



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022**

**Condensed Consolidated Statements of Comprehensive Income
 For The Third Quarter Ended 30 September 2022**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2022 Unaudited	30.9.2021 Unaudited	30.9.2022 Unaudited	30.9.2021 Unaudited
Operating revenue	44,690	23,812	118,030	89,869
Cost of sales	(38,233)	(21,725)	(104,828)	(77,521)
Gross profit	6,457	2,087	13,202	12,348
Other income	723	98	1,679	896
Interest income	106	159	306	539
Operating expense	(5,081)	(4,310)	(14,530)	(12,762)
Profit/ (Loss) before tax	2,205	(1,966)	657	1,021
Income tax expense	(391)	(439)	(965)	(857)
Profit/ (Loss) for the period	1,814	(2,405)	(308)	164

Profit/(Loss) attributable to:

Owners of the Parent	1,814	(2,405)	(308)	164
Non-controlling interests	-	-	-	-
	1,814	(2,405)	(308)	164

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

Basic EPS/(LPS)	0.22	(0.29)	(0.04)	0.02
Diluted EPS/(LPS)	0.22	(0.29)	(0.04)	0.02

**Condensed Consolidated Statements of Comprehensive Income
 For The Third Quarter Ended 30 September 2022 (Cont'd)**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2022 Unaudited	30.9.2021 Unaudited	30.9.2022 Unaudited	30.9.2021 Unaudited
Profit/(Loss) for the period	1,814	(2,405)	(308)	164
Items that may be subsequently reclassified to profit/(loss):				
Foreign currency translation	23	(21)	(19)	(15)
Total comprehensive income/ (loss)	1,837	(2,426)	(327)	149

Total comprehensive income/ (loss) attributable to:

Owners of the Parent	1,837	(2,426)	(327)	149
Non-controlling interests	-	-	-	-
	1,837	(2,426)	(327)	149

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position
As At 30 September 2022**

Figures in RM'000	Unaudited 30.9.2022	Audited 31.12.2021
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	15,796	16,732
Prepaid land lease	832	854
Intangible assets	25	29
Goodwill on consolidation	18,561	18,561
Investment property	4,656	4,800
Deferred tax assets	1,846	1,930
Other investment	115	115
Total Non-Current Assets	41,831	43,021
<i>Current Assets</i>		
Inventories	33,669	27,668
Trade receivables	37,340	25,426
Other receivables	8,851	7,418
Tax recoverable	2,561	2,322
Short term cash investments	4,565	16,538
Cash and bank balances	33,697	29,871
Total Current Assets	120,683	109,243
TOTAL ASSETS	162,514	152,264

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	123,644	123,644
Reserves	(97)	245
Retained earnings/(Accumulated losses)	(9,195)	(9,210)
Total Equity	114,352	114,679

**Condensed Consolidated Statements of Financial Position
 As At 30 September 2022 (Cont'd)**

Figures in RM'000	Unaudited 30.9.2022	Audited 31.12.2021
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	396	387
Total Non-Current Liabilities	396	387
<i>Current Liabilities</i>		
Trade payables	36,310	26,401
Other payables and accruals	2,393	2,685
Contract liabilities	8,757	7,401
Tax payable	306	711
Total Current Liabilities	47,766	37,198
Total Liabilities	48,162	37,585
TOTAL EQUITY AND LIABILITIES	162,514	152,264
Net assets per share attributable to Owners of the Parent (sen)	13.74	13.78

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 2022**

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 2022	123,644	323	(78)	-	(9,210)	114,679	-	114,679
Comprehensive loss								
Loss for the period	-	-	-	-	(308)	(308)	-	(308)
Other comprehensive loss								
Foreign currency translation difference	-	-	(19)	-	-	(19)	-	(19)
Reclassification of share option reserve upon expiry of ESOS	-	(323)	-	-	323	-	-	-
Total comprehensive income/(loss)	-	-	(19)	-	15	(327)	-	(327)
At 30 September 2022	123,644	-	(97)	-	(9,195)	114,352	-	114,352

**Condensed Consolidated Statements of Changes in Equity
For The Third Quarter Ended 30 September 2022 (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	Other Reserve	Retained Earnings	Sub-Total		
At 1 January 2021	119,786	1,744	(83)	-	(6,504)	114,943	-	114,943
Comprehensive income								
Profit for the period	-	-	-	-	164	164	-	164
Other comprehensive income								
Foreign currency translation difference	-	-	(15)	-	-	(15)	-	(15)
Total comprehensive income	-	-	(15)	-	164	149	-	149
Transaction with owners								
Share based payment under Employees' Share Options Scheme ("ESOS")	-	77	-	-	-	77	-	77
	-	77	-	-	-	77	-	77
At 30 September 2021	119,786	1,821	(98)	-	(6,340)	115,169	-	115,169

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 2021 and the accompanying explanatory notes attached to the interim financial statements

**Condensed Consolidated Statements of Cash Flows
For The Third Quarter Ended 30 September 2022**

Figures in RM'000	9 months ended	
	30.9.2022	30.9.2021
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	657	1,021
Adjustments for:		
Depreciation of property, plant and equipment	1,867	1,911
Amortization of intangible assets	4	3
Depreciation of investment property	144	-
Share option granted under ESOS	-	77
Interest income	(306)	(539)
Foreign exchange gain– unrealized	(825)	(117)
Fair value gain on short term investment	(27)	-
Impairment of plant and equipment	1,643	-
Operating profit before working capital changes	3,157	2,356
Changes in working capital:		
(Increase)/Decrease in inventory	(6,001)	(7,692)
(Increase)/Decrease in receivables	(13,586)	3,359
Increase/(Decrease) in payables	10,973	1,662
Net cash used in operations	(5,457)	(3,639)
Taxation paid	(1,088)	(637)
Interest income	306	539
<i>Net cash used in operating activities</i>	(6,239)	(3,737)
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal of short-term cash fund	12,000	2,121
Withdrawal of deposits with licensed bank	2,500	-
Purchase of property, plant and equipment	(2,552)	(927)
<i>Net cash generated from used in investing activities</i>	11,948	1,194

**Condensed Consolidated Statements of Cash Flows
 For The Third Quarter Ended 30 September 2022 (Cont'd)**

Figure in RM'000	9 months ended	
	30.9.2022	30.9.2021
Net increase in cash and cash equivalents	5,709	(2,543)
Effect of exchange rate changes	609	(324)
Cash and cash equivalents at beginning of the period	9,879	14,704
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	16,197	11,837

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	9 months ended	
	30.9.2022	30.9.2021
Cash and bank balances	16,197	11,837
Deposit placed with licensed banks	17,500	22,500
	33,697	34,337
Less: Non-short term fixed deposits	(17,500)	(22,500)
	16,197	11,837

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 2021.

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 2021, except for the following Malaysian Financial Reporting Standards (MFRSs) and IC Interpretations (IC Int):

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

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 K-One Group’s Electronic Manufacturing Services (EMS) business is predominantly export-oriented (91.1% export for 9 Mths’22; 99.5% export for 9 Mths’21) and is subject to seasonal fluctuations. The increase in local sales for 9 Mths’22 was due to the brisk uptick of COVID-19 Antigen saliva self-test kits in the local market. Discounting the preceding as an exception, business in the second half of the year is normally stronger than the first half of the year due to surge in demand attributed mainly to the consumer electronics market in conjunction with Christmas and New Year seasons overseas.

Revenue contribution from the Cloud Computing (Cloud) business is mainly derived from Malaysia and Singapore 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	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
Depreciation of property, plant and equipment	(492)	(652)	(1,867)	(1,911)
Depreciation of investment property	(144)	-	(144)	-
Impairment of plant and equipment	-	-	(1,643)	-
Amortization of intangible assets	(2)	(1)	(4)	(3)
Foreign exchange gain/(loss)				
- realized	230	38	649	242
- unrealized	435	(97)	825	117
Interest income	106	159	306	539

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	758	28,012	15,920	-	44,690
Internal sales	-	-	-	-	-
Total operating sales	758	28,012	15,920	-	44,690
Others and interest income	107	612	13	97	829
	865	28,624	15,933	97	45,519
Results					
Segment results	236	1,474	915	(420)	2,205
Finance costs	-	-	-	-	-
Income tax expense	(104)	(102)	(185)	-	(391)
Profit/(Loss) after tax before non-controlling interests	132	1,372	730	(420)	1,814
Non-controlling interests	-	-	-	-	-
Profit/(Loss) after tax after non-controlling interests	132	1,372	730	(420)	1,814
Other information					
Segment assets	8,539	77,092	33,534	38,942	158,107
Unallocated assets					4,407
					162,514
Segment liabilities	838	25,659	20,833	88	47,418
Unallocated liabilities					744
					48,162

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 30.9.2022		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	6,027	31,677	37,704
Asia (excluding M'sia)	11,141	18,533	29,674
Europe	39,671	41	39,712
US	10,580	-	10,580
Oceania	147	213	360
	67,566	50,464	118,030

	9 months ended 30.9.2021		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	276	25,080	25,356
Asia (excluding M'sia)	8,663	12,198	20,861
Europe	29,834	-	29,834
US	13,791	-	13,791
Oceania	27	-	27
	52,591	37,278	89,869

Note: 1)The EMS business is 91.1% (9 Mths'21: 99.5%) derived from the export markets with the balance of 8.9% (9 Mths'21: 0.5%) from the local (Malaysian) market.

2)The Cloud business is 37.2% (9 Mths'21: 32.7%) derived from the overseas markets with the balance of 62.8% (9 Mths'21: 67.3%) derived from the local (Malaysian) market.

(c) Sales to Major Customers

For the 9 months ended 30 September 2022, two (2) major international customers contributed more than 10% of the Group's revenue.

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 2022.

12. CONTINGENT ASSETS & LIABILITIES

As at the end of the quarter under review, the corporate guarantee for credit facilities granted to a subsidiary but not utilised as the Group has cash surplus was:-

	<u>RM'000</u>
K-One Industry Sdn Bhd	<u>20,576</u>
	<u>20,576</u>

13. CAPITAL COMMITMENTS

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

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'22 vs 3Q'21)

For the third quarter ended 30 September 2022 (3Q'22), the Group's sales revenue increased to RM44.7 million from RM23.8 million in the corresponding quarter last year (3Q'21), recording an impressive growth of 89% underpinned by strong Electronic Manufacturing Services' (EMS) sales and rising recurring revenue in the Cloud Computing (Cloud) business.

EMS Sales

The EMS business had its best quarter since 2016 as sales surged to RM28.8 million in the reporting quarter from RM11.5 million in the corresponding quarter last year, representing a sterling increase of 150%. The sales increase was due mainly to the production ramp up for certain new models of electronic headlamps subsequent to the resolution of technical issues, healthy incoming orders and stronger order fulfilment for key product lines, aided by the buffer stock of critical components and improvement on inventory management to navigate the challenges of the prolonged global supply chain disruptions.

Cloud Sales

The Cloud business generated sales revenue of RM15.9 million in 3Q'22 as compared with RM12.3 million in the corresponding quarter last year, representing a marked increase of 29% on stronger performance in recurring sales from existing customers, streaming of new customers, and the addition of Cloud complementary product sales. The public sectors and private enterprises continued transition into the Cloud and doubled down adoption of the technology leading to sustained high traffic in electronic public service delivery, online shopping (E-commerce) and work-from-home (WFH) culture in the New Normal spurring videoconference use, catalysed Cloud usage, thus leading to its continued sales uptick.

15. PERFORMANCE REVIEW (Cont'd)

**(a) Current quarter compared to the corresponding quarter of last year (Cont'd)
(3Q'22 vs 3Q'21)**

EMS/Cloud Earnings

The EMS business registered a net profit of RM1.1 million while the Cloud business contributed a net profit of RM0.7 million, making a total net profit of RM1.8 million in 3Q'22 as compared to a net loss of RM2.4 million for the corresponding quarter last year.

The EMS business in the reporting quarter delivered a net profit of RM1.1 million, turning around from a net loss of RM2.9 million in the corresponding quarter last year, attributed mainly to soaring sales and improved gross profit margin. Gross profit margin increased to 15% in 3Q'22 from 5% in 3Q'21 attributed to:- a) product mix changes favouring the higher margin industrial equipment, floorcare products and electronic headlamps with the latter launching new headlamp models; b) favourable production overhead variances from improved utilisation rates of the facilities; c) materials cost down and d) strengthening of the USD in the current quarter.

Net profit from the Cloud business increased to RM0.7 million from RM0.5 million in the corresponding quarter last year due mainly to stronger sales and improved overall gross profit margin on geographic sales mix changes favouring the higher margin key market(s). Nevertheless, foreign exchange loss owing to the strengthening of USD and jump in operating expenses on increasing headcount to drive the next stage of business expansion curtailed the profit growth.

**(b) Current quarter versus the preceding quarter
(3Q'22 vs 2Q'22)**

The third quarter ended 30 September 2022 posted sales revenue of RM44.7 million, representing a 27% increase over the preceding quarter of RM35.2 million. The sales growth was entirely attributed to the strong performance in the EMS business while the Cloud business declined.

15. PERFORMANCE REVIEW (Cont'd)
(b) Current quarter versus the preceding quarter (Cont'd)
(3Q'22 vs 2Q'22)

EMS Sales

The EMS business registered a stellar sales performance of RM28.8 million in 3Q'22 as compared to RM17.4 million in 2Q'22, representing a 66% increase driven by the ramp up of mass production for certain new models of electronic headlamps to clear backlogs and strong order flow in the industrial equipment and floorcare products. However, the weaker performance of medical supplies resulting from the limited demand for COVID-19 Antigen saliva self-test kits following the recent easing of pandemic measures by the relevant authorities dampened further sales upsurge.

Cloud Sales

After many quarters of consecutive strong growth, sales revenue from the Cloud business softened by 11% to RM15.9 million from RM17.8 million in the preceding quarter, caused primarily by the revenue contribution decline from a major Cloud customer as it scaled down Cloud usage weighted by competitive pressures from a cooling global economy. Nevertheless, the Cloud business's customer base continued its expansion mode and remained on an upward trend quarter-over-quarter, benefiting from demand driven by enterprises seeking to digitize their operations to cut costs and cope with the economic slowdown.

EMS/Cloud Earnings

The Group posted profit attributable to equity holders of the parent company of RM1.8 million in the current quarter as compared to a loss of RM2.8 million in the preceding quarter (2Q'22).

The EMS business in the reporting quarter delivered a net profit of RM1.1 million, in contrast to a loss of RM3.4 million in 2Q'22, attributed mainly to sales surge and improved margin on favourable product mix, positive production overhead variances and materials cost down. Despite lower sales, the Cloud business registered a higher

profit of RM0.7 million as compared to the same of RM0.6 million in the previous quarter due mainly to strengthening profit margin.

16. COMMENTARY ON PROSPECTS AND TARGETS

For the 9 months of the year ended 30 September 2022, the K-One Group delivered sales of RM118.0 million against RM90.0 million for the corresponding period last year, representing an increase of 31% supported by the growth of both the EMS and Cloud businesses.

EMS sales clocked-in at RM67.6 million on a cumulative nine-month basis as compared with RM52.7 million in the corresponding period last year, representing an increase of 28%. The sales surge was attributed to production ramp up to meet stronger demand from specific industrial and floorcare key customers and commencement of mass production of new models of electronic headlamps for a major customer. Incidentally, the sales rise was facilitated by the build-up of buffer stock of critical components such as chips to mitigate the adverse impact of global supply chain headwinds. The encouraging performance of medical supplies, specifically in 1Q'22, driven by strong demand of the COVID-19 Antigen saliva self-test kits in the local market with heightened awareness on the need to perform at-home COVID-19 test to curb the spike of the Omicron variants in early 2022, helped to spur the growth of EMS sales.

The Cloud business generated sales revenue of RM50.4 million for the initial 9-month period of 2022 as compared with RM37.4 million in the corresponding period last year, marking a growth rate of 35%. The Cloud business remained upbeat, in particular for the markets in Malaysia and Indonesia given their early stages of their journey towards digitalisation. The long term trend of Cloud adoption and usage is envisaged to continue climbing in view of the escalating growth of private enterprises and the public sectors in realizing the benefits of Cloud and embracing it to adapt to the changing (changed) human behaviour of WFH, online learning, online buying and e-government services in the New Normal.

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

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

EMS Business

1) Sales for the consumer electronics, industrial and IoT sectors are expected to scale higher in the last quarter of 2022 in tandem with the production ramp up of replacement models and year end demand peaks. However, specific medical/healthcare products may slow down as demand is expected to subside as the world reopens moving forward to endemicity.

2) On 27 September 2022, the Group received approval from the Medical Device Authority (MDA) under the Ministry of Health, Malaysia to distribute and sell silicone adhesive wound care dressing tapes as an authorized representative (AR) in Malaysia. The diversification of medical supplies' products is timely to counter balance the slowing sales in COVID-19 Antigen saliva self-test kits, which demand is expected to slide amid the relaxation of specific COVID-19 regulations. Concurrently, the Group is planning the launch of other medical supplies and consumables either as Own Brand Manufacturer (OBM) or AR products, leveraging on the distribution network ie pharmacies and hospitals that it has established.

3) With economic reopenings and easing of travel curbs, the Group's sales team has a busy schedule to visit customers and also to participate in exhibitions to reach out to target customers, especially those located in the US as it intends to divert US manufacturing from China to Malaysia on the backdrop of heightening US-China stand-off and China's zero-COVID containment strategy. These physical customer visits and exhibitions are gradually bearing fruits and are crucial in a market which is becoming increasingly competitive in the New Normal.

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

Cloud Business

1) It is anticipated that the Cloud market will continue growing undeterred by the mounting macroeconomic uncertainties. Cloud is still in an early stage of growth in the developing world and the shift to Cloud has only been accelerated since the outbreak of the COVID-19 pandemic in early 2020 as organizations responded to a new business and social dynamics. Cloud is undoubtedly a key driver in digital transformation which businesses could hardly ignore for long term sustainability. Hence, recurring revenue from the significant pool of the existing Cloud customers is expected to be able to weather the global economic headwinds and sustain its growth momentum in the long run, while contribution from development/implementation of Cloud solutions is envisaged to be stronger upon the normalization of economic activities in its key markets.

2) Nevertheless, the Cloud market is getting crowded with increasing competition. The Group has since adopted the strategy to strongly defend its market share as one of the leading Cloud service providers in Malaysia by stepping up its service level and giving competition, especially new companies entering the Cloud market a run for the money. Meanwhile, the Group is increasing its staff strength and extending out to tap into other specialized services such as cybersecurity, artificial intelligence and machine learning which are witnessing significant business potential.

3) The Group entered into two separate Term Sheets with P.T. Gapura Manajemen Servis ("GMS") and Vietnet Distribution JSC ("Vietnet") on 15 September 2022 and 20 October 2022 respectively to:- a) increase its stake in P.T. Gasia Pasific Indo ("GAP Indo") from 15% to 51% by acquiring 36% equity from GMS and b) form a joint venture ("Proposed JV") in Vietnam, which will be 51% owned by the Group while the balance of 49% will be owned by Vietnet. These strategic M&A activities are in line with the Group's ongoing Cloud business expansion in ASEAN and Oceania. The Cloud markets in Indonesia and Vietnam are enormous and are fast growing, driven by their accelerating digital transformation. In addition, the multinational Cloud partners of the Group; namely AWS, Google and Microsoft have big footprints in the said countries for good reasons. In this regard, the K-One Group should and would ride with these Cloud giants to take its share of the fast rising Indonesian and Vietnamese Cloud markets.

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

The Group is cautiously optimistic on its business prospects for the remainder of the year, barring unforeseen circumstances. It will maintain its momentum in building up the medical/healthcare segment in the EMS business, the emerging OBM/AR medical supplies portfolio and catching the abundant opportunities in the Cloud business in ASEAN and Oceania while keeping a tight rein on costs and adapting to the fluid environment. In this New Normal, the Group cautions that it is operating in a volatile global economic environment tainted with growing inflationary pressures, global monetary tightening, prolonged global supply chain disruptions, extended production labour shortages, hard-to-predict dynamics of COVID-19 variants and heightened geopolitical instability. Nonetheless, the Group will endeavour to navigate through these challenges to the best of its ability and deliver the desired achievements.

17. INCOME TAX EXPENSE

	3 months ended		9 months ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense				
Current tax expense	246	146	820	521
Under/(Over) provision in prior financial year	145	293	145	336
Total Income Tax Expense	391	439	965	857

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

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

a) Proposed Increase In Equity From 15% TO 51% In P.T. Gasia Pasific Indo By Acquiring 36% From The Vendor By G-AsiaPacific Sdn Bhd, A Wholly-Owned Subsidiary Of K-One Technology Bhd

A legal and financial due diligence on P.T. Gasia Pasific Indo is in the process of being carried out. In the event that the results of the said due diligence are satisfactory, the parties shall execute the Share Sale Agreement and Shareholders' Agreement on or before 31 December 2022.

b) Establishment Of Joint Venture (JV) In Vietnam To Conduct Cloud Computing Business

The parties concerned ie G-AsiaPacific Sdn Bhd and Vietnet Distribution JSC are in the process of preparing to execute the Shareholders' Agreement, targeting to complete on or before 31 December 2022.

21. BORROWINGS AND DEBTS SECURITIES

The Group has neither any secured nor unsecured borrowings as at 30 September 2022.

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	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
Profit/ (Loss) attributable to equity holders of the parent (RM'000)	1,814	(2,405)	(308)	164
Weighted average number of Ordinary Shares in issue ('000)	832,007	815,793	832,007	815,793
Profit/ (Loss) Earnings Per Ordinary Share (sen)	0.22	(0.29)	(0.04)	0.02

25. EARNINGS PER SHARE (Cont'd)

(b) Diluted earnings per share

	3 months ended		9 months ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
Profit/ (Loss) attributable to equity holders of the parent (RM'000)	1,814	(2,405)	(308)	164
Weighted average number of Ordinary Shares in issue ('000)	832,007	815,793	832,007	815,793
Effect of Share Options ('000)	-	3,894	-	3,894
Adjusted weighted average number of Ordinary Shares in issue ('000)	832,007	819,687	832,007	819,687
Diluted Profit/(Loss) Earnings Per Ordinary Share (sen)	0.22	(0.29)	(0.04)	0.02

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 2022.

BY ORDER OF THE BOARD
WONG YOUN KIM (MAICSA 7018778)
Company Secretary

29 November 2022