

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2010**



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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2010
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.03.2010 RM'000	Preceding year corresponding quarter 31.03.2009 RM'000	Current year to date 31.03.2010 RM'000	Preceding year corresponding period 31.03.2009 RM'000
Operating revenue	24,373	12,088	24,373	12,088
Cost of sales	(18,697)	(8,254)	(18,697)	(8,254)
Gross profit	5,676	3,834	5,676	3,834
Other income	8	139	8	139
Operating expenses	(3,802)	(5,480)	(3,802)	(5,480)
Profits/(Loss) from operations	1,882	(1,507)	1,882	(1,507)
Interest expense	(295)	(289)	(295)	(289)
Profits/(Loss) before taxation	1,587	(1,796)	1,587	(1,796)
Taxation	(6)	-	(6)	-
Profits/(Loss) after taxation before Minority interest	1,581	(1,796)	1,581	(1,796)
Share of profits from associate company	-	294	-	294
Net profits/(loss) for the period	1,581	(1,502)	1,581	(1,502)
<u>Attributable to:</u>				
Equity holders of the parent	1,632	(1,499)	1,632	(1,499)
Minority interests	(51)	(3)	(51)	(3)
Net profits/(loss) for the period	1,581	(1,502)	1,581	(1,502)
<u>Earnings per share attributable to:</u>				
Equity holders of the parent				
Basic (sen)	1.45	(1.34)	1.45	(1.34)
Diluted (sen)	1.43	(1.34)	1.43	(1.34)

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed Consolidated Results for the financial period ended 31 March 2010 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

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K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

	Note	(Unaudited) As at 31.03.2010 RM'000	(Audited) As at 31.12.2009 RM'000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		10,508	10,889
Prepaid land leases		847	853
Intangible assets		885	903
Goodwill		5,546	5,546
		<u>17,786</u>	<u>18,191</u>
<i>Current assets</i>			
Inventories		46,416	44,713
Trade receivables		20,941	25,119
Other receivables		3,019	2,923
Tax in credit		225	195
Cash and cash equivalents		4,806	6,751
		<u>75,407</u>	<u>79,701</u>
Total Assets		<u>93,193</u>	<u>97,892</u>
EQUITY AND LIABILITIES			
<i>Capital and Reserves</i>			
Equity attributable to equity holders of the parent			
Share capital		11,271	11,271
Share premium		14,893	14,893
Reserves		23,842	21,615
		<u>50,006</u>	<u>47,779</u>
Minority interest		272	517
Total Equity		<u>50,278</u>	<u>48,296</u>

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 March 2010- continued

		(Unaudited) As at 31.03.2010 RM'000	(Audited) As at 31.12.2009 RM'000
	Note		
EQUITY AND LIABILITIES			
<i>Non-current liabilities</i>			
Hire purchase creditors	24	398	449
Deferred taxation liability		76	76
Long term loan	24	3,507	3,235
		<u>3,981</u>	<u>3,760</u>
<i>Current liabilities</i>			
Trade payables		15,522	23,825
Other payables and accruals		662	981
Amount due to Directors		2,210	2,210
Bank overdraft	24	4,392	3,216
Borrowings	24	15,930	15,374
Hire purchase creditors	24	218	218
Tax payable		-	12
		<u>38,934</u>	<u>45,836</u>
Total Liabilities		42,915	49,596
Total Equity and Liabilities		<u>93,193</u>	<u>97,892</u>
Net assets per share attributable to equity holders of the parent (sen)		44.37	42.38

Notes

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2010**

	<-----Attributable to equity holders of the parent ----->					Minority Interest	Total Equity
	<i>Non-distributable</i>		<i>Distributable</i>		Total		
	Share Capital	Share Premium	Reserve Attributable to Revenue	Retained Profits			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2010	11,271	14,893	58	21,557	47,779	517	48,296
Exchange difference arising from foreign subsidiary companies	-	-	595	-	595	(194)	401
Net profits/(loss) for the period	-	-	-	1,632	1,632	(51)	1,581
At 31 March 2010	11,271	14,893	653	23,189	50,006	272	50,278

	<-----Attributable to equity holders of the parent ----->					Minority interest	Total Equity
	<i>Non-distributable</i>		<i>Distributable</i>		Total		
	Share Capital	Share Premium	Reserve Attributable to Revenue	Retained Profits			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009	11,227	14,813	-	14,220	40,260	147	40,407
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
At 31 March 2009	11,227	14,813	(84)	20,273	46,229	252	46,481

Notes

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2010
(The figures have not been audited)

	(Unaudited)	
	As at 31.03.2010 RM'000	As at 31.03.2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit/(Loss) before taxation</i>	1,632	(1,499)
Adjustments for:		
Depreciation of property, plant and equipment	406	441
Amortization of intangible assets	18	58
Amortization of leasehold land	4	6
Interest income	-	-
Interest expenses	295	289
Loss/(Gain) on disposal of property, plant and equipment	1	-
Foreign exchange (gain) / loss – unrealized	-	129
Share of profits from associate company	-	(294)
Operating profit before working capital changes	2,356	(870)
Changes in working capital		
Increase in inventory	(1,703)	(3,045)
Decrease in trade receivables	4,178	3,335
Increase in other receivables	(127)	(207)
(Decrease)/Increase in trade payables	(7,950)	580
Decrease in other payables	(320)	(941)
Increase in amount due to Directors	1	-
Cash used in operations	(3,565)	(1,148)
Interest paid	(295)	(289)
Taxation paid	(6)	(18)
<i>Net cash used in operating activities</i>	(3,866)	(1,455)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest Income	-	-
Purchase of property, plant and equipment	(32)	(45)
Proceeds from disposal of property, plant and equipment	1	-
<i>Net cash used in investing activities</i>	(31)	(45)



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2010- continued
(The figures have not been audited)

	(Unaudited)	
	As at 31.03.2010 RM'000	As at 31.03.2009 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of fixed deposits	-	276
Repayment of hire purchases	(52)	(65)
Net proceeds from borrowings	828	2,514
<i>Net cash generated from financing activities</i>	776	2,725
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,121)	1,225
EFFECT OF EXCHANGE RATE DIFFERENCES	-	(1)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	3,535	160
CASH AND CASH EQUIVALENT AT END OF PERIOD	414	1,384

Cash and cash equivalent comprise of the following:

	As at 31.03.2010 RM'000	As at 31.03.2009 RM'000
Overdraft	(4,392)	(2,904)
Cash and bank balances	4,806	4,288
	414	1,384

Notes

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes to the Interim Financial Report.

The unaudited Condensed consolidated results for the financial period ended 31 March 2010 announced by the Company is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.



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Interim Financial Reports for the First Financial Quarter Ended 31 March 2010

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 2009. 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 2009.

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 2009.

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>31.03.2010</u>
Australia Dollar	3.05
United States Dollar	3.39
Euro Dollar	4.63
Hong Kong Dollar	0.44
1000 Korea Won	2.93
Singapore dollar	2.42

Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such exchange differences are recognised in the income statement during 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 2009 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 breakdowns are as follows:

	3 months ended 31 March 2010 RM'000	3 months ended 31 March 2009 RM'000
Malaysia	3,005	1,699
Europe	11,992	7,100
USA	2,665	319
Australia	1	874
North Asia *	6,710	2,096
	24,373	12,088

* 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 March 2010

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 March 2010 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	38,392
b) Syslink Sdn Bhd	6,660
	<u>45,052</u>

15. Capital Commitments

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

16. Review of Performance

For the first quarter ended 31 March 2010, the Group achieved sales revenue of RM24.4 million and profit attributable to equity holders of the parent company of RM1.6 million as compared to sales revenue of RM12.1 million and loss attributable to equity holders of the parent company of RM1.5 million for the corresponding first quarter ended 31 March 2009.

Sales revenue increased by 102% comparing the current quarter and the same quarter last year. The doubling of sales was expected and attributed to the momentum generated from the mass production of new network cameras, new electronic sports headlamps and new USB cables in the 2nd half of 2009. The uplift in the global economy, particularly, the rebound in the electronics sector provides the added catalyst to the strong sales.

Profit attributable to equity holders of the parent company stood at RM1.6 million for the current quarter against a loss of RM1.5 million for the same quarter last year which was caused entirely by foreign hedging contract losses.

17. Comparison of Current Quarter Results with the Preceding Quarter

Sales turnover for the first quarter of 2010 was lower at RM24.4 million as compared to RM31.7 million in the fourth quarter of 2009, representing a decrease of 23%. This decrease is normal following the sales peak to cater for the year end festive seasons overseas. This was a norm for the Group, as it has been in the past several years, sales were lower in the first half of the year, particularly the 1st quarter. The Group recorded profit attributable to equity holders of the parent company of RM1.6 million for the current quarter as compared to RM1.0 million profit attributable to equity holders for the preceding quarter ended 31 December 2009. Economies of scale and materials cost down efforts worked favourably for our bottom line.

18. Prospects for the current financial year

The global economy, particularly the electronics industry has rebounded and is moving forward steadily, at least for the rest of the financial year. With such confidence and optimism back in the global market place, the Group is optimistic of riding on this wave and expects to produce strong sales and financial performance for this year. The results of our efforts and hardwork, particularly last year, have also coincidentally crystallized this year to bring about a surge in mass production of high volume product lines in the computer peripherals, mobile phone accessories and consumer technology product sectors.

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 has no tax exemption because of operating 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% 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.

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 March 2010 are as follows:

	RM'000
Short term borrowings	
<u>Unsecured</u>	
Bankers' Acceptance	14,584
Revolving Credits	1,000
Letter of Credits	85
Trust Receipt	-
ECR	-
Bank Overdraft	4,392
<u>Secured</u>	
Term Loan	261
Hire Purchase Creditors	218
	20,540
<u>Secured</u>	
Hire Purchase Creditors	398
Term Loan	3,507
	3,905
Total Borrowings	24,445

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 material impact to the 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 and year to-date ended	
	31.03.10	31.03.09
Profit/(loss) attributable to equity holders of the parent (RM'000)	1,632	(1,499)
Weighted average number of Ordinary Shares in issue ('000)	112,711	112,266
Basic Earnings Per Ordinary Share (sen)	1.45	(1.34)

(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.

	3 months and year to-date ended	
	31.03.10	31.03.09
Profit/(Loss) attributable to equity holders of the parent (RM'000)	1,632	(1,499)
Weighted average number of Ordinary shares of RM0.10 each ('000)	112,711	112,266
Effect of dilution of share options ('000) <i>Based on post- bonus issue Esos exercise price of RM0.28</i>	1,115	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	113,826	112,266
Diluted Earnings Per Ordinary Share (sen)	1.43	(1.34)

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 3 May 2010.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)

Company Secretary

Dated: 3 May 2010