K-One

# K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

**Condensed Consolidated Income Statement**
**For The Second Quarter Ended 30 June 2011**

| | 3 months ended | | 6 months ended | |
|---|---|---|---|---|
| Figures in RM'000 | 30.06.2011 | 30.06.2010 | 30.06.2011 | 30.06.2010 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Operating revenue | 34,057 | 33,774 | 65,269 | 58,147 |
| Other income | 7 | 10 | 37 | 18 |
| | 34,064 | 33,784 | 65,306 | 58,165 |
| Cost of sales | (27,642) | (27,601) | (53,238) | (46,298) |
| Other operating expenses | (3,901) | (3,733) | (7,118) | (7,535) |
| Profits from operations | 2,521 | 2,450 | 4,950 | 4,332 |
| Finance costs | (327) | (295) | (679) | (590) |
| Profits before tax | 2,194 | 2,155 | 4,271 | 3,742 |
| Income tax expense | (15) | 6 | (35) | - |
| Profits for the period | 2,179 | 2,161 | 4,236 | 3,742 |
| Non-controlling interests | - | - | - | - |
| **Profits after tax after non-controlling interest** | **2,179** | **2,161** | **4,236** | **3,742** |

Profit attributable to:

| | | | | |
|---|---|---|---|---|
| Owners of the Parent | 2,179 | 2,247 | 4,236 | 3,879 |
| Non-controlling interests | - | (86) | - | (137) |
| | 2,179 | 2,161 | 4,236 | 3,742 |

Earnings per share (EPS)
Attributable to owners
of the Parent (sen):

| | | | | |
|---|---|---|---|---|
| Basic EPS | 0.64 | 1.99 | 1.53 | 3.44 |
| Diluted EPS | 0.53 | 1.68 | 1.28 | 2.89 |

The above condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Comprehensive Income**
**For The Second Quarter Ended 30 June 2011**

| Figures in RM'000 | 3 months ended 30.06.2011 | 3 months ended 30.06.2010 | 6 months ended 30.06.2011 | 6 months ended 30.06.2010 |
|---|---|---|---|---|
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Profit for the period | 2,179 | 2,247 | 4,236 | 3,879 |
| Currency translation differences arising from consolidation | (171) | (853) | (77) | (258) |
| **Total comprehensive income** | **2,008** | **1,394** | **4,159** | **3,621** |
| Profit attributable to: | | | | |
| Owners of the Parent | 2,008 | 1,394 | 4,159 | 3,815 |
| Non-controlling interests | - | - | - | (194) |
| | **2,008** | **1,394** | **4,159** | **3,621** |

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 30 June 2011

| Figures in RM'000 | As at 30.06.2011 | As at 31.12.2010 |
|---|---|---|
| | Unaudited | Audited |
| **ASSETS** | | |
| *Non-Current Assets* | | |
| Property, plant and equipment | 11,460 | 10,954 |
| Prepaid land leases | 817 | 829 |
| Intangible assets | 824 | 821 |
| Goodwill | 5,546 | 5,546 |
| **Non-Current Assets** | 18,647 | 18,150 |
| *Current Assets* | | |
| Inventories | 65,374 | 56,304 |
| Trade receivables | 31,691 | 31,285 |
| Other receivables | 2,083 | 1,905 |
| Tax recoverable | 174 | 125 |
| Cash and bank balances | 5,144 | 7,474 |
| **Current Assets** | 104,466 | 97,093 |
| **TOTAL ASSETS** | **123,113** | **115,243** |

| | | |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| *Equity* | | |
| Share capital | 34,186 | 11,395 |
| Share premium | - | 15,117 |
| Other reserves | (152) | (75) |
| Retained earnings | 26,162 | 29,600 |
| Equity Attributable to Owners of the Parent | 60,196 | 56,037 |
| Non-controlling interests | - | - |
| **Total Equity** | **60,196** | **56,037** |

**Condensed Consolidated Statement of Financial Position (Cont'd)**
**As At 30 June 2011**

| Figures in RM'000 | As at 30.06.2011 | As at 31.12.2010 |
|---|---|---|
| | Unaudited | Audited |
| **EQUITY AND LIABILITIES** | | |
| *Non-Current Liabilities* | | |
| Bank borrowings | 2,502 | 2,726 |
| Hire purchase payables | 469 | 581 |
| Deferred tax liabilities | 76 | 76 |
| **Non-Current Liabilities** | 3,047 | 3,383 |
| *Current Liabilities* | | |
| Trade payables | 28,758 | 28,142 |
| Other payables and accruals | 1,660 | 1,565 |
| Amount due to Directors | 2,210 | 2,210 |
| Bank overdraft | 1,647 | 1,963 |
| Bank borrowings | 25,302 | 21,643 |
| Hire purchase payables | 253 | 300 |
| Tax payables | 40 | - |
| **Current Liabilities** | 59,870 | 55,823 |
| **Total Liabilities** | 62,917 | 59,206 |
| **TOTAL EQUITY AND LIABILITIES** | **123,113** | **115,243** |
| **Net assets per share attributable to Owners of the Parent (sen)** | **17.61** | **49.18** |

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Changes in Equity**
**For The 6 Months Period Ended 30 June 2011**

| | <-----Attributable to Owners of the Parent -----> | | | | | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|
| | *Non-distributable* | | *Distributable* | | | | |
| Figures in RM'000 | Share Capital | Share Premium | Reserve | Retained Profits | Total | | |
| **At 1 January 2011** | **11,395** | **15,117** | **(75)** | **29,600** | **56,037** | **-** | **56,037** |
| Bonus Issue | 22,791 | (15,117) | - | (7,674) | - | - | - |
| Exchange difference arising from foreign subsidiary companies | - | - | (77) | - | (77) | - | (77) |
| Net profits for the period | - | - | - | 4,236 | 4,236 | - | 4,236 |
| **At 30 June 2011** | **34,186** | **-** | **(152)** | **26,162** | **60,196** | **-** | **60,196** |

| | <-----Attributable to Owners of the Parent -----> | | | | | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|
| | *Non-distributable* | | *Distributable* | | | | |
| Figures in RM'000 | Share Capital | Share Premium | Reserve | Retained Profits | Total | | |
| **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 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** |

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 2010 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Cash Flows**
**For The 6 Months Period Ended 30 June 2011**

| Figures in RM'000 | 6 months ended | |
|---|---|---|
| | 30.06.2011 | 30.06.2010 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| ***Profit before taxation*** | 4,236 | 3,742 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 961 | 819 |
| Amortization of intangible assets | 41 | 35 |
| Amortization of leasehold land | 12 | 12 |
| Interest expenses | 679 | 590 |
| (Gain)/loss on disposal of property, plant and equipment | (8) | 1 |
| Foreign exchange loss - unrealized | 84 | 474 |
| Operating profit before working capital changes | 6,005 | 5,673 |
| Changes in working capital | | |
| Increase in inventory | (9,070) | (5,253) |
| Increase in receivables | (584) | (2,964) |
| Increase in payables | 711 | 796 |
| Increase in amount due to Directors | - | 10 |
| Cash absorbed by operations | (2,938) | (1,738) |
| Interest paid | (679) | (590) |
| Taxation paid | (26) | (83) |
| ***Net cash used in operating activities*** | **(3,643)** | **(2,411)** |

**Condensed Consolidated Statement of Cash Flows (Cont'd)**
**For The 6 Months Period Ended 30 June 2011**

| Figures in RM'000 | 6 months ended 30.06.2011 | 30.06.2010 |
|---|---|---|
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (1,466) | (172) |
| Proceeds from disposal of property, plant and equipment | 9 | 1 |
| ***Net cash used in investing activities*** | **(1,457)** | **(171)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Net repayment of hire purchases | (159) | (106) |
| Net proceeds from borrowings | 3,435 | 3,720 |
| ***Net cash generated from financing activities*** | **3,276** | **3,614** |
| Net decrease/(increase) in cash and cash equivalents | (1,824) | 1,032 |
| Effect of exchange rate changes | (189) | (446) |
| Cash and cash equivalents at beginning of the year | 5,510 | 3,535 |
| **CASH AND CASH EQUIVALENT AT END OF THE YEAR** | **3,497** | **4,121** |

**COMPOSITION OF CASH AND CASH EQUIVALENTS**

| Figures in RM'000 | As at 30.06.2011 | As at 30.06.2010 |
|---|---|---|
| Overdraft | (1,647) | (3,430) |
| Cash and Bank Balances | 5,144 | 7,551 |
| | **3,497** | **4,121** |

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2010. 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 2010.

2. **SIGNIFICANT ACCOUNTING POLICIES**
   The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, 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 1 (Revised) | First-time Adoption of Financial Reporting Standards |
| FRS 3 (Revised) | Business Combinations |
| 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 127 (Revised) | Consolidated and Separate Financial Statements |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| Amendment to FRS 1 | First-time Adoption of Financial Reporting Standards |
| Amendment to FRS 1 | First-time Adoption of Financial Reporting Standards – Limited Exemptions for Comparative FRS 7 Disclosures for First-time Adopters |
| Amendment to FRS 1 | Additional Exemptions for First-time Adopters |
| Amendment to FRS 2 | Share-based Payment – Vesting Conditions and Cancellations |
| Amendment to FRS 2 | Group Cash-settled Share-based Payment Transactions |
| Amendment to FRS 2 | Scope of FRS 2 and Revised FRS 3 (2010) |
| Amendment to FRS 5 | Plan to Sell the Controlling Interest in a Subsidiary |
| Amendment to FRS 7 | Financial Instruments: Disclosures |

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

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

| | |
|---|---|
| Amendment to FRS 7 | Improving Disclosures about Financial Instruments |
| 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 |
| Amendment to FRS 138 | Consequential Amendments Arising from Revised FRS 3 (2010) |
| 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 4 | Determining Whether An Arrangement Contains a Lease |
| 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 12 | Service Concession Arrangements |
| IC Interpretation 13 | Customer Loyalty Programmes |
| IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | Distribution of Non-cash Assets to Owners |
| IC Interpretation 18 | Transfers of Assets from Customers |
| Amendment to IC Interpretation 9 | Scope of IC Interpretation 9 and FRS 3 (Revised) |

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

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

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.

**(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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**2.2 Application of FRSs (Cont'd.)**

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

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.

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:

| | | Effective date |
|---|---|---|
| FRS 124 (Revised) | Related Party Disclosures | 1 January 2012 |
| IC Interpretation 12 | Service Concession Arrangements | 1 July 2011 |
| IC Interpretation 14 | Prepayment of a Minimum Funding Requirement (Amendment to IC Interpretation 14) | 1 July 2011 |
| IC Interpretation 15 | Agreements for the Construction of Real Estate | 1 January 2012 |
| IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |

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

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:

| | 30.06.2011 |
|---|---|
| Australia Dollar | 3.23 |
| United States Dollar | 2.96 |
| Euro | 4.34 |
| Hong Kong Dollar | 0.39 |
| 1000 Korea Won | 2.80 |
| 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 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 second half of the year is normally stronger than the first 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 period under review and up to the date. The proposed Bonus Issue exercise had been completed and reported in the last quarter ended 31 March 2011.

**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 | 3,100 | 61,323 | 846 | - | - | 65,269 |
| Internal sales | 438 | 81 | - | - | (519) | - |
| Total operating sales | 3,538 | 61,404 | 846 | - | (519) | 65,269 |
| Other income | 28 | 80 | 1 | - | (72) | 37 |
| | 3,566 | 61,484 | 847 | - | (591) | 65,306 |
| Results | | | | | | |
| Segment results | 1,842 | 3,171 | (6) | (57) | - | 4,950 |
| Finance cost | - | (679) | - | - | - | (679) |
| Income tax | (5) | (30) | - | - | - | (35) |
| Profits after tax before non-controlling interest | | | | | | 4,236 |
| Non-controlling interest | | | | | | - |
| Profits after tax after non-controlling interest | | | | | | **4,236** |

| | 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 | 16,277 | 100,064 | 879 | 347 | - | 117,567 |
| Unallocated assets | | | | | | 5,546 |
| | | | | | | **123,113** |
| Segment liabilities | 321 | 32,176 | 228 | 19 | - | 32,744 |
| Unallocated liabilities | | | | | | 30,173 |
| | | | | | | **62,917** |

**9. SEGMENT INFORMATION (Cont'd)**

**(b) Sales Contribution by Geography**

The geographical sales breakdowns are as follows:

| | 6 months ended | |
|---|---|---|
| | 30.06.2011 | 30.06.2010 |
| | RM'000 | RM'000 |
| Malaysia | 6,262 | 6,318 |
| Europe | 37,855 | 28,119 |
| USA | 1,184 | 4,253 |
| Oceania | 22 | 21 |
| North Asia * | 19,946 | 19,436 |
| | 65,269 | 58,147 |

* 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 6 months period ended 30 June 2011, 3 major customers contributed RM45.5 million, representing approximately 70% of total sales revenue (2010: RM39.3 million, representing 68% 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 except for an increase of RM2 million corporate guarantee provided to cover banking facility granted to a subsidiary.

As at end of the quarter under review, the corporate guarantee for credit facilities granted to subsidiary companies are:-

| | RM'000 |
|---|---|
| K-One Industry Sdn Bhd | 44,392 |
| Syslink Sdn Bhd | 6,660 |
| | **51,052** |

**12. CAPITAL COMMITMENTS**

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

**13. SUBSEQUENT EVENT**

As at the end of the current quarter and up to the date of this report, there is no subsequent events which have a material impact to the financial statements under review.

**14. PERFORMANCE REVIEW**

**(a) Current quarter compared to the corresponding quarter of last year (2Q11 vs 2Q10)**

For the second quarter ended 30 June 2011, the Group achieved sales revenue of RM34.1 million and profit attributable to equity holders of the parent company of RM2.2 million as compared to sales revenue of RM33.8 million and profit attributable to equity holders of the parent company of RM2.2 million for the corresponding second quarter ended 30 June 2010.

Sales revenue inched up marginally by about 1%, 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" customers (relative to the core customers) in the household appliances and hygiene-care industries.

Profit attributable to equity holders of the parent company stood at RM2.2 million for the current quarter against the same RM2.2 million for the same quarter last year.

**(b) Current quarter versus the preceding quarter (2Q11 vs 1Q11)**

Sales turnover for the second quarter of 2011 stands at RM34.1 million as compared to sales of RM31.2 million in the first quarter of 2011. This represents an increase of 9%. The sales increase is mainly contributed by sustained and increasing demand of network cameras, electronic sports headlamps, household appliances sub-assemblies and hygiene-care products.

The Group recorded profit attributable to equity holders of the parent company of RM2.2 million for the current quarter as compared to RM2.1 million in the preceding quarter. Despite the USD depreciating against the Ringgit, profit margin was maintained through continuous profit enhancement exercises.

## 15. COMMENTARY ON PROSPECTS AND TARGETS

The first half year sales performance of 2011 is considered as strong as it registered a significant increase of 12% as compared to the first half year of 2010, during which period, the global economy and the electronics industry was on a strong rebound and in fact at its peak. Judging on this, the Group expects the uptrend business momentum to be intact as the second half of 2011 unfolds.

The Group's optimistic expectations in its business for the second half of 2011 is substantiated by: a) the mobile phone accessories sector is expected to generate significant sales increase as it expects to launch a number of completely new categories of accessories to be bundled with the mobile phones, b) the computer peripherals sector will similarly trail with a few anticipated new product launches and c) the consumer technology product sector expects to roll out new models of electronic sports headlamps. The Group further expects its commercial hygiene-care products to escalate its sales contribution significantly as mass production commences in the second half of 2011. Newer customers in the household appliances industry are also expected to make sustained and increasing sales in the second half of 2011. Therefore, the prospects for 2011 for the Group is expected to continue to be strong in view of our niche and broad consumer electronics market coverage, despite a volatile and uncertain global economy.

The Group is aware of the current and prospective unstable and uncertain global economy which is reflected by the on-going volatile foreign exchange market, the soaring crude oil price and other commodity prices. In this regard, the Management of the Group is taking all counter-measures to mitigate the preceding risks.

## 16. INCOME TAX EXPENSE

| | 3 months ended | | 6 months ended | |
|---|---|---|---|---|
| | 30.06.2011 | 30.06.2010 | 30.06.2011 | 30.06.2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax | - | - | - | - |
| Current tax | 15 | (6) | 35 | - |
| **Total Income Tax Expense** | **15** | **(6)** | **35** | **-** |

**16. INCOME TAX EXPENSE (Cont'd)**

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

There is provision of taxation in respect of a subsidiary company on its other income and there is no provision for subsidiaries companies that has available unabsorbed business losses or with tax exemption status.

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**

There are no 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 30 June 2011 are as follows:

| | RM'000 |
|---|---|
| ***Short term borrowings*** | |
| Bankers' Acceptance | 23,839 |
| Revolving Credits | 1,000 |
| Bank Overdraft | 1,647 |
| Term Loan | 463 |
| Hire-purchase payables | 253 |
| | 27,202 |
| ***Long term borrowings*** | |
| Term Loan | 469 |
| Hire-purchase payables | 2,502 |
| | 2,971 |
| **Total Borrowings** | **30,173** |

## 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 current quarter under review ended 30 June 2011, the realized and unrealized profits/(losses) are as follows:

| | 3 months ended 30.06.2011 RM'000 | 6 months ended 30.06.2011 RM'000 |
|---|---|---|
| Realised profits | 2,008 | 4,320 |
| Unrealised profits/(losses) | 49 | (84) |
| **Total Retained Profits** | **2,057** | **4,236** |

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

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

| | 12 months ended 31.12.2010 RM'000 |
|---|---|
| Realised profits | 29,316 |
| Unrealised profits | 284 |
| **Total Retained Profits** | **29,600** |

## 25. EARNINGS 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 | | 6 months ended | |
|---|---|---|---|---|
| | 30.06.2011 | 30.06.2010 | 30.06.2011 | 30.06.2010 |
| Profits attributable to equity holders of the parent (RM'000) | 2,179 | 2,247 | 4,236 | 3.879 |
| Weighted average number of Ordinary Shares in issue ('000) | 341,859 | 112,711 | 276,383 | 112,711 |
| Basic Earnings Per Ordinary Share (sen) | 0.64 | 1.99 | 1.53 | 3.44 |

(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 | | 6 months ended | |
|---|---|---|---|---|
| | 30.06.2011 | 30.06.2010 | 30.06.2011 | 30.06.2010 |
| Profits attributable to equity holders of the parent (RM'000) | 2,179 | 2,247 | 4,236 | 3,879 |
| Weighted average number of Ordinary Shares in issue ('000) | 341,859 | 112,711 | 276,383 | 112,711 |
| Effect of dilution of share options ('000) | 66,936 | 21,406 | 55,166 | 21,406 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 408,796 | 134,117 | 331,550 | 134,117 |
| Diluted Earnings Per Ordinary Share (sen) | 0.53 | 1.68 | 1.28 | 2.89 |

**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 10 August 2011.

**BY ORDER OF THE BOARD**
NG YIM KONG (LS 0009297)
Company Secretary
Dated: 10 August 2011