

K-One

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

**Condensed Consolidated Income Statement
For The Fourth Quarter Ended 31 December 2011**

Figures in RM'000	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	Unaudited	Unaudited	Unaudited	Audited
Operating revenue	35,535	32,784	137,256	132,799
Other income	433	109	928	164
	35,968	32,893	138,184	132,963
Cost of sales	(37,447)	(26,313)	(122,568)	(107,154)
Operating expenses	(5,740)	(5,071)	(15,477)	(16,603)
Inventory write-down	(10,629)	-	(10,629)	-
(Loss)/profit from operations	(17,848)	1,509	(10,490)	9,206
Finance costs	(710)	(319)	(1,813)	(1,213)
(Loss)/profit before tax	(18,558)	1,190	(12,303)	7,993
Income tax expense	115	(126)	80	(126)
Profit for the period	(18,443)	1,064	(12,223)	7,867
Non-controlling interests	-	177	-	177
(Loss)/profit after tax after Non-controlling interest	(18,443)	1,241	(12,223)	8,044

Profit attributable to:

Owners of the Parent	(18,443)	1,241	(12,223)	8,044
Non-controlling interests	-	(177)	-	(177)
	(18,443)	1,064	(12,223)	7,867

Earnings per share (EPS)

Attributable to owners
of the Parent (sen):

Basic EPS	(5.39)	1.09	(3.95)	7.10
Diluted EPS	(4.50)	0.91	(3.29)	5.91

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 Fourth Quarter Ended 31 December 2011**

Figures in RM'000	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	Unaudited	Unaudited	Unaudited	Audited
Profit for the period	(18,443)	1,064	(12,223)	7,867
Currency translation differences arising from consolidation	(196)	(81)	38	(473)
Total comprehensive income	(18,639)	983	(12,185)	7,394

Profit attributable to:

Owners of the Parent	(18,639)	1,235	(12,185)	7,911
Non-controlling interests	-	(252)	-	(517)
	(18,639)	983	(12,185)	7,394

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 2011

Figures in RM'000	As at 31.12.2011	As at 31.12.2010
	Unaudited	Audited
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	12,470	10,954
Prepaid land leases	805	829
Intangible assets	821	821
Goodwill	5,546	5,546
Non-Current Assets	19,642	18,150
<i>Current Assets</i>		
Inventories	50,935	56,304
Trade receivables	24,147	31,285
Other receivables	2,523	1,905
Tax recoverable	311	125
Fixed deposits - pledged	504	-
Cash and bank balances	12,776	7,473
Current Assets	91,196	97,092
TOTAL ASSETS	110,838	115,242

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	34,186	11,395
Share premium	-	15,117
Other reserves	(37)	(75)
Retained earnings	9,703	29,600
Equity Attributable to Owners of the Parent	43,852	56,037
Non-controlling interests		-
Total Equity	43,852	56,037

Condensed Consolidated Statement of Financial Position (Cont'd)
As At 31 December 2011

Figures in RM'000	As at 31.12.2011	As at 31.12.2010
	Unaudited	Audited
EQUITY AND LIABILITIES		
<i>Non-Current Liabilities</i>		
Bank borrowings	2,169	2,726
Hire purchase payables	325	580
Deferred tax liabilities	-	77
Non-Current Liabilities	2,494	3,383
<i>Current Liabilities</i>		
Trade payables	29,353	28,142
Other payables and accruals	1,363	1,565
Amount due to Directors	2,210	2,209
Bank overdraft	6,855	1,963
Bank borrowings	24,459	21,643
Hire purchase payables	252	300
Tax payables	-	-
Current Liabilities	64,492	55,822
Total Liabilities	66,986	59,205
TOTAL EQUITY AND LIABILITIES	110,838	115,242
Net assets per share attributable to Owners of the Parent (sen)	12.83#	49.18

Notes:

Net assets per share attributable to Owners of the Parent (sen) is after taking into account the bonus issue of 227,906,000 K-One Tech Shares on the basis of two (2) bonus shares for every one (1) existing K-One Tech Share held in the Company which was completed on 21 February 2011.

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 Year Ended 31 December 2011**

Figures in RM'000	<-----Attributable to Owners of the Parent ----->					Non-controlling Interest	Total Equity
	<i>Non-distributable</i>		<i>Distributable</i>		Total		
	Share Capital	Share Premium	Reserve	Retained Profits			
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	-	-	38	-	38	-	38
Net profit for the year	-	-	-	(12,223)	(12,223)	-	(12,223)
At 31December 2011	34,186	-	(37)	9,703	43,852		43,852

Figures in RM'000	<-----Attributable to Owners of the Parent ----->					Non-controlling Interest	Total Equity
	<i>Non-distributable</i>		<i>Distributable</i>		Total		
	Share Capital	Share Premium	Reserve	Retained Profits			
At 1 January 2010	11,271	14,893	58	21,556	47,778	517	48,295
Exercised ESOS	124	224	-	-	348	-	348
Exchange difference arising from foreign subsidiary companies	-	-	(133)	-	(133)	(517)	(650)
Net profit for the year	-	-	-	8,044	8,044	-	8,044
At 31December 2010	11,395	15,117	(75)	29,600	56,037	-	56,037

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 Year Ended 31 December 2011

Figures in RM'000	12 months ended	
	31.12.2011	31.12.2010
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	(12,303)	7,980
Adjustments for:		
Depreciation of property, plant and equipment	1,940	1,674
Amortization of intangible assets	81	81
Amortization of prepaid land leases	24	24
Interest income	(5)	(64)
Interest expenses	1,813	1,213
Gain on disposal of property, plant and equipment	(57)	(30)
Provision for doubtful debts	-	1,089
Inventory write-down	10,629	-
(Gain)/loss from discontinued operations	-	(6)
Foreign exchange (gain)/loss – unrealized	(98)	67
Plant, property, equipment and intangible asset written-off	2	-
Operating profit before working capital changes	2,026	12,028
Changes in working capital		
Increase in inventory	(5,261)	(11,589)
Decrease/(increase)in receivables	6,726	(6,529)
Increase in payables	909	5,194
Cash generated from/(absorbed by) operations	4,400	(896)
Interest paid	(1,813)	(1,213)
Taxation paid	(185)	(82)
Net cash from/(used in) operating activities	2,402	(2,191)

Condensed Consolidated Statement of Cash Flows (Cont'd)
For The 12 Months Period Ended 31 December 2011

Figures in RM'000	12 months ended	
	31.12.2011	31.12.2010
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	1	2
Placement of fixed deposits	(500)	-
Purchase of property, plant and equipment	(3,466)	(1,305)
Purchase of intangible assets	(82)	-
Proceeds from disposal of property, plant and equipment	66	30
<i>Net cash used in investing activities</i>	(3,981)	(1,273)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from exercised ESOS	-	348
Net repayment of hire purchase	(303)	(225)
Net proceeds from borrowings	2,788	5,759
Net repayment of term loan	(529)	-
<i>Net cash generated from financing activities</i>	1,956	5,882
Net decrease in cash and cash equivalents	377	2,418
Effect of exchange rate changes	33	(443)
Cash and cash equivalents at beginning of the year	5,511	3,535
CASH AND CASH EQUIVALENT AT END OF THE YEAR	5,921	5,510

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	31.12.2011	31.12.2010
	Cash and Bank Balances	12,776
Overdraft	(6,855)	(1,963)
	5,921	5,510

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 2011.

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 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 (a) Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (b) Additional Exemptions for First-time Adopters
Amendment to FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 138	Intangible Assets
Amendments to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 131 FRS 132, FRS 134, FRS 139	Improvements to FRSs (2010)
Amendments to IC Interpretation 13	
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 12	Service Concession Arrangements
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	Reassessment of Embedded Derivatives

Other than for the application of FRS 3 (revised), the application of the above FRSs, Amendments to FRSs, Improvements to FRSs (2010) and IC Interpretations did not and/or are not expected to result in any significant changes in the accounting policies and presentation of the financial results of the Group.

2.2 Application of FRSs

FRS 3 (revised) – Business Combinations

FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.2 Application of FRSs (cont'd)

FRS 3 (revised), which is mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods consolidated financial statements.

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>
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
FRS 124	Related Party Disclosures (revised)	1 January 2012
Amendments to FRS 1	First-time Adoption of Financial reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to FRS 112	Income Taxes – Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 101	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 9	Financial Instruments (2009)	1 January 2013
FRS 9	Financial Instruments (2010)	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119	Employee Benefits (2011)	1 January 2013
FRS 127	Separate Financial Statements (2011)	1 January 2013
FRS 128	Investments in Associates and Joint Ventures (2011)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

2.3 FRSs, Amendments to FRSs, Interpretations and Technical Releases issued but not yet effective (cont'd)

On 19 November 2011, the MASB announced the adoption of the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS framework is effective from 1 January 2012 and is to facilitate convergence with the International Financial Reporting Standards (IFRS). Following the announcement, the Group's next set of financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the MFRS framework issued by MASB and IFRS. As a result of the Group's adoption of the MFRS framework, the Group will not be adopting the above FRSs, Interpretations and Amendments.

The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group.

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 re-translation of subsidiary companies' functional currencies are as follows:

	<u>31.12.2011</u>
Australia Dollar	3.222
United States Dollar	3.173
Euro	4.109
Hong Kong Dollar	0.408
1000 Korea Won	2.739
Singapore Dollar	2.442

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 of this report. The proposed Bonus Issue exercise had been completed and reported in the fourth quarter ended 31 December 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	5,955	130,124	1,177	-	-	137,256
Internal sales	495	7	41	-	(543)	-
Total operating sales	6,450	130,130	1,218	-	(543)	137,256
Other income	254	884	2	-	(212)	928
	6,704	131,015	1,220	-	(755)	138,184
Results						
Segment results	(1,278)	(8,769)	(334)	(109)	-	(10,490)
Finance costs	-	(2,025)	-	-	212	(1,813)
Income tax	-	44	36	-	-	80
Profit after tax before non-controlling interest						(12,223)
Non-controlling interest						-
Profit after tax after non-controlling interest						(12,223)

	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	13,481	96,146	575	323	-	110,525
Unallocated assets						313
						110,838
Segment liabilities	363	30,284	41	28	-	30,716
Unallocated liabilities						36,270
						66,986

9. SEGMENT INFORMATION (Cont'd)

(b) Sales Contribution by Geography

The geographical sales breakdowns are as follows:

	12 months ended	
	31.12.2011	31.12.2010
	RM'000	RM'000
Malaysia	11,919	13,844
Europe	76,787	65,017
USA	2,006	6,976
Oceania	37	35
North Asia*	46,507	46,927
	<u>137,256</u>	<u>132,799</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. This European customer has been acquired by its Japanese counterpart with effect from 4Q'2011.

(c) Sales from Major Customers

For the 12 months ended 31December 2011, 3 major customers contributed RM101million, representing approximately 74% of total sales revenue (2010: RM97 million, representing 73% 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 2011.

11. CONTINGENT ASSETS & LIABILITIES

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	<u>33,926</u>
Syslink Sdn Bhd	6,660
K-One Manufacturing Sdn Bhd	<u>11,000</u>
	<u>51,586</u>

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 are 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 (4Q11vs4Q10)

For the fourth quarter ended 31 December 2011, the Group achieved sales revenue of RM35.5 million and loss attributable to equity holders of the parent company of RM18.4 million as compared to sales revenue of RM32.8 million and profit attributable to equity holders of the parent company of RM1.2 million for the corresponding fourth quarter ended 31 December 2010.

Sales revenue increased by about 9% , comparing the current quarter and the same quarter last year. The increase in sales was mainly due to higher demand for network cameras and increased contribution from the household appliances segment.

Despite the increase in sales , the Group recorded loss attributable to equity holders of the parent company amounting to RM18.4 million for the current quarter as compared to a profit attributable to equity holders of the parent company of RM1.2 million for the same quarter last year. The loss was mainly due to inventory write-down of slow-moving and obsolete inventories for specific projects and inventory revaluation write-down for our GPS to reflect current market prices amounting to a total of RM 10.6 million. This is consistent with FRS accounting policies as have been practised. . The write-down was necessary in view of specific long-running products being phased-out by customer to pave-way for newer products to match their realignment of business focus on high end devices and smartphones respectively which are expected to have better market response. Furthermore, selling price pressure resulting from more intense competition in a leveling off market size caused by lower demand in a gloomy global economy adversely affected profit margins of our ODM (original design manufacturer) and manufacturing businesses. The volatile commodity prices and foreign currency fluctuations contributed to a double whammy effect on profit margins. On another

front, which is our own brand product, we have written down the inventory value of our GPS by about RM 3.3 million to reflect its current market pricing. We have since this quarter worked with internet on-line stores to sell our GPS at discounted prices with good response. This also put additional pressure on the Group's overall profit margin.

**(b) Current quarter versus the preceding quarter
(4Q11 vs 3Q11)**

Sales turnover for the fourth quarter of 2011 at RM35.5 million was a marginal 3% lower than the preceding quarter of RM36.5 million. Historically, the final quarter sales had more often than not seen the highest quarterly sales recorded for the year. For this year, the marginally lower sales for the last quarter as compared to the preceding quarter was due to the floods in Bangkok, Thailand hampering our sales to a couple of our customers with own or outsourced manufacturing bases in Thailand which were affected by the floods directly or indirectly. Otherwise, the fourth quarter sales would have been higher than the third quarter. Nonetheless, we expect to see these pent-up sales overflowing into 2012.

The Group recorded loss attributable to equity holders of the parent company of RM18.4 million for the current quarter as compared to a profit attributable to equity holders of the parent company of RM2 million in the preceding quarter. The loss was mainly due to the writing-down of slow-moving and obsolete inventories and inventory revaluation write-down, downward selling price pressure compounded by volatile commodity prices and foreign currency fluctuations amidst the backdrop of a gloomy but increasingly competitive global economic environment.

15. COMMENTARY ON PROSPECTS AND TARGETS

We started 2011 with optimism. Unfortunately, as 2011 unfolded, we were faced with a continuing lack-lustre US economy, the breaking-out of a prolonging Euro Zone economic crisis, a year which was filled with a series of natural calamities in the likes of the tsunami/nuclear reactor disaster in Japan at the beginning of the year and followed by the Thai floods towards the end of the year which all do not augur well for a global economic recovery. Being export oriented (about 87% export business), we encountered strong head winds being posed by the preceding, thus clipping our sales growth to single digit and driving us to a loss position, attributed mainly to price pressure, inventories write-down, volatile commodity prices, fluctuating foreign currency amidst a weakening and unstable global electronics market.

We expect 2012 to be another challenging year as the US economy is expected to remain unstable and lack-lustre, the Euro Zone crisis is anticipated to prolong and China

is predicted to be sluggish. Against this uncertain global economic backdrop, we have nevertheless adopted a strategy to defend and grow our sales. Hence, we expect significant sales growth in 2012 premised on our running of customer retention programs through more competitive pricing, improved service and innovation. This would keep the intensifying competition away from our turf. We have also embarked actively in expanding our customer base ie seeking out new customers, covering the mobile phone accessories, computer peripherals, consumer technology product markets and beyond such as the automotive and healthcare/medical markets. In this regard, we have strengthened our business development team by adding in new experienced staff with extensive sales network since the 2nd half of 2011. Therefore, we expect sales revenue to escalate as 2012 unfolds, culminating towards year end as new customers are put in place.

With the long running products phasing out and new products being streamed for manufacturing following the design and development stages, profit is expected to improve as we move forward in 2012. With the adoption of the above growth strategy, we expect the Group to benefit in the long term, although it may seem to compromise on profit margin in the short term.

The Management will continue to implement cost reduction programs to improve profitability. At the same time, it will take appropriate measures to mitigate all types of risks arising from such a challenging global business environment.

16. INCOME TAX EXPENSE

Figures in RM'000	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Deferred tax	(78)	11	(78)	11
Current tax	(35)	119	-	119
	(113)	130	(78)	130
(Over)/under provision of tax in prior year				
Deferred tax	-	(16)	-	(16)
Tax expense	(2)	12	(2)	12
Total Income Tax Expense	(115)	126	(80)	126

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 that have 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 31 December 2011 are as follows:

	RM'000
<i>Short term borrowings</i>	
Bankers' Acceptance	16,660
Revolving Credits	1,000
Bank Overdraft	6,855
Export Credit Financing	4,247
Letter of Credit	2,024
Term Loan	528
Hire-purchase Payables	252
	31,566
<i>Long term borrowings</i>	
Term Loan	2,169
Hire-purchase Payables	325
	2,494
Total Borrowings	34,060

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 current quarter under review ended 31 December 2011, the realized and unrealized profits/(losses) are as follows:

	3 months ended 31.12.2011 RM'000	As at 31.12.2011 RM'000
Realised (losses)/profits	(19,033)	9,605
Unrealised profits	590	98
Total Retained Profits	(18,443)	9,703

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

	3 months ended 31.12.2010 RM'000	As at 31.12.2010 RM'000
Realised profits	1,308	29,316
Unrealised (losses)/profits	(67)	284
Total Retained Profits	1,241	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		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit attributable to equity holders of the parent (RM'000)	(18,443)	1,241	(12,223)	8,044
Weighted average number of Ordinary Shares in issue ('000)	341,859	113,953	309,390	113,269
Basic Earnings Per Ordinary Share (sen)	(5.39)	1.09	(3.95)	7.10

(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	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit-attributable to equity holders of the parent (RM'000)				
Weighted average number of	341,859	113,953	309,390	113,269

Ordinary Shares in issue ('000)				
Effect of dilution of share options ('000)	68,325	22,775	61,836	22,775
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	410,184	136,728	371,226	136,044
Diluted Earnings Per Ordinary Share (sen)	(4.50)	0.91	(3.29)	5.91

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 28 February 2012.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)

Company Secretary

Dated: 28 February 2012.