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K-One looking to the cloud for a pot of gold

BY LIEW JIA TENG

After a turnaround last year, ACE Market-listed box-build manufacturer K-One Technology Bhd is banking on its newly-acquired cloud computing business to shore up its financial performance.

According to K-One executive chairman and co-founder Edwin Lim Beng Fook, the global window of opportunity for cloud computing services may be closing within the next three years, but there is still immense opportunity in Southeast Asia.

As such, it is important for G-Asia-Pacific Sdn Bhd — the cloud computing arm of K-One — to establish itself and gain a foothold in the Asean market, which is a laggard in the sector compared with the US, Europe, Japan, South Korea and China, he tells *The Edge* in an interview. “Although G-AsiaPacific is already the market leader in Malaysia, our next target is to venture abroad. We have to grab as much low-hanging fruit as we can within a short period of time.”

Starting this year, G-AsiaPacific will venture into Indonesia, Vietnam, Thailand and the Philippines, followed by Singapore in its second

phase of expansion. Myanmar, Laos and Cambodia could come after.

“We have to spread our arms all over the Asean region. We want to give our potential competitors a run for their money. This game is about who gets there first to garner the market share,” says Lim, 61, who co-founded K-One in 2001.

Last month, K-One completed the acquisition of a 60% stake in G-Asia-Pacific for RM20.4 million cash. As a whole, the company is valued at RM34 million, representing eight times its annual profit guarantee of RM4.25 million.

G-AsiaPacific is a fully integrated cloud advisory and brokerage firm founded by three technopreneurs — Goh Kiang Kiat, Goh Kiang Kian and Chen Kak Toong — in 2008.

Lim acknowledges the trio could still grow G-AsiaPacific on their own but, by combining forces, K-One could take the company to the next level within a shorter time.

“They were introduced to me by friends almost a year ago. I came to learn that they have done pretty well over the last 10 years, growing from a smallish firm to a medium-sized tech company today. They hope to take the company to greater heights,



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so we decided to do this.”

Interestingly, K-One intends to acquire the remaining 40% of AsiaPacific as early as the second or third quarter of next year, through the issuance of K-One shares to the three founders.

In the financial year ended Feb 28, 2018 (FY2018), G-AsiaPacific generated a profit of about RM4 million on revenue of RM17.5 million. Lim says the company has been profitable all along, but has only grown to a respectable size in recent years.

“Today, everybody is jumping into

the cloud computing space, including Alibaba and Tencent. Then there are Apple and IBM. Some of these companies are expecting cloud services to make the most money for them in the coming years. It is a very important space,” he says.

Three main principals

At the moment, G-AsiaPacific has three principals — Amazon Web Services, Google and Microsoft. When the time is right, the company aims to take on additional principals.

“We are always exploring, we never close our doors. We might secure one or two new principals in the next two years,” says Lim.

For perspective, G-AsiaPacific is a distributor for Amazon, Google and Microsoft. The company does not own any physical data and data centres. It helps the clients of the principals manage and migrate their data to the cloud, hosted by Amazon, Google and Microsoft, which own the data centres.

“Most of the time, companies have their own in-house servers and backup servers. But as they grow bigger, rather than storing the data in their own servers, they might as well put it up on the cloud,” says Lim.

As for the principals, he says that their capital expenditure and working capital should reduce as they do not have to hire so many employees around the world. “Their preferred business model is to work with partners like us. We hire the technical staff, who will be trained by the principals, and our people do the migration and maintenance on their behalf. We even knock on doors and sign up clients for them.”

Currently, G-AsiaPacific has over 3,000 customers in Malaysia, including AirAsia Bhd, Gamuda Land, IJM Corp, Malindo Air, Padini, Royal Selangor, Starbucks and Shiseido.

“I believe Malaysians have started to realise the benefits of technology and the cloud, how it can help them to save costs,” says Lim.

Following two consecutive years of losses, K-One returned to the black in the financial year ended Dec 31, 2018 (FY2018), with a net profit of RM5.6 million on revenue of RM73 million.

With G-AsiaPacific's profit guarantee, Lim expects K-One, which has a market capitalisation of RM174.9 million, to register strong double-digit revenue and profit growth for the next two years at the very least. ■