

K-One

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2010**

**Condensed Consolidated Income Statement
For The Fourth Quarter and Year Ended 31 December 2010**

Figures in RM'000	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	Unaudited	Audited	Unaudited	Audited
Operating revenue	32,767	31,675	132,782	84,131
Other income	109	46	164	1,383
Cost of sales	32,876	31,721	132,946	85,514
Other operating expenses	(26,338)	(26,839)	(107,179)	(63,876)
Profits from operations	(5,042)	(3,969)	(16,574)	(19,500)
Finance costs	1,496	913	9,193	2,138
Profits before tax	(319)	(253)	(1,213)	(1,085)
Income tax expense	1,177	660	7,980	1,053
Profits for the period	(126)	136	(126)	63
Non-controlling interests	1,051	796	7,854	1,116
Non-controlling interests	118	243	188	168
Profits after tax after non-controlling interest	1,169	1,039	8,042	1,284

Profit attributable to:

Equity holders of the Company	1,169	1,039	8,042	1,284
Non-controlling interests	(118)	(243)	(188)	(168)
	1,051	796	7,854	1,116

Earnings per share (EPS)

Attributable to equity holders
of the Company (sen):

Basic EPS	1.03	0.92	7.06	1.14
Diluted EPS	0.86	0.78	5.93	0.96

The above condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Comprehensive Income
For The Fourth Quarter and Year Ended 31 December 2010**

Figures in RM'000	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period	1,051	796	7,854	1,116
Currency translation differences arising from consolidation	77	137	(120)	142
Total comprehensive income	1,128	933	7,734	1,258

Profit attributable to:

Equity holders of the Company	1,246	1,176	7,922	1,426
Non-controlling interests	(118)	(243)	(188)	(168)
	1,128	933	7,734	1,258

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Financial Position
As At 31 December 2010**

Figures in RM'000	As at 31.12.2010	As at 31.12.2009
	Unaudited	Audited
ASSETS		
<i>Non-current Assets</i>		
Property, plant and equipment	10,954	10,889
Prepaid land leases	829	853
Intangible assets	821	903
Goodwill	5,546	5,546
Non-current Assets	18,150	18,191
<i>Current Assets</i>		
Inventories	56,304	44,713
Trade receivables	31,283	25,119
Other receivables	1,939	2,923
Tax recoverable	136	195
Cash and bank balances	7,473	6,751
Current Assets	97,135	79,701
TOTAL ASSETS	115,285	97,892

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	11,395	11,271
Share premium	15,117	14,893
Other reserves	(62)	58
Retained earnings	29,599	21,557
Equity Attributable to Equity Holders of the Company	56,049	47,779
Non-controlling interests	-	517
Total Equity	56,049	48,296

Condensed Consolidated Statement of Financial Position (Cont'd)
As At 31 December 2010

Figures in RM'000	As at 31.12.2010	As at 31.12.2009
	Unaudited	Audited
EQUITY AND LIABILITIES		
<i>Non-current Liabilities</i>		
Bank borrowings	2,724	3,235
Hire purchase payables	581	449
Deferred tax liabilities	72	76
Non-current Liabilities	3,377	3,760
<i>Current Liabilities</i>		
Trade payables	28,184	23,825
Other payables and accruals	1,557	981
Amount due to Directors	2,210	2,210
Bank overdraft	1,963	3,216
Bank borrowings	21,645	15,374
Hire purchase payables	300	218
Tax payables	-	12
Current Liabilities	55,859	45,836
Total Liabilities	59,236	49,596
TOTAL EQUITY AND LIABILITIES	115,285	97,892
Net assets per share attributable to equity holders of the Company (sen)	49.18	42.38

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2010**

Figures in RM'000	<-----Attributable to equity holders of the Company ----->					Non-controlling Interest	Total Equity
	Non-distributable Share Capital	Share Premium	Distributable Reserve	Retained Profits	Total		
At 1 January 2009	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 NCI	-	-	-	-	-	45	45
Net profits for the period	-	-	-	1,285	1,285	(168)	1,117
At 31 December 2009	11,271	14,893	58	21,557	47,779	517	48,296

Figures in RM'000	<-----Attributable to equity holders of the Company ----->					Non-controlling Interest	Total Equity
	Non-distributable Share Capital	Share Premium	Distributable Reserve	Retained Profits	Total		
At 1 January 2010	11,271	14,893	58	21,557	47,779	517	48,296
Exercised ESOS	124	224	-	-	348	-	348
Exchange difference arising from foreign subsidiary companies	-	-	(120)	-	(120)	(329)	(449)
Net profits for the period	-	-	-	8,042	8,042	(188)	7,854
At 31 December 2010	11,395	15,117	(62)	29,599	56,049	-	56,049

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Cash Flow
For The Year Ended 31 December 2010**

Figures in RM'000	12 months ended	
	31.12.2010	31.12.2009
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	7,980	1,053
Adjustments for:		
Depreciation of property, plant and equipment	1,674	1,679
Amortization of intangible assets	81	104
Amortization of leasehold land	24	24
Interest income	(64)	(11)
Interest expenses	1,213	1,085
Loss/(Gain) on disposal of property, plant and equipment	(30)	18
Property, plant and equipment written off	-	3
Provision for doubtful debts	1,089	-
Inventory written down	-	465
Foreign exchange loss – unrealized	67	141
Goodwill written off on consolidation	-	2
Profits from discontinued operations	(6)	-
Dividend income receivable	-	(797)
Loss on disposal of associate company	-	925
Operating profit before working capital changes	12,028	4,691
Changes in working capital		
Increase in inventory	(11,589)	(13,395)
Increase in receivables	(6,529)	(8,357)
Increase in payables	5,194	11,349
Increase in amount due to Directors	-	2,090
Cash used in operations	(896)	(3,622)
Interest paid	(1,213)	(1,085)
Taxation paid	(82)	(176)
<i>Net cash used in operating activities</i>	(2,191)	(4,883)

**Condensed Consolidated Statement of Cash Flow (Cont'd)
For The Year Ended 31 December 2010**

Figures in RM'000	12 months ended	
	31.12.2010	31.12.2009
CASH FLOW FROM INVESTING ACTIVITIES		
Interest Income	2	11
Proceeds from disposal of an associate company	-	4,593
Additional investment in a subsidiary company	-	(5)
Purchase of intangible assets	-	(62)
Purchase of property, plant and equipment	(1,305)	(519)
Proceeds from disposal of property, plant and equipment	30	170
Net cash (used in) / generated from investing activities	(1,273)	4,188
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from exercised ESOS	348	124
Drawdown of fixed deposits	-	276
Net repayment of hire purchases	(225)	(416)
Net proceeds from borrowings	5,759	4,110
Proceeds from issuance of shares to minority interests	-	45
Net cash generated from financing activities	5,882	4,139
Net increase / (decrease) in cash and cash equivalents	2,418	3,444
Effect of exchange rate changes	(443)	(70)
Cash and cash equivalents at beginning of the year	3,535	161
CASH AND CASH EQUIVALENT AT END OF THE YEAR	5,510	3,535

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	As at	As at
	31.12.2010	31.12.2009
Cash and bank balances	7,473	6,751
Overdraft	(1,963)	(3,216)
	5,510	3,535

The above condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

Part A: Explanatory Notes Pursuant to FRS 134

1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements 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. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendment to FRSs, Interpretations and Technical Release for the financial period beginning on or after 1 January 2010.

2.1 Adoption of FRSs, Amendments to FRSs, Interpretations and Technical Release

The Group adopted the following FRSs:-

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentations of Financial Statements (Revised 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events after the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.1 Adoption of FRSs, Amendments to FRSs, Interpretations and Technical Release (Cont'd.)

Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interest in Joint Ventures
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 140	Investment Property
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	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction.

Other than for the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs, Interpretations and Technical Release did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

2.2 Application of FRSs

(a) FRS 8: Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operation decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.2 Application of FRSs (Cont'd.)

(b) FRS 101: Presentation of Financial Statements

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes detail of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

(c) FRS 139: Financial Instruments – Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments in the statement of financial position reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

(i) Loans and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method. Gains and losses arising from the derecognition of the loans and receivables, amortisation under the effective interest method and impairment losses are recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.2 Application of FRSs (Cont'd.)

(c) FRS 139: Financial Instruments – Recognition and Measurement

(ii) AFS investments

Prior to 1 January 2010, AFS financial assets such as investments were accounted for at cost adjusted for amortisation of premium and accretion of discount less impairment or at the lower of cost and market value, determined on an aggregate basis. Under FRS 139, AFS financial assets is measured at fair value initially and subsequently with amortisation of premium with accretion of discount and other accrual of income recognised in income statement and with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement or determined to be impaired, at which time the cumulative loss is recognised in the income statement and removed from the AFS reserve.

In accordance with FRS 139, the accounting requirements are applied prospectively from 1 January 2010. The effects of the re-measurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous year are adjusted to the opening retained profits and other opening reserves as disclosed in the statement of changes in equity.

The adoption of FRS139 does not have any significant impact on the profit for the financial year ended 31 December 2010.

2.3 FRSs, Amendments to FRSs, Interpretations and Technical Releases issued but not yet effective

The Group has not adopted the following new/revised FRSs, Amendments to FRSs, Interpretations and Technical Releases that were in issue but not yet effective:

		<u>Effective date</u>
FRS 1(Revised)	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3(Revised)	Business Combinations	1 July 2010
FRS127(Revised)	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 2	Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5	Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010

2.3 FRSs, Amendments to FRSs, Interpretations and Technical Releases issued but not yet effective

Amendments to FRS 138	Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
Amendments to IC Interpretation 9	Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
In Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets To Owners	1 July 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards – Limited Exemptions for Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011

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>31.12.2010</u>
Australia Dollar	3.15
United States Dollar	3.09
Euro Dollar	4.09
Hong Kong Dollar	0.39
1000 Korea Won	2.73
Singapore Dollar	2.39

2.3 FRSs, Amendments to FRSs, Interpretations and Technical Releases issued but not yet effective

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. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The audited financial statements of the preceding financial year were not subject to any qualification.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's business, being predominantly export in nature and caters largely for the consumer electronics market, is subject to seasonal fluctuations. Business in the first half of the year is normally weaker than the second half of the year due to surge in consumer demand during Christmas and New Year seasons overseas.

5. 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.

6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have had any material effect on the financial year-to-date results.

7. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the financial year ended 31 December 2010 other than the issuance of 1,242,000 new ordinary shares of RM0.10 each pursuant to the exercise of ESOS at an exercise price of RM0.28 per ordinary share of RM0.10 each.

8. DIVIDENDS

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

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	Digital Pen & Paper Solutions RM'000	Invest- ment Holding RM'000	Elimina- tion RM'000	Total RM'000
Sales						
External sales	5,407	125,330	2,045	-	-	132,782
Internal sales	221	58	5	-	(284)	-
Total operating sales	5,628	125,388	2,050	-	(284)	132,782
Other income	30	70	-	-	-	100
Interest income	-	-	64	-	-	64
	5,658	125,458	2,114	-	(284)	132,946
Results						
Segment results	(461)	10,286	(523)	(109)	-	9,193
Finance cost	(1)	(1,212)	-	-	-	(1,213)
Income tax	(17)	(109)	-	-	-	(126)
Profits after tax before non-controlling interest						7,854
Non-controlling interest						188
Profits after tax after non-controlling interest						8,042

	Research, D&D and sales RM'000	Manu- facturing RM'000	Digital Pen & Paper Solutions RM'000	Invest- ment holding RM'000	Elimina- tion RM'000	Total RM'000
Other information						
Segment assets	19,663	94,186	1,018	282	-	115,149
Unallocated assets						136
						115,285
Segment liabilities	476	31,329	205	13	-	32,023
Unallocated liabilities						27,213
						59,236

9. SEGMENT INFORMATION (Cont'd)

(b) Sales Contribution by Geography

The geographical sales breakdowns are as follows:

	12 months ended	
	31.12.2010	31.12.2009
	RM'000	RM'000
Malaysia	13,827	10,584
Europe	65,017	42,387
USA	6,976	2,075
Oceania	35	3,683
North Asia *	46,927	25,402
	<u>132,782</u>	<u>84,131</u>

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

(c) Sales from Major Customers

For the financial year ended 31 December 2010, 3 major customers contributed RM97.4 million, representing approximately 73% of total sales revenue (2009: RM53.1 million, representing 63% of total sales revenue).

10. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial year ended 31 December 2010.

11. CONTINGENT ASSETS & LIABILITIES

There were no changes in contingent assets or liabilities since the last annual reporting date.

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

	RM'000
K-One Industry Sdn Bhd	<u>38,392</u>
Syslink Sdn Bhd	<u>6,660</u>
	<u>45,052</u>

12. CAPITAL COMMITMENTS

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

13. SUBSEQUENT EVENT

There was no material event subsequent to the end of the current quarter except for the bonus issue which was approved by Bursa Malaysia on 5 January 2011 and subsequently by shareholders at the company's Extraordinary General Meeting held on 1 February 2011.

14. PERFORMANCE REVIEW

(a) Current quarter compared to the corresponding quarter of last year (4Q10 vs 4Q09)

For the fourth quarter ended 31 December 2010, the Group achieved sales revenue of RM32.8 million and profit attributable to equity holders of the parent company of RM1.2 million as compared to sales revenue of RM31.8 million and profit attributable to equity holders of the parent company of RM1.0 million for the corresponding fourth quarter ended 31 December 2009.

Sales revenue increased by 3% comparing the current quarter and the same quarter last year. The increase in sales is attributed to the continuing momentum generated from the mass production of new network cameras, new electronic sports headlamps and new USB cables.

Profit attributable to equity holders of the parent company stood at RM1.2 million for the current quarter against the same of RM1.0 million for the same quarter last year. The improvement in profit is due mainly to not having to account for forward hedging loss which adversely impacted the profitability of the same period last year. The current quarter profit could have been better if not for provisions made for doubtful debts which was taken so as to be prudent.

(b) Current quarter versus the preceding quarter (4Q10 vs 3Q10)

Sales turnover for the fourth quarter of 2010 of RM32.8 million softened as compared to sales of RM41.9 million in the third quarter of 2010, representing a decrease of 22%. This can be explained by the accelerated demand in the first three quarters of 2010 which peaked on the third quarter to replenish depleted global consumer electronic inventories caused by the global economic recession in 2008/9 and the easing off in demand in the fourth quarter of 2010 when the replenishment process has been fulfilled. Notwithstanding the decrease, the uptrend business momentum for the Group remains intact premised on continuing healthy demand for our existing products and launch of new product lines for our OEM/ODM customers. The sustainable uptrend business momentum is substantiated by positive sales growth when sales for the current quarter is compared to the same quarter last year.

The Group recorded profit attributable to equity holders of the parent company of RM1.2 million for the current quarter as compared to RM3.0 million profit attributable to equity holders for the preceding quarter ended 30 September 2010. The drop was due to lower sales and provisions being made for doubtful debts. Profit margin remained about the same for both quarters should there be no provisions made.

14. PERFORMANCE REVIEW (cont'd)

(c) Current year versus preceding year (FYE10 vs FYE09)

For the current year ended 31 December 2010, the Group achieved sales revenue of RM132.8 million and profit attributable to equity holders of the parent company of RM8.0 million as compared to sales revenue of RM84.1 million and profit attributable to equity holders of the parent company of RM1.3 million for the year ended 31 December 2009.

Sales revenue increased by 58% when comparing financial year 2010 against 2009. The significant increase in sales is mainly attributed to the design, development and subsequent launching of mass production of new network cameras, new electronic sports headlamps and new USB cables on top of the running of the existing similar categories of products. Furthermore, the inventories replenishment process as described earlier spurred additional growth. It is worthy to note that the Group has over the years proven its design/development expertise, management skills and manufacturing capabilities to be able to gain the trust of customers in engaging it with larger scale projects in recent years which in effect translates to significant growth rates. This is clearly reflected in the strong sales growth in 2010.

Profit attributable to equity holders of the parent company increased by RM6.7 million, representing an overwhelming 515% increase comparing financial year 2010 against 2009. This was due mainly to the substantial increase in sales, continuous cost reduction exercises to maintain profit and also the elimination of forward hedging loss which adversely impacted the financial results for last year. The Group currently practises natural hedging which in effect means paying suppliers in the same denomination as the inward remittances which are usually in USD.

As disclosed in Note 2.2(c), the adoption of FRS 139 does not have any significant impact on the profit for this year ended 31 December 2010.

15. COMMENTARY ON PROSPECTS AND TARGETS

The Group expects the uptrend business momentum to be intact moving forward to 2011, inspite of an uncertain global economy. Its optimism is based on it having laid the foundation over the years in having won global customers' confidence in our professionalism in being able to deliver innovative, quality and competitively priced products on a timely manner. The trust earned from such customers inspires them to engage us with projects which are of higher magnitude in financial value and production quantum.

In line with the above, the mobile phone accessories sector is expected to generate significant sales increase as it prepares to launch a number of completely new categories of accessories to be bundled with the mobile phones. The computer peripherals sector, in the likes of network cameras will similarly trail with a few new product launches which will be closely followed by the consumer technology product sector in the areas of new models of headlamps. In the same OEM/ODM front, the Group expects its commercial hygiene-care products to begin its sales contribution fairly significantly this year. New customers in the household appliances industry are expected to make significant contribution to sales in 2011 as well. Therefore, the prospects for 2011 is expected to continue to be vibrant for the Group.

On the hand, the Group is aware of the on-going volatile foreign exchange market, the soaring crude oil price and other commodity prices moving forward. In this regard, the Management of the Group is poised to have taken and will continuously review measures to mitigate the preceding risks.

16. INCOME TAX EXPENSE

	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Deferred tax	11	712	11	785
Current tax	119	30	119	30
	130	742	130	815
Under/(Over) provision of tax in prior year				
Deferred tax	(16)	(841)	(16)	(841)
Tax expense	12	(37)	12	(37)
	(4)	(878)	(4)	(878)
Total Income Tax Expense	126	(136)	126	(63)

Income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

16. INCOME TAX EXPENSE (Cont'd)

There is provision of taxation in respect of a subsidiary company which has no tax exemption and has utilized fully its tax losses brought forward. Except for this subsidiary, there is no provision of taxation in respect of subsidiary companies which has no tax exemption because of available unabsorbed losses.

The holding company, K-One Technology Bhd. 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.

17. 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 properties for the current quarter and financial year-to-date.

18. QUOTED SECURITIES

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

19. CORPORATE PROPOSALS

On 29 November 2010, the Group announced the corporate proposal relating to the bonus issue of up to 273,456,000 new ordinary shares of RM0.10 each in K-One Technology Berhad ("K-One Tech") to be credited as fully paid-up on the basis of two (2) bonus shares for every one (1) existing ordinary share of RM0.10 each in K-One Tech held in the Company.

The proposal was subject to the approval of:-

- (i) Bursa Malaysia for the listing and quotation for the Bonus Shares on the ACE Market of Bursa Malaysia; and
- (ii) Approval of the shareholders of the Company at an Extraordinary General Meeting ("EGM")

Bursa Malaysia approved the proposal on 5 January 2011 while the shareholders approved it during the EGM on 1 February 2011. The proposal was completed on 17 February 2011 when the ex-date took effect while the crediting of the bonus shares and additional warrants to the entitled shareholders were completed on 22 February 2011.

Other than the above, there are no other corporate proposals announced but not completed as at the reporting date.

20. BORROWINGS AND DEBTS SECURITIES

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 31 December 2010 are as follows:

	RM'000
Short term borrowings	
Bankers' Acceptance	19,894
Revolving Credits	1,000
Export Credit Refinancing	249
Bank Overdraft	1,963
Term Loan	502
Hire-purchase payables	300
	23,908
Long term borrowings	
Term Loan	2,724
Hire-purchase payables	581
	3,305
Total Borrowings	27,213

21. 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.

22. 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.

23. PROPOSED DIVIDEND

There is no dividend proposed in the current quarter and the previous corresponding quarters.

24. REALISED AND UNREALISED PROFITS / LOSSES

As at the end of the quarter ended 30 September 2010, the realized and unrealized profits are as follows:

	3 months ended 30.09.2010 RM'000	9 months ended 30.09.2010 RM'000
Realised profits	2,520	28,340
Unrealised profits	474	-
Total Retained Profits	2,994	28,340

24. REALISED AND UNREALISED PROFITS / LOSSES – (Cont'd)

As at the end of the quarter ended 31 December 2010, the realized and unrealized profits are as follows:

	3 months ended 31.12.2010 RM'000	12 months ended 31.12.2010 RM'000
Realised profits	1,236	29,666
Unrealised profits/(loss)	(67)	(67)
Total Retained Profits	1,169	29,599

25. EARNING PER SHARE

(a) Basic earnings per share

Basic earnings 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 ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Profits attributable to equity holders of the parent (RM'000)	1,169	1,039	8,042	1,284
Weighted average number of Ordinary Shares in issue ('000)	113,953	112,711	113,953	112,711
Basic Earnings Per Ordinary Share (sen)	1.03	0.92	7.06	1.14

(b) 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		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Profits attributable to equity holders of the parent (RM'000)	1,169	1,039	8,042	1,284
Weighted average number of Ordinary Shares in issue ('000)	113,953	112,711	113,953	112,711
Effect of dilution of share options ('000)	22,319	21,315	21,732	20,688
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	136,272	134,026	135,685	133,399
Diluted Earnings Per Ordinary Share (sen)	0.86	0.78	5.93	0.96

The effect of dilution of share options is based on post-bonus issue, ESOS exercise price of RM0.28 (rounded up to nearest 2 decimal place)

26. 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 2011.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)

Company Secretary

Dated: 25 February 2011