

K-One

K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**Condensed Consolidated Statements of Comprehensive Income
For The Third Quarter Ended 30 September 2019**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2019 Unaudited	30.9.2018 Unaudited	30.9.2019 Unaudited	30.9.2018 Unaudited
Operating revenue	26,941	20,091	70,374	55,024
Cost of sales	(21,391)	(14,664)	(53,390)	(41,733)
Gross profit	5,550	5,427	16,984	13,291
Other income	239	217	663	696
Interest income	402	411	1,222	1,236
Operating expenses	(4,188)	(3,943)	(12,554)	(11,352)
Profit from operations	2,003	2,112	6,315	3,871
Share of profit after tax of equity-accounted associate	0	201	13	501
Profit before tax	2,003	2,313	6,328	4,372
Income tax expense	(204)	(306)	(464)	(834)
Profit after tax for the period	1,799	2,007	5,864	3,538

Profit attributable to:

Owners of the Parent	1,501	2,007	4,966	3,538
Non-controlling interests	298	-	898	-
	1,799	2,007	5,864	3,538

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

Basic EPS	0.21	0.39	0.68	0.68
Diluted EPS	0.20	0.36	0.68	0.64

**Condensed Consolidated Statements of Comprehensive Income
For The Third Quarter Ended 30 September 2019 (Cont'd)**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2019 Unaudited	30.9.2018 Unaudited	30.9.2019 Unaudited	30.9.2018 Unaudited
Profit for the period	1,799	2,007	5,864	3,538
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	(21)	10	(8)	(4)
Total comprehensive income	1,778	2,017	5,856	3,534

Total comprehensive income attributable to:

Owners of the Parent	1,480	2,017	4,958	3,534
Non-controlling interests	298	-	898	-
	1,778	2,017	5,856	3,534

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position
As At 30 September 2019**

Figures in RM'000	Unaudited 30.9.2019	Audited 31.12.2018
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	13,492	10,174
Prepaid land lease	918	939
Intangible assets	352	82
Goodwill on consolidation	18,609	-
Deferred tax assets	1,217	1,036
Investment in associate company	9,214	9,201
Other investment	116	-
Total Non-Current Assets	43,918	21,432
<i>Current Assets</i>		
Inventories	19,986	15,487
Trade receivables	19,582	16,555
Other receivables	2,020	3,799
Tax recoverable	1,687	716
Short term cash investments	8,004	28,243
Cash and bank balances	43,319	36,355
Total Current Assets	94,598	101,155
TOTAL ASSETS	138,516	122,587

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	94,679	94,679
Reserves	4,258	3,668
Retained earnings	14,006	9,042
	112,943	107,389
Non-controlling Interest	2,092	-
Total Equity	115,035	107,389

**Condensed Consolidated Statements of Financial Position
As At 30 September 2019 (Cont'd)**

Figures in RM'000	Unaudited 30.9.2019	Audited 31.12.2018
EQUITY AND LIABILITIES		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	241	231
Total Non-Current Liabilities	241	231
<i>Current Liabilities</i>		
Trade payables	16,847	13,708
Other payables and accruals	813	1,191
Contract liabilities	4,761	-
Amount due to Directors	2	2
Tax payable	817	66
Total Current Liabilities	23,240	14,967
Total Liabilities	23,481	15,198
TOTAL EQUITY AND LIABILITIES	138,516	122,587
Net assets per share attributable to Owners of the Parent (sen)	15.85	16.67

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Changes in Equity
For The Third Quarter Ended 30 September 2019**

Figures in RM'000	<----Attributable to Owners of the Parent ---->						Non-controlling Interest	Total Equity
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total	Distributable		
At 1 January 2019	94,679	3,681	(13)	9,042	107,389		-	107,389
Comprehensive profit								
Profit for the period	-	-	-	4,966	4,966		2,092	7,058
Other comprehensive income								
Foreign currency translation difference	-	-	(8)	-	(8)		-	(8)
Total comprehensive profit	-	-	(8)	4,966	4,958		2,092	7,050
Transactions with owners								
Share based payment under Employees' Share Options Scheme ("ESOS")	-	596	-	-	596		-	596
Total transactions with owners	-	596	-	-	596		-	596
At 30 September 2019	94,679	4,277	(21)	14,008	112,943		2,092	115,035

**Condensed Consolidated Statements of Changes in Equity
For The Third Quarter Ended 30 September 2019 (Cont'd)**

Figures in RM'000	<----Attributable to Owners of the Parent ---->					Non-controlling Interest	Total Equity
	<-----Non-distributable		-----> Distributable		Total		
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Earnings			
At 1 January 2018	69,659	12,840	(12)	3,206	85,693	-	85,693
Comprehensive loss							
Profit for the period	-	-	-	3,538	3,538	-	3,538
Other comprehensive income							
Foreign currency translation difference	-	-	(4)	-	(4)	-	(4)
Total comprehensive loss	-	-	(4)	3,538	3,534	-	3,534
Transactions with owners							
Share based payment under Employees' Share Options Scheme (ESOS)	-	1,680	-	-	1,680	-	1,680
Total transactions with owners	-	1,680	-	-	1,680	-	1,680
At 30 September 2018	69,659	14,520	(16)	6,744	90,907	-	90,907

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Cash Flows
For The Third Quarter Ended 30 September 2019**

Figures in RM'000	9 months ended	
	30.9.2019	30.9.2018
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	6,328	4,372
Adjustments for:		
Depreciation of property, plant and equipment	1,005	519
Amortization of intangible assets	49	73
ESOS expense	596	1,680
Interest income	(1,222)	(1,236)
Foreign exchange gain– unrealized	(97)	(18)
Share of profit of associate company	(13)	(501)
Operating profit before working capital changes	6,646	4,889
Changes in working capital:		
Increase in inventory	(4,699)	(855)
(Increase)/Decrease in receivables	450	(2,414)
Increase/(Decrease) in payables	1,314	(709)
Cash generated from operations	3,711	911
Taxation paid	(875)	(795)
Interest income	1,222	1,236
<i>Net cash from operating activities</i>	4,058	1,352
CASH FLOW FROM INVESTING ACTIVITIES		
Redemption of short term cash fund	20,239	4,216
Withdrawal/(Placement) in time deposits	-	2,000
Acquisition of a subsidiary	(18,360)	-
Down payment for acquisition of company	-	(2,040)
Investment in non-quoted securities	(116)	-
Purchase of property, plant and equipment	(4,301)	(1,403)
Purchase of intangible assets	(320)	(4)
<i>Net cash (used in)/from investing activities</i>	(2,858)	2,769
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	(8)	-
<i>Net cash used in financing activities</i>	(8)	-

**Condensed Consolidated Statements of Cash Flows
For The Third Quarter Ended 30 September 2019
(Cont'd)**

Figures in RM'000	9 months ended	
	30.9.2019	30.9.2018
Net increase in cash and cash equivalents	1,192	4,121
Effect of exchange rate changes	(320)	297
Cash and cash equivalents at beginning of the period	12,356	5,115
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	13,228	9,533

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	9 months ended	
	30.9.2019	30.9.2018
Cash and bank balances	13,228	7,533
Deposit placed with licensed banks	30,574	13,500
	43,802	21,033
Less: Non-short term fixed deposits	(30,574)	(11,500)
	13,228	9,533

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

Part A: Explanatory Notes Pursuant to Financial Reporting Standard 134 (“FRS 134”) - Interim Financial Reporting

1. BASIS OF PREPARATION

The interim financial statements are unaudited and has been prepared in accordance with MFRS 134 – Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) for the ACE Market and should be read in conjunction with the audited statutory financial statements presented for the financial year ended 31 December 2018.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2018, except for the following Malaysian Financial Reporting Standards (MFRSs) and IC Interpretations (IC Int):

New MFRSs

MFRS 16 Leases

Amendments/Improvements to MFRSs

MFRS 3 Business Combinations

MFRS 9 Financial Instruments

MFRS 11 Joint Arrangements

MFRS 112 Income Taxes

MFRS 119 Employee Benefits

MFRS 123 Borrowing Costs

MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

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

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's Electronics Manufacturing Services (EMS) business, being predominantly export in nature (96.4% export in 3Q'19; 98.9% export in 3Q'18) 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.

Revenue contribution from the Cloud Computing business (through G-AsiaPacific Sdn. Bhd. for which the acquisition of 60% equity interest in the said company was concluded in March 2019) is almost entirely derived from Malaysia and is not subject to any obvious seasonality.

4. 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.

5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES

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

6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the period.

7. DIVIDENDS PAID

No dividend was paid during the quarter under review.

8. Notes to Consolidated Statement of Comprehensive Income

Figures in RM'000	3 months ended		9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
Depreciation of property, plant and equipment	(415)	(202)	(1005)	(519)
Amortization of intangible assets	(12)	(21)	(49)	(73)
Foreign exchange gain/(loss)				
- realized	51	134	(66)	(217)
- unrealized	55	132	97	18
Interest income	402	411	1,222	1,236

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	Cloud RM'000	Invest- ment Holding RM'000	Total RM'000
Sales					
External sales	162	20,727	6,040	12	26,941
Internal sales	-	-	-	-	-
Total operating sales	162	20,727	6,040	12	26,941
Others and interest income	339	278	19	5	641
	501	21,005	6,059	17	27,582
Results					
Segment results	(6)	1,260	751	(2)	2,003
Finance costs	-	-	-	-	-
Income tax	16	(214)	(6)	-	(204)
Profit after tax before non-controlling interest	10	1,046	745	(2)	1,799
Non-controlling interest	-	-	(298)	-	(298)
Profit after tax after non-controlling interest	10	1,046	447	(2)	1,501

9. SEGMENT INFORMATION (Cont'd)

(a) Contribution by Activities (Cont'd)

	Research, D&D and Sales RM'000	Manu- facturing RM'000	Cloud RM'000	Invest- ment Holding RM'000	Total RM'000
Other information					
Segment assets	60,633	50,041	11,921	10,576	133,171
Unallocated assets					5,345
					138,516
Segment liabilities	445	15,300	7,650	23	23,418
Unallocated liabilities					63
					23,481

(b) Sales Contribution by Geography for the EMS and Cloud Businesses

The geographical sales breakdown is as follows:

	9 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000
Malaysia	**16,082	610
Asia (excluding M'sia)	11,848	11,510
Europe	38,115	38,603
US	4,266	4,274
Oceania	47	5
Middle East	16	22
	70,374	55,024

** Includes RM14,055,695 from the Cloud business. The Cloud sales is entirely derived from Malaysia.

Note: The EMS business is 96.4% derived from the export markets with the balance of 3.4% from the local (Malaysia) market.

(c) Sales to Major Customers for the EMS Business

For the 9 months ended 30 September 2019, two (2) major international customers (each with revenue of more than 10% of the Group's revenue) contributed total revenue of approximately RM40.2 million (3Q'18: RM41.7 million).

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the financial quarter under review.

11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial quarter ended 30 September 2019.

12. CONTINGENT ASSETS & LIABILITIES

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

	<u>RM'000</u>
K-One Industry Sdn Bhd	<u>22,576</u>
	<u>22,576</u>

13. CAPITAL COMMITMENTS

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

14. SUBSEQUENT EVENT

Save as disclosed below, no material event has arisen in the interval between the end of this reporting period and the date of this report:

As announced on 29 October 2019, the Group had entered into a Share Buy Back Agreement (“the Agreement”) with Dato’ Mohammad Fadzlee bin Mustapa, Datin Sri Fuziah binti Mohd Nor and Mohammed Fadzlan bin Mustapa (collectively referred to as “Purchasers”) in respect to the Group’s disposal of 4,500,000 ordinary shares in AHM Consultancy & Security Services Sdn Bhd (“AHM”) for RM 8.7 million to be settled via the granting of Option Agreements by the Purchasers and family members to K-One Technology Bhd. to dispose of their respective properties and using the net proceeds (sales proceeds of the properties less deductions utilized towards redeeming the properties from existing financiers and legal fees payable to transaction solicitors) to pay for their share buy back in 2 tranches. The first tranche of RM2.9 million is to be paid using the net proceeds on completion, short of which will be granted an automatic extension of 6 months and further extension subject to mutual agreement. The balance is to be paid within 18 months from the date of the Agreement and may be mutually extended for another fixed period subject to mutual agreement, failing which will default to an extension of 6 months following the expiry of the settlement period. The disposal is in line with the Group’s business rationalization process to dispose of business which is not in line with its current strategy of focusing on its mainstay Electronics Manufacturing Services (EMS) or OEM/ODM space and the recently acquired Cloud business which have turned increasingly promising due to the ongoing US-China trade war and the current digitalization trend respectively. Furthermore, the change in Malaysia’s political landscape since last year has led to policy changes which impacted AHM’s security service business as it is dependent on the public sector and GLCs. Hence, the Group decided to divest its entire stake in AHM for mutual benefits; each to focus in growing its own core businesses.

15. PERFORMANCE REVIEW

(a) Current quarter compared to the corresponding quarter of last year (3Q'19 vs 3Q'18)

For the third quarter ended 30 September 2019, the Group's revenue increased by 34% to RM26.9 million from RM20.1 million in the corresponding quarter last year. The sales surge was contributed by two key factors. Firstly, the Electronics Manufacturing Services (EMS) business grew by RM0.8 million, stepping up from RM20.1 million in 3Q'18 to RM20.9 million in 3Q'19, driven by improved demand of industrial products, ramp up of specific medical/healthcare devices and commencement of production of a specific new IoT device. However, the sluggish demand of electronic security/surveillance peripherals, electronic headlamps and floor-care products due mainly to the soft markets encountered by customers in the latter's industry segments curtailed strong sales growth. Secondly, the Cloud business generated post-acquisition revenue of RM6.0 million in 3Q'19, following the completion of its acquisition in March 2019.

The Group registered profit attributable to equity holders of the parent company of RM1.5 million as compared to a profit of RM2.0 million for the corresponding quarter last year, representing a decrease of 25%. The EMS profit contribution was approximately RM1.1 million while the Cloud contributed about RM0.4 million.

On the EMS business, despite product mix changes favouring the higher margin industrial, medical/healthcare and IoT products, overall gross profit margin for the current quarter of 3Q'19 gravitated to 21% from 27% in 3Q'18. The end-of-life of a high margin product and cost-down exercise for a key consumer electronics customer pulled down the overall gross margin. The intense marketing activities such as holding of exhibitions overseas, particularly in US cities and targeted marketing blitz thru' digital platforms to generate sales leads which in turn led to increased prototype investments to fulfil potential customer needs, incidentally inflated expenses and conversely dampened profit growth.

On the Cloud business, profit based on 60% equity interest contributed about RM0.4 million, which was "compressed" in view of certain adjustment as a result of the change of accounting period to align with the K-One Group.

**(b) Current quarter versus the preceding quarter
(3Q'19 vs 2Q'19)**

The third quarter ended 30 September 2019 posted sales revenue of RM26.9 million, representing a 5% increase over the preceding quarter of RM25.5 million. The EMS and Cloud businesses contributed RM20.9 million and RM6.0 million respectively to make the RM26.9 million sales for the current quarter. Sales for the EMS business increased by RM2.0 million; from RM18.9 million (2Q'19) to RM20.9 million (3Q'19), representing a 11% increase due mainly to the commencement of manufacturing of specific new medical/healthcare and IoT devices while sales of electronic headlamps, industrial products and floor-care products were more or less flat. Sales revenue from the Cloud business decreased by 9% to RM6.0 million in the current quarter as compared to RM6.6 million in the preceding quarter due to certain adjustment following the change of its accounting period to coincide with the financial year ending December of the K-One Group. Discounting the said adjustment, the Cloud business continued its growth momentum, driven by continuous customer wins and increasing cloud adoption by existing customers.

The Group posted profit attributable to equity holders of the parent company of RM1.5 million as compared to a profit of RM1.8 million in the preceding quarter, denoting a decrease of 17%. The decrease was due to lower profit generated from the Cloud business as compared with the previous quarter as a result of the above said adjustment.

16. COMMENTARY ON PROSPECTS AND TARGETS

For the initial 9 months of the year ended 30 September 2019, the K-One Group delivered sales of RM70.4 million against RM55.0 million for the corresponding period last year, representing an increase of 28%.

EMS sales clocked in at RM56.3 million as compared with RM55.0 million in the corresponding period last year, representing an increase of RM1.3 million. Despite the global economic headwinds gaining strength as the year unfolded, electronic headlamps managed to register marginal growth while the medical/healthcare, IoT and industrial segments demonstrated sturdy sales growth as their sales projectiles were boosted by business from new customers. On the other hand, floor-care products and electronic security/surveillance peripherals succumbed to the softening global markets. Henceforth, the overall sales growth was curtailed to about 2% increase (RM56.3m;9Mths'19 vs RM55.0m;9Mths'18).

16. COMMENTARY ON PRESPECTS AND TARGETS (Cont'd)

As for the balance of the year, the EMS business is expected to be sturdy, primarily augmented by the start of mass production of a specific medical/healthcare device towards year end which has significant volume run. This mass production ramp up is expected to spill over to the following year (2020) barring unforeseen circumstances. The on-going US-China trade war, although volatile and unpredictable in outcome, nevertheless, is presenting ample opportunities. The K-One Group has been relentlessly tapping on such opportunities by continuously marketing its capabilities and competencies directly in the US markets through organized exhibitions and targeted marketing blitz to potential companies based in US. The business leads secured are encouraging. It is expected to crystallize them into sales next year and in the medium term.

The diversification into the Cloud business has contributed positive results in both the top and bottom lines. With the vast potential of the Cloud market in ASEAN, the Group is prepared and has the ability to replicate its success in other countries. Following the joint venture (JV) signed with its Indonesian partners on 4 September 2019, G-AsiaPacific Sdn. Bhd. (GAP) thru' its associate co, P.T. GAsia Pasific Indo has made good progress in promoting Cloud computing solutions in Indonesia. This JV is anticipated to generate good prospects as Indonesia is a potentially huge market for Cloud computing spurred by the swift growth in Internet users and the insatiable appetite for business to embrace digital transformation.

The global economic climate in the final quarter of the year is anticipated to undergo continued volatility, given the prolonged US-China rivalry and a disorderly Brexit. Despite external global headwinds, the K-One Group remains cautiously optimistic on its outlook ahead, underpinned by its diversification into the Cloud business which is expected to be a promising second engine of growth and continuous expansion into higher value-added products such as medical/healthcare and IoT devices with new customers' wins aided by manufacturing diversions from the ongoing US-China trade tensions. It is envisaged that the numerous customer wins in both the EMS and Cloud businesses in 2019 shall generate more promising business results in 2020 as the unexpected "start-up" issues relating to new products or solutions have been resolved for the majority while the balance are being resolved.

The Group will continue to improve business efficiency by implementing Industry 4.0 elements in its organisation, besides inculcating a cost-conscious mindset across the board to enhance sales and profit margin amid the challenging global and local economic environment.

17. INCOME TAX EXPENSE/(CREDIT)

	3 months ended		9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax	304	(200)	(181)	(200)
Current tax	(100)	506	645	1,034
Total Income Tax Expense	204	306	464	834

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period.

18. PURCHASES OR SALES OF UNQUOTED SECURITIES AND PROPERTIES

Save as disclosed below, there are no other purchases or disposal of unquoted securities and properties:

On 4 September 2019, K-One Technology Bhd., through its 60% owned subsidiary, G-AsiaPacific Sdn. Bhd. (GAP), subscribed 15% equity interest in a newly incorporated company in Indonesia known as P.T. GAsia Pasific Indo (GAP Indo). The subscription for the said 15% equity interest in GAP Indo was translated to approximately RM 116,280.

GAP Indo was incorporated for the purpose of forging a joint venture cum cooperation between GAP, Mr. Ian Frederick and Mr. Andree Santoso to promote cloud computing solutions in Indonesia. Mr. Ian Frederick is an Indonesian who had co-founded PT Witami Tunai Mandiri, an e-money and remittance licenced provider in 2013. He exited the business through an M&A exercise in 2016 while maintaining his other IT based business. Mr. Andree Santoso is an Indonesian who has about 20 years of experience in the IT industry.

19. QUOTED SECURITIES

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

20. CORPORATE PROPOSALS

Save as disclosed below, there are no other corporate proposals:

a) Proposed Acquisition of 60% Equity Interest in G-AsiaPacific Sdn. Bhd. (GAP), Proposed Call/Put Options and Proposed Diversification (hereinafter referred to as “Proposed Acquisition”)

The acquisition of 60% equity interest in GAP had been completed in March 2019. The Group will acquire the remaining 40% equity interest of GAP via call/put options, on condition that profit after tax for the year ended 2019 (Jan – Dec) of the said company exceeds RM3.4 million. This is expected to materialize in the first half of 2020.

21. BORROWINGS AND DEBTS SECURITIES

The term loan of RM781,000 as at 30 June 2019, which was taken by GAP to purchase its office in 2016 and was secured over the property purchased, had been fully repaid during the period. The said loan was in relation to the consolidation of GAP’s accounts into the Group’s financial results following the completion of the acquisition of 60% stake in GAP in March 2019.

Subsequent to the said loan repayment, the Group has neither any secured nor unsecured borrowings.

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at the end of the current quarter and up to the date of this report, there are no off balance sheet financial instruments which have a material impact to the financial statements under review.

23. 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.

24. PROPOSED DIVIDEND

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

25. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are based on the profit for the period attributable to equity holders of the Company and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(a) Basic earnings per share

	3 months ended		9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
Profit attributable to equity holders of the parent (RM'000)	1,501	2,007	4,966	3,538
Weighted average number of Ordinary Shares in issue ('000)	728,939	519,144	728,939	519,144
Earnings Per Ordinary Share (sen)	0.21	0.39	0.68	0.68

25. EARNINGS PER SHARE (Cont'd)

(b) Diluted earnings per share

	3 months ended		9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
Profit attributable to equity holders of the parent (RM'000)	1,501	2,007	4,966	3,538
Weighted average number of Ordinary Shares in issue ('000)	728,939	519,144	728,939	519,144
Effect of Share Options ('000)	6,099	32,500	6,099	32,500
Adjusted weighted average number of Ordinary Shares in issue ('000)	735,038	551,644	735,038	551,644
Diluted Earnings Per Ordinary Share (sen)	0.20	0.36	0.68	0.64

26. AUTHORIZED FOR ISSUE

The interim financial statements are authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 28 November 2019.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

28 November 2019