774	2,509	1,094	6,191
<b><u>Attributable to:</u></b>				
Equity holders of the parent	1,027	2,587	1,272	6,053
Minority interests	(253)	(78)	(178)	138
Net (loss)/profits for the period	774	2,509	1,094	6,191
<b><u>Earnings per share attributable to:</u></b>				
Equity holders of the parent				
Basic (sen)	0.91	2.30	1.13	5.39
Diluted (sen)	0.90	2.27	1.12	5.31

### Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed Consolidated Results for the financial period ended 31 December 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

# K-One

**K-One Technology Berhad (539757-K)**  
(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	(Unaudited) As at 31.12.2009 RM'000	(Audited) As at 31.12.2008 RM'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment		10,889	12,240
Prepaid land leases		853	876
Intangible assets		903	945
Investment in associate company		-	5,518
Goodwill		5,546	5,546
		<u>18,191</u>	<u>25,125</u>
<i>Current assets</i>			
Inventories		44,713	31,606
Trade receivables		25,119	16,822
Other receivables		2,920	1,749
Tax in credit		195	81
Time deposits – pledged		-	276
Cash and cash equivalents		6,751	6,199
		<u>79,698</u>	<u>56,733</u>
<b>Total Assets</b>		<b><u>97,889</u></b>	<b><u>81,858</u></b>
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and Reserves</i>			
Equity attributable to equity holders of the parent			
Share capital		11,271	11,227
Share premium		14,893	14,813
Reserves		21,602	20,189
		<u>47,766</u>	<u>46,229</u>
Minority interest		507	252
<b>Total Equity</b>		<b><u>48,273</u></b>	<b><u>46,481</u></b>

# K-One

**K-One Technology Berhad (539757-K)**  
(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009- continued

		(Unaudited) As at 31.12.2009 RM'000	(Audited) As at 31.12.2008 RM'000
	Note		
<b>EQUITY AND LIABILITIES</b>			
<i>Non-current liabilities</i>			
Hire purchase creditors	24	449	820
Deferred taxation liability		76	126
Long term loan	24	3,235	3,160
		<u>3,760</u>	<u>4,106</u>
<i>Current liabilities</i>			
Trade payables		23,848	11,746
Other payables and accruals		979	1,696
Amount due to Directors		2,210	111
Bank overdraft	24	3,216	6,039
Borrowings	24	15,374	11,338
Hire purchase creditors	24	217	263
Tax payable		12	78
		<u>45,856</u>	<u>31,271</u>
<b>Total Liabilities</b>		49,616	35,377
<b>Total Equity and Liabilities</b>		<u><b>97,889</b></u>	<u><b>81,858</b></u>
Net assets per share attributable to equity holders of the parent (sen)		42.38	41.18

### Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 31 December 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

# K-One

**K-One Technology Berhad (539757-K)**

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2009

	<-----Attributable to equity holders of the parent ----->					Minority Interest	Total Equity	
	<i>Non-distributable</i>		<i>Distributable</i>		Retained Profits			Total
	Share Capital	Share Premium	Reserve Attributable to Revenue					
<b>At 1 January 2009</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	11,227	14,813	(84)	20,272	46,228	252	46,480	
Exercised ESOS	44	80	-	-	124	-	124	
Exchange difference arising from foreign subsidiary companies	-	-	142	-	142	388	530	
Net assets shared by MI	-	-	-	-	-	45	45	
Net profits/(loss) for the period	-	-	-	1,272	1,272	(178)	1,094	
<b>At 31 December 2009</b>	<b>11,271</b>	<b>14,893</b>	<b>58</b>	<b>21,544</b>	<b>47,766</b>	<b>507</b>	<b>48,273</b>	

	<-----Attributable to equity holders of the parent ----->					Minority interest	Total Equity	
	<i>Non-distributable</i>		<i>Distributable</i>		Retained Profits			Total
	Share Capital	Share Premium	Reserve Attributable to Revenue					
<b>At 1 January 2008</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	11,227	14,813	-	14,219	40,259	147	40,406	
Net assets from minority interest	-	-	-	-	-	5	5	
Currency translation differences	-	-	(84)	-	(84)	(38)	(122)	
Net profits for the period	-	-	-	6,053	6,053	138	6,191	
<b>At 31 December 2008</b>	<b>11,227</b>	<b>14,813</b>	<b>(84)</b>	<b>20,272</b>	<b>46,228</b>	<b>252</b>	<b>46,480</b>	

### Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 31 December 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.



**K-One Technology Berhad (539757-K)**  
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2009

(The figures have not been audited)

(Unaudited)

	As at 31.12.2009 RM'000	As at 31.12.2008 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Profit before taxation</i>	1,032	6,378
Adjustments for:		
Depreciation of property, plant and equipment	1,679	1,713
Amortization of intangible assets	105	132
Amortization of leasehold land	24	24
Interest income	(11)	(18)
Interest expenses	1,085	640
Loss/(Gain) on disposal of property, plant and equipment	21	(24)
Property, plant and equipment written off	-	80
Inventory written down	465	-
Foreign exchange loss – unrealized	139	344
Goodwill written off on consolidation	2	-
Dividend income receivable	(797)	-
Loss on disposal of associate company	925	-
Share of profits from associate company	-	(465)
Incorporation fee	-	3
Operating profit before working capital changes	4,669	8,807
Changes in working capital		
Increase in inventory	(13,394)	(13,242)
Increase in trade receivables	(7,301)	(1,133)
(Increase)/Decrease in other receivables	(1,171)	(346)
Increase in trade payables	12,094	2,580
Decrease in other payables	(717)	(2,172)
Increase in amount due to Directors	2,090	(12)
Cash used in operations	(3,730)	(5,518)
Incorporation fee paid	-	(3)
Interest paid	(1,085)	(621)
Taxation paid	(176)	(200)
<b><i>Net cash used in operating activities</i></b>	<b>(4,991)</b>	<b>(6,342)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary shares from minority shareholder	(5)	-
Interest Income	11	9
Proceeds from disposal of an associate company	4,593	-
Purchase of intangible assets	(62)	(770)
Purchase of property, plant and equipment	(520)	(2,538)
Proceeds from disposal of property, plant and equipment	170	100
<b><i>Net cash used in investing activities</i></b>	<b>4,187</b>	<b>(3,199)</b>



**K-One Technology Berhad (539757-K)**  
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2009- continued  
(The figures have not been audited)

	(Unaudited)	
	As at 31.12.2009 RM'000	As at 31.12.2008 RM'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from exercised ESOS	124	-
Drawdown of fixed deposits	276	-
Repayment of hire purchases	(416)	(275)
Repayment of borrowings, net of drawdown	4,110	7,101
Proceeds from issuance of shares to minority interests	45	5
<b>Net cash generated from / (used in) financing activities</b>	<b>4,139</b>	<b>6,831</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,335	(2,710)
<b>EFFECT OF EXCHANGE RATE DIFFERENCES</b>	39	(499)
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD</b>	161	3,370
<b>CASH AND CASH EQUIVALENT AT END OF PERIOD</b>	<b>3,535</b>	<b>161</b>
Cash and cash equivalent comprise of the following:		
	As at 31.12.2009 RM'000	As at 31.12.2008 RM'000
Overdraft	(3,216)	(6,039)
Cash and bank balances	6,751	6,200
	<b>3,535</b>	<b>161</b>

**Notes**

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 31 December 2009 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.



**K-One Technology Berhad (539757-K)**  
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## **Interim Financial Reports for the Fourth Financial Quarter Ended 31 December 2009**

### **1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with FRS134 “Interim Financial Reporting” and Chapter 9 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2008. These explanatory notes attached to the financial report provides an explanation of the events and transactions that are significant to give an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2008.

### **2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

For the purpose of presenting consolidated financial statements, the assets and liabilities for the Group’s foreign operations (including comparative figures) are expressed in Ringgit Malaysia using exchange rate prevailing on the balance sheet date. Income and expenses items (including comparative figures) are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used.

The closing rates per unit of foreign currencies used in the retranslation of subsidiary companies’ functional currencies are as follows:

	<u>31.12.2009</u>
Australia Dollar	3.07
United States Dollar	3.43
Euro	4.92
Hong Kong Dollar	0.44
1000 Korea Won	2.96
Singapore Dollar	2.44

Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such exchange differences are recognised in income statement on the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.



### **3. Comparatives**

The comparative figures for intangible assets and its amortisation charges have been reflected in the Balance Sheet and Cash Flow Statements.

### **4. Auditors' Report on Preceding Annual Financial Statement**

The auditors' report on the financial statements for the financial year ended 31 December 2008 was not qualified.

### **5. Comments about Seasonal or Cyclical Factors**

The Group's business is subject to seasonal fluctuations. Business in the first half of the year is normally weaker than the second half of the year. Sales usually peak in the last quarter of the year in preparation for surge in consumer demand during the Christmas and New Year seasons overseas.

### **6. Unusual Items Due to their Nature, Size or Incidence**

During the current quarter under review, there were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows to the effect that is unusual in nature, size or incidence.

### **7. Significant Estimates and Change in Estimates**

There were no changes in estimates of amounts reported that have a material effect on the results for the current quarter under review.

### **8. Issuances, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities**

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity security during the current quarter under review.

### **9. Dividends**

For the quarter under review, there were no dividends declared.



## (b) Sales Contribution by Geography

The geographical sales breakdown are as follows:

	12 months ended 31 December 2009 RM'000	12 months ended 31 December 2008 RM'000
Malaysia	10,585	16,568
Europe	42,387	15,713
USA	2,075	3,440
Australia	3,683	3,565
North Asia *	25,402	22,657
	<b>84,132</b>	<b>61,943</b>

\* It should be noted that the majority of this sales is attributed to an European customer with manufacturing and distribution facilities based in China.

### 11. Material Events Subsequent to 31 December 2009

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the financial statements.

### 12. Property, Plant and Equipment

There was no revaluation on property, plant and equipment of the Group during the current quarter under review.

### 13. Changes in the Composition of the Group

There are no changes in the composition of the Group during the quarter under review and up to the date of this report.

### 14. Changes in Contingent Liabilities or Contingent Assets

The contingent liabilities as at 31 December 2009 and up to the date of this report are as follows:-

Secured:

Corporate guarantee for credit facilities granted to subsidiary companies are:-

	RM'000
a) K-One Industry Sdn Bhd	32,392
b) Syslink Sdn Bhd	6,660
	<u>39,052</u>

## **15. Capital Commitments**

There were no material capital commitments for the quarter under review.

## **16. Review of Performance**

For the fourth quarter ended 31 December 2009, the Group achieved revenue of RM31.7 million and profit attributable to equity holders of the parent company of RM1.0 million as compared to revenue of RM18.1 million and profit attributable to equity holders of the parent company of RM2.6 million for the corresponding fourth quarter ended 31 December 2008.

The significant increase in revenue of 75% is contributed by the acceleration of mass production of new network cameras, new electronic sports headlamps and USB cables to meet the upsurge in market demand, which is in line with the green shoots appearing in the global economy. However, the Group recorded a lower profit attributable to equity holders despite the surge in revenue due to price reduction given to certain key customers related to smartpens and older versions of OEM/ODM products. This resulted in an overall lower profit margin for the affected products. Furthermore, business promotion expenses such as staff overseas travel, prototype/sample expenses, new product testing expenses and courier expenses increased which correspond to the increased business activities generated by customers against the backdrop of a more optimistic global economy. To cope with the increased business activities and our confidence in its sustainability, additional staff were hired which resulted in higher salary expenses.

## **17. Comparison of Current Quarter Results with the Preceding Quarter**

Sales turnover for the fourth quarter of 2009 was higher at RM31.7 million as compared to RM25.0 million in the third quarter, representing an increase of 27%. This significant increase is expected for the Group, as mass production runs full speed to meet surging consumer demand of network cameras, electronic sports headlamps and USB cables during the year end festive season overseas. The Group recorded profit attributable to equity holders of the parent company of RM1.0 million for the quarter ended 31 December 2009 as compared to RM1.4 million profit attributable to equity holders for the preceding quarter ended 30 September. The marginal drop in profit was mainly due to lower selling price of certain products, increases in business promotion expenses and staff salaries. The increased business promotion expenses and new hires are investments aimed at generating new business for the coming year.

## **18. Prospects for the current financial year of 2010**

For the financial year ended 31 December 2009, our Group registered sales revenue of RM84 million, representing an increase of 36% over the preceding year's sales of RM 62 million. Profit attributable to equity holders for the financial year ended 31 December 2009 stood at RM 1.3 million against RM 6.1 million in the preceding year, representing a decline of 79%, despite the sales increase of 36%. The profit drop can be accounted mainly by the substantial foreign currency hedging loss of approximately RM4.8 million and to a certain degree, caused by increase in business promotion expenses such as prototype/sample expenses and overseas business travel, increase in salaries, price reduction of certain older products and increase in bank interest expense. In our view, our Group has weathered the weak global economy which persisted at least in the first half of 2009 fairly well based on the Group registering a substantial increase in sales of 36% over the preceding year. On the profit front, the Group could have done much better if not for the foreign currency hedging loss of RM 4.8 million which adversely impacted the bottom line, resulting in its profit attributable to equity holders declining to RM 1.3 million.

Moving forward in 2010, the global economy appears optimistic, although there is reservation that it is still uncertain. Notwithstanding the preceding, we are optimistic and expect that our Group's overall sales and financial performance would be resilient and stronger in 2010, premised on the sustained mass production intensity spilling over from end 2009 which is backed by strong global (customer) demand of network cameras, electronic sports headlamps and USB cables. Additionally, the completion of design and development and mass production of the new smartpens, new USB cable variants and new network cameras towards the end of the 1<sup>st</sup> half of 2010 are expected to intensify the sales increase momentum in the 2<sup>nd</sup> half of 2010. The signing up of a few customers in the household appliances sector at the end of 2009 are also expected to provide the impetus to sales growth in 2010.

The Group does not have any more foreign exchange hedging in 2010 as it mitigates foreign exchange risk by using foreign currency earnings to pay for purchases denominated in the same foreign currency.

With an expected substantial leap in sales in 2010, the Group expects economies of scale in manufacturing to work favourably for its bottom line.

## **19. Variance on Profit Forecast and Profit Guarantee**

The Group has not provided any profit forecast or profit guarantee in a public document.

## **20. Taxation**

During the financial period under review, there is no tax expense in respect of other income. There is also no provision of taxation in respect of subsidiary companies which are in an operating tax loss position. There is no other tax expense during the financial year as the Company is awarded with MSC-Status, which carries with it tax exemption until 2012.

Noting that the Company's business income is exempted from tax in accordance to its MSC-Status, however, non-business income is chargeable to tax and income tax is calculated at the rate of 25% (2008: 26%) on the estimated taxable profit.

**21. Profit on Sale of Unquoted Investment and/or Properties**

There was no disposal of unquoted investment or properties during the financial quarter under review except for the disposal of 20% equity of associate company, Moltec Precision Sdn Bhd, which was sold off at its original purchase price of RM4, 592,800.

**22. Purchase and Disposal of Quoted Securities**

There were no purchases or disposal of quoted securities during the financial quarter under review.

**23. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at the date of this Report.

**24. Group Borrowings and Debt Securities**

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 31 December 2009 are as follows:

	RM'000
<b>Short term borrowings</b>	
<b><u>Unsecured</u></b>	
Bankers' Acceptance	12,537
Revolving Credits	500
Letter of Credits	56
Trust Receipt	-
ECR	994
Bank Overdraft	3,216
<b><u>Secured</u></b>	
Term Loan	1,287
Hire Purchase Creditors	217
	<b>18,807</b>
<b><u>Secured</u></b>	
Hire Purchase Creditors	449
Term Loan	3,235
	<b>3,684</b>
<b>Total Borrowings</b>	<b>22,491</b>

## 25. 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 materials impact to financial statements under review.

## 26. Material Litigations

As at the date of this report announcement, 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.

## 27. Earnings Per Share

### (a) Basic earnings per share

Basic earning 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		12 months and year to-date ended	
	31.12.09	31.12.08	31.12.09	31.12.08
Profit attributable to equity holders of the parent (RM'000)	1,027	2,587	1,272	6,053
Weighted average number of Ordinary Shares in issue ('000)	112,711	112,266	112,711	112,266
Basic Earnings Per Ordinary Share (sen)	0.91	2.30	1.13	5.39

## 27. Earnings Per Share

### (b) Fully 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 the rights issue.

	3 months ended		12 months ended and year to-date	
	31.12.09	31.12.08	31.12.09	31.12.08
Profit attributable to equity holders of the parent (RM'000)	1,027	2,587	1,272	6,053
Weighted average number of Ordinary shares of RM0.10 each ('000)	112,711	112,266	112,711	112,266
Effect of dilution of share options ('000) <i>Based on post- bonus issue Esos exercise price of RM0.28</i>	276	1,826	276	1,826
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	112,987	114,092	112,987	114,092
Diluted Earnings Per Ordinary Share (sen)	0.90	2.27	1.12	5.31

## 28. Authorized For Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 25 February 2010.

BY ORDER OF THE BOARD

**NG YIM KONG** (LS 0009297)

Company Secretary

Dated: 25 February 2010