



K-One Technology Berhad (539757-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

**Condensed Consolidated Statements of Comprehensive Income
For The Third Quarter Ended 30 September 2020**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2020 Unaudited	30.9.2019 Unaudited	30.9.2020 Unaudited	30.9.2019 Unaudited
Operating revenue	23,850	26,941	59,855	70,374
Cost of sales	(19,537)	(21,391)	(49,085)	(53,390)
Gross profit	4,313	5,550	10,770	16,984
Other income	174	239	665	663
Interest income	203	402	743	1,222
Operating expenses	(4,233)	(4,188)	(12,829)	(12,554)
Fair value movement on put option liability	-	-	(927)	-
Profit/ (Loss) from operations	457	2,003	(1,578)	6,315
Share of profit after tax of equity-accounted associate	-	-	-	13
Profit/ (Loss) before tax	457	2,003	(1,578)	6,328
Income tax credit/(expense)	66	(204)	(236)	(464)
Profit/ (Loss) for the period	523	1,799	(1,814)	5,864

Profit/ (Loss) attributable to:

Owners of the Parent	523	1,501	(2,225)	4,966
Non-controlling interests	-	298	411	898
	523	1,799	(1,814)	5,864

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

Basic EPS/(LPS)	0.07	0.21	(0.29)	0.68
Diluted EPS/(LPS)	0.07	0.20	(0.29)	0.68

**Condensed Consolidated Statements of Comprehensive Income
For The Third Quarter Ended 30 September 2020 (Cont'd)**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2020 Unaudited	30.9.2019 Unaudited	30.9.2020 Unaudited	30.9.2019 Unaudited
Profit/ (Loss) for the period	523	1,799	(1,814)	5,864
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	(6)	(21)	(6)	(8)
Total comprehensive income/ (loss)	517	1,778	(1,808)	5,856

Total comprehensive income/
(loss) attributable to:

Owners of the Parent	523	1,480	(2,219)	4,958
Non-controlling interests	-	298	411	898
	523	1,778	(1,808)	5,856

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Financial Position
As At 30 September 2020

Figures in RM'000	Unaudited 30.9.2020	Audited 31.12.2019
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	15,570	15,264
Prepaid land lease	889	918
Intangible assets	14	26
Goodwill on consolidation	18,561	18,561
Deferred tax assets	1,244	1,401
Other investment	115	115
Total Non-Current Assets	36,393	36,285
<i>Current Assets</i>		
Inventories	20,396	20,310
Trade receivables	17,636	18,254
Other receivables	12,436	13,337
Tax recoverable	2,015	2,014
Short term cash investments	18,621	8,067
Cash and bank balances	32,129	42,617
Total Current Assets	103,233	104,599
TOTAL ASSETS	139,626	140,884

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	111,939	94,679
Reserves	4,645	4,343
Retained earnings	(270)	15,146
Put option over shares held by non-controlling interests	-	(16,212)
	116,314	97,956
Non-controlling Interests	-	2,903
Total Equity	116,314	100,859

**Condensed Consolidated Statements of Financial Position
As At 30 September 2020 (Cont'd)**

Figures in RM'000	Unaudited 30.9.2020	Audited 31.12.2019
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	241	241
Total Non-Current Liabilities	241	241
<i>Current Liabilities</i>		
Trade payables	14,724	15,131
Other payables and accruals	1,381	2,363
Contract liabilities	6,932	5,215
Gross obligation under put option	-	16,332
Amount due to Directors	-	2
Tax payable	34	741
Total Current Liabilities	23,071	39,784
Total Liabilities	23,312	40,025
TOTAL EQUITY AND LIABILITIES	139,626	140,884
Net assets per share attributable to Owners of the Parent (sen)	14.86	13.84

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2020**

Figures in RM'000	←----- Attributable to Owners of the Parent ----->						Non-controlling Interests	Total Equity
	←----- Non-distributable ----->				----- Distributable -----			
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Sub-total		
At 1 January 2020	94,679	4,422	(79)	(16,212)	15,146	97,956	2,903	100,859
Comprehensive loss								
Loss for the period	-	-	-	-	(2,225)	(2,225)	411	(1,814)
Other comprehensive income								
Foreign currency translation difference	-	-	(6)	-	-	(6)	-	(6)
Total comprehensive loss	-	-	(6)	-	(2,225)	(2,231)	411	(1,820)
Transaction with owners								
Issuance of Ordinary Shares	17,260	-	-	-	-	17,260	-	17,260
Elimination of put option over shares held by non-controlling interest	-	-	-	16,212	-	16,212	-	16,212
Changes in ownership interest of a subsidiary	-	-	-	-	(13,191)	(13,191)	(3,314)	(16,505)
Share based payment under Employees' Share Options Scheme ("ESOS")	-	308	-	-	-	308	-	308
	17,260	308	-	16,212	(13,191)	20,589	(3,314)	17,275
At 30 September 2020	111,939	4,730	(85)	-	(270)	116,314	-	116,314

**Condensed Consolidated Statements of Changes in Equity
For The Third Quarter Ended 30 September 2020 (Cont'd)**

Figures in RM'000	<----Attributable to Owners of the Parent ---->						Non-controlling Interests	Total Equity
	←-----Non-distributable			-----> Distributable				
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total			
At 1 January 2019	94,679	3,681	(13)	9,042	107,389	-	107,389	
Comprehensive loss								
Profit for the period	-	-	-	4,966	4,966	2,092	7,058	
Other comprehensive income								
Foreign currency translation difference	-	-	(8)	-	(8)	-	(8)	
Total comprehensive loss	-	-	(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	

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 2019 and the accompanying explanatory notes attached to the interim financial statements

**Condensed Consolidated Statements of Cash Flows
For The Third Quarter Ended 30 September 2020**

Figures in RM'000	9 months ended	
	30.9.2020	30.9.2019
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation	(1,578)	6,328
Adjustments for:		
Depreciation of property, plant and equipment	1,534	1,005
Amortization of intangible assets	25	49
ESOS expense	308	596
Interest income	(743)	(1,222)
Foreign exchange gain – unrealized	(200)	(97)
Fair value movement on put option liability	927	-
Share of profit of associate company	-	(13)
Operating profit before working capital changes	273	6,646
Changes in working capital:		
Increase in inventory	(86)	(4,699)
Decrease in receivables	1,518	450
Increase in payables	328	1,314
Cash generated from operations	2,033	3,711
Taxation paid	(783)	(875)
Interest income	743	1,222
Net cash from operating activities	1,993	4,058
CASH FLOW FROM INVESTING ACTIVITIES		
Placement of short term cash fund	(10,554)	20,239
Redemption of time deposits	5,608	-
Acquisition of an associate company	-	(18,360)
Investment in non- quoted securities	-	(116)
Purchase of property, plant and equipment	(1,824)	(4,301)
Purchase of intangible assets	-	(320)
Net cash used in investing activities	(6,770)	(2,858)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	-	(8)
Net cash used in financing activities	-	(8)

**Condensed Consolidated Statements of Cash Flows
For The Third Quarter Ended 30 September 2020
(Cont'd)**

Figures in RM'000	9 months ended	
	30.9.2020	30.9.2019
Net (decrease)/ increase in cash and cash equivalents	(4,777)	1,192
Effect of exchange rate changes	(211)	(320)
Cash and cash equivalents at beginning of the period	14,617	12,356
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	9,629	13,228

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figures in RM'000	9 months ended	
	30.9.2020	30.9.2019
Cash and bank balances	9,629	13,228
Deposit placed with licensed banks	22,500	30,574
	32,129	43,802
Less: Non-short term fixed deposits	(22,500)	(30,574)
	9,629	13,228

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2019.

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 2019, except for the following Malaysian Financial Reporting Standards (MFRSs) and IC Interpretations (IC Int):

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

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 Electronic Manufacturing Services (EMS) business, predominantly export in nature (99.9% export in 3Q’20; 96.4% export in 3Q’19) 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 demand mainly attributed to the consumer electronics market segment in conjunction with Christmas and New Year seasons overseas.

Revenue contribution from the Cloud Computing business (through G-AsiaPacific Sdn. Bhd.) is mainly 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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Depreciation of property, plant and equipment	(496)	(415)	(1,534)	(1,005)
Amortization of intangible assets	(9)	(12)	(25)	(49)
Foreign exchange gain/(loss)				
- realized	(155)	51	73	(66)
- unrealized	87	55	200	18
Interest income	203	402	743	1,222

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	535	15,938	7,377	-	23,850
Internal sales	-	-	-	-	-
Total operating sales	535	15,938	7,377	-	23,850
Others and interest income	75	157	16	129	377
	610	16,095	7,393	129	24,227
Results					
Segment results	326	36	451	(356)	457
Finance costs	-	-	-	-	-
Income tax credit/(expense)	71	5	(12)	2	66
Profit after tax before non-controlling interests	397	41	439	(354)	523
Non-controlling interests	-	-	-	-	-
Profit after tax after non-controlling interests	397	41	439	(354)	523
Other information					
Segment assets	10,107	53,881	19,246	53,134	136,368
Unallocated assets					3,258
					139,626
Segment liabilities	176	12,445	10,332	86	23,039
Unallocated liabilities					273
					23,312

9. SEGMENT INFORMATION (Cont'd)

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

The geographical sales breakdown is as follows:

	9 months ended	
	30.9.2020	30.9.2019
	RM'000	RM'000
Malaysia	**23,836	16,082
Asia (excluding M'sia)	2,212	11,848
Europe	25,380	38,115
US	8,333	4,266
Oceania	94	47
Middle East	-	16
	<u>59,855</u>	<u>70,374</u>

** Includes RM19,809,049 from the Cloud business. The Cloud sales is mainly derived from Malaysia.

Note: The EMS business is 99.9% (3Q'19: 96.4%) derived from the export markets with the balance of 0.1% (3Q'19: 3.6%) from the local (Malaysian) market.

(c) Sales to Major Customers for the EMS Business

For the 9 months ended 30 September 2020, two (2) major international customers (each with revenue of more than 10% of the Group's revenue) contributed total revenue of approximately RM22.4 million (3Q'19: RM40.2 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 2020.

12. CONTINGENT ASSETS & LIABILITIES

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

	RM'000
K-One Industry Sdn Bhd	22,576
	22,576

13. CAPITAL COMMITMENTS

	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Capital expenditures approved and contracted for:-				
- Property, plant and equipment	1,170	-	1,170	-

14. SUBSEQUENT EVENT

There are no subsequent events which have a material impact on the financial statements under review.

15. PERFORMANCE REVIEW

(a) Current quarter compared to the corresponding quarter of last year (3Q'20 vs 3Q'19)

For the third quarter ended 30 September 2020, the Group's sales revenue decreased by 11% to RM23.9 million from RM26.9 million in the corresponding quarter last year, primarily due to subdued sales in certain product portfolios of the non-medical/healthcare segment of the EMS business as a result of the COVID-19 pandemic induced global economic downturn. On a brighter note, the medical/healthcare segment of the EMS business and the Cloud business demonstrated resilience to grow for the same period to period comparison, albeit unable to make up for the sales decline in the non-medical/healthcare segment of the EMS business.

EMS Sales

Sales from the EMS business retracted by RM4.4 million; decreasing to RM16.5 million in the current quarter from RM20.9 million in the corresponding quarter last year. The sales decline was mainly attributed to the sluggish demand of electronic headlamps, industrial equipment and IoT devices as a result of soft global market demands encountered by customers in the latter's industry segments, which were facing economic headwinds in the prevailing COVID-19 pandemic crisis. Fortunately, medical/healthcare devices exhibited continuous and sustainable growth which managed to prop up the EMS sales.

Cloud Sales

The Cloud business generated sales revenue of RM7.4 million in 3Q'20 as compared with RM6.0 million in the corresponding quarter last year on higher recurring revenue. The COVID-19 pandemic catalyzed the pace of cloud adoption and usage especially for operational continuity, as witnessed by behavioural shifts on work processes and remote working among the public and private business sectors. On the other hand, there are visible signs that businesses are delaying the retirement of legacy systems by replacing with Cloud solutions to focus on surviving the COVID-19 crisis, which otherwise would have generated stronger sales growth momentum with added contribution from development/implementation orders. Overall, the recurring revenue from existing customers posted strong sales which more than made up for the shortfall in development/implementation orders to yield net growth of 23% when comparing sales for the same periods (3Q'20 vs 3Q'19).

15. PERFORMANCE REVIEW(Cont'd)

(a) Current quarter compared to the corresponding quarter of last year (Cont'd) (3Q'20 vs 3Q'19)

EMS/Cloud Earnings

The EMS business registered a profit of RM0.1 million while the Cloud business contributed a profit of RM0.4 million, making a total net profit of RM0.5 million as compared to a total net profit of RM1.5 million for the corresponding quarter last year.

The profit decline was mainly attributed to the EMS business due to it recording a lower revenue and overall gross profit margin sliding from 21% in 3Q'19 to 18% in 3Q'20. Adverse production overhead variances on sales volume shrink and lower manufacturing yield on new product lines due to steep learning curve had significantly pulled down the overall gross margin. Nevertheless, the technical issues relating to manufacturing processes had been resolved during the quarter and production had since been running more efficiently for the affected product. Increasing initial investments on prototypes making to bid for new business and submissions for certifications, extra COVID-19 related expenses incurred for Conditional Movement Control Order (CMCO)/Recovery Movement Control Order (RMCO) compliance purposes and foreign exchange loss in view of the weakening US Dollar exerted adverse pressure on the performance of the EMS business in 3Q'20.

On the Cloud business, profit stayed flat at RM0.4 million quarter-on-quarter despite sales growth due to softened profit margin amid reduced development/implementation orders. Nonetheless, the reporting quarter had benefited from the acquisition of the remaining 40% equity interest in G-AsiaPacific Sdn. Bhd. (GAP) in June 2020, which resulted in enhanced third-quarter profit.

(b) Current quarter versus the preceding quarter (3Q'20 vs 2Q'20)

The third quarter ended 30 September 2020 posted sales revenue of RM23.9 million, representing a 26% increase over the preceding quarter of RM19.0 million. The EMS and Cloud businesses contributed RM16.5 million and RM7.4 million respectively to make the RM23.9 million sales revenue for the current quarter.

15. PERFORMANCE REVIEW(Cont'd)

(b) Current quarter versus the preceding quarter (Cont'd) (3Q'20 vs 2Q'20)

EMS Sales

Sales for the EMS business expanded by RM4.3 million; from RM12.2 million (2Q'20) to RM16.5 million (3Q'20), representing a 26% increase. The uptick in EMS sales was mainly due to the continuous sales growth momentum of medical/healthcare devices and associated product portfolio. However, the sales surge which could have achieved a higher trajectory was impeded by weak contributions from industrial equipment as a key customer was considering replacement models for its nearing end-of-life products.

Cloud Sales

Sales revenue from the Cloud business increased by 9% to RM7.4 million in the current quarter as compared to RM6.8 million in the preceding quarter, due mainly to rising recurring revenue.

EMS/Cloud Earnings

The Group posted profit attributable to equity holders of the parent company of RM0.5 million as compared to a loss of RM2.9 million in 2Q'20. Incidentally, the loss registered in the preceding quarter was materially negatively affected by the recognition of fair value movement on Put Option liability over shares of a subsidiary, namely; G-AsiaPacific Sdn. Bhd. (GAP) of RM0.9 million. The EMS business registered a profit of RM0.1 million as compared with a loss of RM2.4 million in the previous quarter due to higher revenue and better gross profit margin. Earnings from the Cloud business was the same at RM0.4 million despite sales growth due to lower profit margin amid weakened development/implementation orders as businesses take a wait-and-see attitude on major capital and/or IT investment in view of the COVID-19 backdrop. Nonetheless, the reporting quarter's profit had been enhanced from the acquisition of the remaining 40% equity interest in GAP in June 2020 and therefore, the bottom line is not an apple-to-apple comparison as it is with the top line.

16. COMMENTARY ON PROSPECTS AND TARGETS

For the initial 9 months of the year ended 30 September 2020, the K-One Group delivered sales of RM59.9 million against RM70.4 million for the corresponding period last year, representing a decrease of 15%.

16 COMMENTARY ON PROSPECTS AND TARGETS (Cont'd)

EMS's sales clocked-in at RM40.0 million on a cumulative nine-month basis compared with RM56.3 million in the corresponding period last year, representing a decline of RM16.3 million (29%). Industrial equipment, electronic headlamps and IoT gadgets's sales succumbed to the COVID-19 pandemic induced global economic downturn. The medical/healthcare segments, on the contrary, registered sales increase in view of strong market demand spurred by the COVID-19 pandemic and production ramp up for new medical/healthcare customers. However, these were insufficient to make up for the shortfall arising from the said consumer electronics, IoT and industrial segments.

Cloud business, the second engine of growth of the K-One Group, generated sales revenue of RM19.8 million for the initial 9 month period of 2020 as compared with RM14.1 million in the accountable period last year. Despite the enforcement of MCO in Malaysia on 18 March 2020 and subsequent morphing to CMCO/RMCO currently, the Group's Cloud business remains resilient. While development/implementation order growth from new customers had been stunted due to restricted movement and a wait-and-see attitude of most businesses, the recurring business from existing customers, on the contrary, increased as remote working, e-commerce and e-learning uptrends spurred Internet connectivity and data usage which benefited Cloud.

Moving forward to the final quarter of the year, barring unforeseen circumstances, the Group is cautiously hopeful and expects to see sales improving based upon the rationales and expectations illustrated below in the EMS and Cloud businesses's prospects respectively.

EMS Business

a) In the medical/healthcare segment of the EMS business, production of specific new medical/healthcare products is anticipated to maintain the ramp up to meet increasing demand generated by escalating COVID-19 infections worldwide. Furthermore, the Group's medical product portfolio expansion to encompass COVID-19 medical aids which includes nasal swabs and ventilators are taking traction while the syringe safety needle cap manufacturing undertaking is making progress, targeting to ride on the upsurge in demand of syringes and safety needle caps required for inoculation of COVID-19 vaccine. The recent business collaboration with an established local company, Selia-Tek Medical Sdn Bhd (Selia-Tek Med) is expected to enhance the distribution of the nasal swab and ventilator respectively to the local testing laboratories and hospitals. On the other hand, the Group will have the opportunity to bundle Selia-Tek Med's syringes with its own safety needle caps for distribution to the worldwide markets to meet individual customers requirements as appropriate. The Group is constantly strengthening its distribution network locally and overseas to market its medical aids – nasal swabs, ventilators and syringe safety needle caps.

16 COMMENTARY ON PROSPECTS AND TARGETS (Cont'd)

b) On the consumer electronics, industrial and IoT sectors of the EMS business, orders from existing customers are gradually recovering aided by stimulus packages from governments all over the world to pump-prime their respective economic activities. Additionally, sales generally increase moving into the last quarter of the year due to seasonality. The news that Pfizer and Moderna had seen a more than 90% success rate in its their vaccine trials on 9 and 16 November 2020 respectively could further boost sales of both the medical/healthcare and non-medical/healthcare segments moving forward as overall business confidence improves.

c) Simultaneously, the Group is working hard to convert potential US customers to actual clients by riding the foreseeable next wave of manufacturing diversions out of China. The Group has taken the necessary steps to position itself as a choice beneficiary of the potential business diversion.

Cloud Business

a) Recurring revenue from the significant pool of GAP's existing customers is expected to be sturdy as most businesses and society at large would most likely continue to work from home and adopt new behavioural habits of online buying, both of which augurs well for cloud usage and thus beneficial to the Group.

b) In November 2020, GAP via its wholly-owned subsidiary, G-AsiaPacific (S) Pte. Ltd. had secured a major new customer based in Singapore. GAP will be providing cloud services with contract value of approximately RM10 million per year for 3 years ie total of RM30 million commencing December 2020. The said customer is one of the leading stock photo companies in the world. With a well known customer in Singapore, it shall act as a good reference to grow the Group's Cloud business in Singapore in the near future.

c) In addition, following the joint venture (JV) signed with its Indonesian partners on 4 September 2019, GAP thru' its investment in P.T. GAsia Pasific Indo has made good progress in promoting Cloud computing solutions in Indonesia. These recent breakthroughs in Indonesia and Singapore reflect the Group's Cloud business's continued expansion strategy in ASEAN which promises immense growth potential despite the COVID-19 headwinds.

It is worth to note that the Group is debt free and has cash surplus of RM51 million. During such times of poor or recessionary economies, it is advantageous to be in a strong financial position so that it can expand its business organically without financial restraints and be also able to seize the opportunity to acquire synergistic businesses at less demanding valuations.

16 COMMENTARY ON PROSPECTS AND TARGETS (Cont'd)

In conclusion, the Group is cautiously hopeful and expects the overall sales outlook for the remainder of the year to be on a rising trend, while its medical/healthcare OEM/ODM and OBM businesses and Cloud business are primed for further growth in the coming years underpinned by the unprecedented opportunities brought upon by the changing business landscape inflicted by COVID-19. The Group acknowledges that it is operating in a bumpy global economic environment with mounting global economic risks marked with instability, unabating COVID-19 pandemic woes, lingering global protectionism and heightened geopolitical tensions. Notwithstanding, it will endeavour to capitalise on new opportunities which may arise to enhance its growth prospects.

In this New Normal, it is challenging to gauge future prospects with any certainty. However, the Group will fall back on its seasoned experience, management competencies and technical knowledge to guide it through this unprecedented global condition. It will try its best to meet the challenges ahead and navigate wisely to overcome any new risks in uncharted waters such as those posed by the medical aids and ancillaries related to COVID-19 which it had expanded into.

17. INCOME TAX EXPENSE/(CREDIT)

	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Current tax				
Current financial year	7	(100)	309	645
Over provision in prior financial years	(73)	-	(73)	-
Deferred tax		304	-	(181)
Total Income Tax (Credit)/Expense	(66)	204	236	464

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

There were no purchases or disposal of unquoted securities and properties during the financial quarter.

19. QUOTED SECURITIES

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

20. CORPORATE PROPOSALS

There are no corporate proposals announced but not completed as at the reporting date.

21. BORROWINGS AND DEBTS SECURITIES

The Group has neither any secured nor unsecured borrowings as at 30 September 2020.

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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit/ (Loss) attributable to equity holders of the parent (RM'000)	523	1,501	(2,225)	4,966
Weighted average number of Ordinary Shares in issue ('000)	782,708	728,939	755,725	728,939
Earnings/ (Loss) Per Ordinary Share (sen)	0.07	0.24	(0.29)	0.48

25. EARNINGS PER SHARE (Cont'd)

(b) Diluted earnings per share

	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit/ (Loss) attributable to equity holders of the parent (RM'000)	523	1,501	(2,225)	4,966
Weighted average number of Ordinary Shares in issue ('000)	782,708	728,939	755,725	728,939
Effect of Share Options ('000)	25,415	12,167	25,415	12,167
Adjusted weighted average number of Ordinary Shares in issue ('000)	808,123	741,106	781,140	741,106
Diluted Earnings/ (Loss) Per Ordinary Share (sen)*	0.07	0.24	(0.29)	0.47

* The diluted loss per share is the same with the basic loss per share for nine (9) months ended 30 September 2020 as the potential ordinary shares are anti-dilutive.

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 26 November 2020.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

26 November 2020