

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

K-One

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2010

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current year quarter 30.06.2010 RM'000	Preceding year corresponding quarter 30.06.2009 RM'000	Current year to date 30.06.2010 RM'000	Preceding year corresponding period 30.06.2009 RM'000
Operating revenue	33,774	15,339	58,147	27,427
Cost of sales	(27,601)	(11,241)	(46,298)	(19,495)
Gross profit	6,173	4,098	11,849	7,932
Other income	10	50	18	189
Operating expenses	(3,733)	(3,656)	(7,535)	(9,136)
Profits/(Loss) from operations	2,450	492	4,332	(1,015)
Interest expense	(295)	(280)	(590)	(569)
Profits/(Loss) before taxation	2,155	212	3,742	(1,584)
Taxation	6	(10)	-	(10)
Profits/(Loss) after taxation before Minority interest	2,161	202	3,742	(1,594)
Share of profits from associate company	-	-	-	294
Net profits/(loss) for the period	2,161	202	3,742	(1,300)
<u>Attributable to:</u>				
Equity holders of the parent	2,247	315	3,879	(1,190)
Minority interests	(86)	(113)	(137)	(110)
Net profits/(loss) for the period	2,161	202	3,742	(1,300)
<u>Earnings per share attributable to:</u>				
Equity holders of the parent				
Basic (sen)	1.99	0.28	3.44	(1.06)
Diluted (sen)	1.68	0.28	2.89	(1.06)

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 30 June 2010 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 30 JUNE 2010

	Note	(Unaudited) As at 30.06.2010 RM'000	(Audited) As at 31.12.2009 RM'000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		10,240	10,889
Prepaid land leases		841	853
Intangible assets		868	903
Goodwill		5,546	5,546
		<u>17,495</u>	<u>18,191</u>
<i>Current assets</i>			
Inventories		49,966	44,713
Trade receivables		27,939	25,119
Other receivables		3,084	2,923
Tax in credit		266	195
Cash and cash equivalents		7,551	6,751
		<u>88,806</u>	<u>79,701</u>
Total Assets		<u>106,301</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		25,236	21,615
		<u>51,400</u>	<u>47,779</u>
Minority interest		186	517
Total Equity		<u>51,586</u>	<u>48,296</u>

K-One

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

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2010- continued

		(Unaudited) As at 30.06.2010 RM'000	(Audited) As at 31.12.2009 RM'000
	Note		
EQUITY AND LIABILITIES			
<i>Non-current liabilities</i>			
Hire purchase creditors	24	343	449
Deferred taxation liability		76	76
Long term loan	24	3,410	3,235
		<u>3,829</u>	<u>3,760</u>
<i>Current liabilities</i>			
Trade payables		25,330	23,825
Other payables and accruals		769	981
Amount due to Directors		2,220	2,210
Bank overdraft	24	3,430	3,216
Borrowings	24	18,919	15,374
Hire purchase creditors	24	218	218
Tax payable		-	12
		<u>50,886</u>	<u>45,836</u>
Total Liabilities		54,715	49,596
Total Equity and Liabilities		<u>106,301</u>	<u>97,892</u>
Net assets per share attributable to equity holders of the parent (sen)		45.60	42.38

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 30 June 2010 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 STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	<-----Attributable to equity holders of the parent ----->					Minority Interest	Total Equity
	<i>Non-distributable</i> Share Capital	<i>Share</i> Premium	<i>Distributable</i> Reserve Attributable to Revenue	Retained Profits	Total		
	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	-	-	(258)	-	(258)	(194)	(452)
Net profits/(loss) for the period	-	-	-	3,879	3,879	(137)	3,742
At 30 June 2010	11,271	14,893	(200)	25,436	51,400	186	51,586

	<-----Attributable to equity holders of the parent ----->					Minority Interest	Total Equity
	<i>Non-distributable</i> Share Capital	<i>Share</i> Premium	<i>Distributable</i> Reserve Attributable to Revenue	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	11,227	14,813	(84)	20,272	46,228	252	46,480
Net assets from minority interest	44	80	-	-	124	-	124
Exercised ESOS	-	-	65	-	65	250	315
Exchange difference arising from foreign subsidiary companies	-	-	-	(1,190)	(1,190)	(110)	(1,300)
Net profits/(loss) for the period	-	-	-	(1,190)	(1,190)	(110)	(1,300)
At 30 June 2009	11,271	14,893	(19)	19,082	45,227	392	45,619

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 30 June 2010 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 CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2010

(The figures have not been audited)

	(Unaudited)	
	As at 30.06.2010 RM'000	As at 30.06.2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit/(Loss) before taxation</i>	3,742	(1,410)
Adjustments for:		
Depreciation of property, plant and equipment	819	854
Amortization of intangible assets	35	116
Amortization of leasehold land	12	12
Interest expenses	590	569
Loss on disposal of property, plant and equipment	1	19
Foreign exchange loss / (gain) – unrealized	474	(164)
Share of profits from associate company	-	(294)
Operating profit/(loss) before working capital changes	5,673	(298)
Changes in working capital		
Increase in inventory	(5,253)	(4,768)
(Increase)/Decrease in trade receivables	(2,803)	1,183
Increase in other receivables	(161)	(446)
Increase in trade payables	1,008	439
Decrease in other payables	(212)	(951)
Increase in amount due to Directors	10	-
Cash used in operations	(1,738)	(4,841)
Interest paid	(590)	(569)
Taxation paid	(83)	(45)
<i>Net cash used in operating activities</i>	(2,411)	(5,455)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(172)	(246)
Proceeds from disposal of property, plant and equipment	1	170
<i>Net cash used in investing activities</i>	(171)	(76)



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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010- continued
(The figures have not been audited)

	(Unaudited)	
	As at 30.06.2010 RM'000	As at 30.06.2009 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from exercised ESOS	-	124
Drawdown of fixed deposits	-	276
Repayment of hire purchases	(106)	(309)
Net proceeds from borrowings	3,720	3,070
Net cash generated from financing activities	3,614	3,161
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,032	(2,370)
EFFECT OF EXCHANGE RATE DIFFERENCES	(446)	328
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	3,535	161
CASH AND CASH EQUIVALENT AT END OF PERIOD	4,121	(1,881)
Cash and cash equivalent comprise of the following:	As at 30.06.2010 RM'000	As at 30.06.2009 RM'000
Overdraft	(3,430)	(6,137)
Cash and bank balances	7,551	4,256
	4,121	(1,881)

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 30 June 2010 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)

Interim Financial Reports for the Second Quarter Ended 30 June 2010

1. Basis of Preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with FRS134 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

2. Changes in Accounting Policies

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new and revised Financial Reporting Standards (“FRS”), amendment to FRS and Interpretations effective for the financial period beginning on or after 1 January 2010.

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 123 Borrowing Costs

FRS139 Financial Instruments: Recognition and Standards

Amendments to FRS 1 First-time Adoption of Financial Reporting Standard

Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions

IC Interpretation 13 Customers Loyalty Programmes

IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The new FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group upon initial application except for the changes in disclosures arising from the adoption of FRSs. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon initial application of FRS 7 and FRS 139.

2. Changes in Accounting Policies (cont'd)

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>30.06.2010</u>
Australia Dollar	2.74
United States Dollar	3.25
Euro Dollar	3.98
Hong Kong Dollar	0.42
1000 Korea Won	2.60
Singapore Dollar	2.32

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.

10. Segment Information

Segment information is provided based on contribution by activities and sales contribution by geography. 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, design and development and sales RM'000	Manu- facturing RM'000	Digital Pen & Paper Solutions RM'000	Investment Holding RM'000	Elimination RM'000	Total RM'000
Sales						
External sales	2,208	55,063	876	-	-	58,147
Internal sales	145	54	5	-	(204)	-
Total operating sales	2,353	55,117	881	-	(204)	58,147
Other income	18	-	-	-	-	18
Interest income	-	-	-	-	-	-
	<u>2,371</u>	<u>55,117</u>	<u>881</u>	<u>-</u>	<u>(204)</u>	<u>58,165</u>
Results						
Segment results	(591)	5,262	(304)	(35)	-	4,332
Finance cost	(1)	(589)	-	-	-	(590)
Income tax	-	-	-	-	-	-
Profits after tax before MI						<u>3,742</u>
Minority interest						<u>137</u>
Profits after tax after MI						<u>3,879</u>

10. Segment Information – cont'd

	Research, design and development and sales RM'000	Manu- facturing RM'000	Digital Pen & Paper Solutions RM'000	Invest- ment holding RM'000	Elimination RM'000	Total RM'000
Other information						
Segment assets	19,803	99,799	1,910	387	(15,598)	106,301
Unallocated assets						<u>-</u>
						<u>106,301</u>
Segment liabilities	581	42,015	213	240	(14,654)	28,395
Unallocated liabilities						<u>26,320</u>
						<u>54,715</u>

(b) Sales Contribution by Geography

The geographical sales breakdowns are as follows:

	6 months ended 30 June 2010 RM'000	6 months ended 30 June 2009 RM'000
Malaysia	6,318	4,963
Europe	28,119	13,311
USA	4,253	1,191
Oceania	21	1,302
North Asia *	19,436	6,660
	58,147	27,427

* 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 30 June 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 30 June 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 second quarter ended 30 June 2010, the Group achieved sales revenue of RM33.8 million and profit attributable to equity holders of the parent company of RM2.2 million as compared to sales revenue of RM15.3 million and profit attributable to equity holders of the parent company of RM0.3 million for the corresponding second quarter ended 30 June 2009.

Sales revenue increased by 121% comparing the current quarter and the same quarter last year. The remarkable increase in sales was expected and attributed to the continuing momentum generated from the mass production of new network cameras, new electronic sports headlamps and new USB cables. In fact, mobile phone accessories sales picked up substantially and contributed significantly in overall sales for this current quarter.

Profit attributable to equity holders of the parent company stood at RM2.2 million for the current quarter against minimal profit of RM0.3 million for the same quarter last year. The significant improvement in profit is attributable to the increased sales, the benefits of economies of scale, vigilant on-going cost reduction exercises and last but not least, the elimination of foreign exchange risks caused by foreign hedging contracts, which the Group has replaced with natural hedging ie paying key suppliers in the same inward remittance currency, thus markedly reducing foreign exchange risks.

17. Comparison of Current Quarter Results with the Preceding Quarter

Sales turnover for the second quarter of 2010 was higher at RM33.8 million as compared to RM24.4 million in the first quarter of 2010, representing an increase of 39%. This increase is due to the increasing market demand of our products in view of the sustained global economic upturn which would have been stronger, if not for the minor damper caused by the financial risks in Europe recently.

The Group recorded profit attributable to equity holders of the parent company of RM2.2 million for the current quarter as compared to RM1.6 million profit attributable to equity holders for the preceding quarter ended 31 March 2010. Increased sales, economies of scale and continuous materials cost down efforts worked favourably for our bottom line.

18. Prospects for the current financial year

Notwithstanding the on-going financial risks in the European markets, we are optimistic that the Group will continue to show significant escalating sales growth in the 2nd half of 2010 versus the 1st half of 2010, as the demand for our products which are categorized as mobile phone accessories, computer peripherals and consumer technology products looks vibrant because consumers of our global OEM customers seem to still have an appetite for consumer electronic products. The recent launch of the iPad is a reflection of this insatiable appetite for innovative consumer electronic products. Furthermore, our 2nd half sales as in the past many years has always been much higher than the 1st half. We therefore expect the sales and profit performance for the full year to be especially strong.

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 and unabsorbed losses brought forward. 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 30 June 2010 are as follows:

	RM'000
Short term borrowings	
<u>Unsecured</u>	
Bankers' Acceptance	16,687
Revolving Credits	1,000
Letter of Credits	99
Trust Receipt	84
ECR	-
Bank Overdraft	3,430
<u>Secured</u>	
Term Loan	1,049
Hire Purchase Creditors	218
	22,567
<u>Secured</u>	
Hire Purchase Creditors	343
Term Loan	3,410
	3,753
Total Borrowings	26,320

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 ended		6 months ended and year to-date	
	30.06.10	30.06.09	30.06.10	30.06.09
Profit/(Loss) attributable to equity holders of the parent (RM'000)	2,247	315	3,879	(1,190)
Weighted average number of Ordinary Shares in issue ('000)	112,711	112,711	112,711	112,711
Basic Earnings Per Ordinary Share (sen)	1.99	0.28	3.44	(1.06)

(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 ended		6 months ended and year to-date	
	30.06.10	30.06.09	30.06.10	30.06.09
Profit/(Loss) attributable to equity holders of the parent (RM'000)	2,247	315	3,879	(1,190)
Weighted average number of Ordinary shares of RM0.10 each ('000)	112,711	112,711	112,711	112,711
Effect of dilution of share options ('000) <i>Based on post- bonus issue Esos exercise price of RM0.28 (rounded up to nearest 2 decimal place)</i>	21,406	-	21,406	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	134,117	112,711	134,117	112,711
Diluted Earnings Per Ordinary Share (sen)	1.68	0.28	2.89	(1.06)

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 30 July 2010.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)

Company Secretary

Dated: 30 July 2010