



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**

**Condensed Consolidated Statements of Comprehensive Income
For The Fourth Quarter Ended 31 December 2022**

Figures in RM'000	3 months ended		12 months ended	
	31.12.2022 Unaudited	31.12.2021 Unaudited	31.12.2022 Unaudited	31.12.2021 Audited
Operating revenue	47,394	35,675	165,424	125,544
Cost of sales	(40,216)	(32,779)	(145,044)	(110,300)
Gross profit	7,178	2,896	20,380	15,244
Other income	194	64	1,873	813
Interest income	158	185	464	724
Operating expense	(7,257)	(5,880)	(21,787)	(18,562)
Profit/(Loss) before tax	273	(2,735)	930	(1,781)
Income tax expense	(67)	(75)	(1,032)	(932)
Profit/(Loss) for the period	206	(2,810)	(102)	(2,713)

Profit/(Loss) attributable to:

Owners of the Parent	206	(2,810)	(102)	(2,713)
Non-controlling interests	-	-	-	-
	206	(2,810)	(102)	(2,713)

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

Basic EPS/(LPS)	0.02	(0.34)	(0.01)	(0.33)
Diluted EPS/(LPS)	0.02	(0.34)	(0.01)	(0.33)

**Condensed Consolidated Statements of Comprehensive Income
 For The Fourth Quarter Ended 31 December 2022 (Cont'd)**

Figures in RM'000	3 months ended		12 months ended	
	31.12.2022 Unaudited	31.12.2021 Unaudited	31.12.2022 Unaudited	31.12.2021 Unaudited
Profit/(Loss) for the period	206	(2,810)	(102)	(2,713)
Items that may be subsequently reclassified to profit/(loss):				
Foreign currency translation	52	20	33	5
Total comprehensive income/ (loss)	258	(2,790)	(69)	(2,708)

Total comprehensive income/ (loss) attributable to:

Owners of the Parent	258	(2,790)	(69)	(2,708)
Non-controlling interests	-	-	-	-
	258	(2,790)	(69)	(2,708)

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 31 December 2022**

Figures in RM'000	Unaudited 31.12.2022	Audited 31.12.2021
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,134	16,732
Prepaid land lease	825	854
Intangible assets	66	29
Goodwill on consolidation	18,561	18,561
Investment property	4,632	4,800
Deferred tax assets	2,226	1,930
Other investment	115	115
Total Non-Current Assets	42,559	43,021
<i>Current Assets</i>		
Inventories	33,535	27,668
Trade receivables	35,071	25,426
Other receivables	4,130	4,426
Contract cost	3,279	2,992
Tax recoverable	1,754	2,322
Short term cash investments	5,075	16,538
Cash and bank balances	37,358	29,871
Total Current Assets	120,202	109,243
TOTAL ASSETS	162,761	152,264

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	123,644	123,644
Reserves	(45)	246
Retained earnings	(8,995)	(9,217)
Total Equity	114,604	114,673

**Condensed Consolidated Statements of Financial Position
 As At 31 December 2022 (Cont'd)**

Figures in RM'000	Unaudited 31.12.2022	Audited 31.12.2021
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	387	387
Total Non-Current Liabilities	387	387
<i>Current Liabilities</i>		
Trade payables	34,695	26,401
Other payables and accruals	3,107	2,685
Contract liabilities	9,776	7,407
Tax payable	192	711
Total Current Liabilities	47,770	37,204
Total Liabilities	48,157	37,591
TOTAL EQUITY AND LIABILITIES	162,761	152,264
Net assets per share attributable to Owners of the Parent (sen)	13.77	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 Fourth Quarter Ended 31 December 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	324	(78)	-	(9,217)	114,673	-	114,673
Comprehensive loss								
Loss for the financial year	-	-	-	-	(102)	(102)	-	(102)
Other comprehensive loss								
Foreign currency translation difference	-	-	33	-	-	33	-	33
Reclassification of share option reserve upon expiry of ESOS	-	(324)	-	-	324	-	-	-
Total comprehensive income/(loss)	-	(324)	33	-	222	(69)	-	(69)
At 31 December 2022	123,644	-	(45)	-	(8,995)	114,604	-	114,604

**Condensed Consolidated Statements of Changes in Equity
For The Fourth Quarter Ended 31 December 2022 (Cont'd)**

	←----- 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		
Figures in RM'000								
At 1 January 2021	119,786	1,744	(83)	-	(6,504)	114,943	-	114,943
Comprehensive income								
Loss for the financial year	-	-	-	-	(2,713)	(2,713)	-	(2,713)
Other comprehensive income								
Foreign currency translation difference	-	-	5	-	-	5	-	5
Total comprehensive income/(loss)	-	-	5	-	(2,713)	(2,708)	-	(2,708)
Transaction with owners								
Issuance of ordinary shares pursuant to:								
-Exercise of warrant	25		-			25		25
-Exercise of ESOS	3,833	(1,565)				2,268		2,268
Vesting of ESOS granted								
		145				145		145
	3,858	(1,420)				2,438		2,438
At 31 December 2021	123,644	324	(78)	-	(9,217)	114,673	-	114,673

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 Fourth Quarter Ended 31 December 2022**

Figures in RM'000	12 months ended	
	31.12.2022	31.12.2021
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit/(Loss) before taxation</i>	930	(1,781)
Adjustments for:		
Depreciation of property, plant and equipment	2,477	2,597
Amortization of intangible assets	9	4
Depreciation of investment property	168	-
Share option granted under ESOS	-	145
Interest income	(464)	(724)
Foreign exchange loss/(gain) – unrealized	61	(340)
Fair value gain on short term investment	(36)	(8)
Gain on disposal of short-term cash investment	-	(23)
Impairment loss on inventories	186	20
Impairment loss on plant and equipment	1,643	72
Impairment loss on receivables	-	834
Operating profit before working capital changes	4,974	796
Changes in working capital:		
Increase in inventory	(5,867)	(8,554)
Increase in receivables	(11,386)	(168)
Increase in payables	11,084	1,191
Net cash used in operations	(1,195)	(6,735)
Taxation paid	(778)	(2,239)
Interest income	464	724
<i>Net cash used in operating activities</i>	(1,509)	(8,250)
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal of short-term cash fund	11,463	2,145
Withdrawal of deposits with licensed bank	3,000	1,000
Purchase of property, plant and equipment	(1,896)	(1,640)
Purchase of investment property	-	(1,920)
<i>Net cash generated from/(used in) investing activities</i>	12,567	(415)
CASH FLOW FROM FINANCING ACTIVITIES		
<i>Proceeds from issuance of shares</i>	-	2,292
	-	2,292

**Condensed Consolidated Statements of Cash Flows
 For The Fourth Quarter Ended 31 December 2022 (Cont'd)**

Figure in RM'000	12 months ended	
	31.12.2022	31.12.2021
Net increase/(decrease) in cash and cash equivalents	11,058	(6,373)
Effect of exchange rate changes	(571)	(960)
Cash and cash equivalents at beginning of the financial year	7,371	14,704
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR	17,858	7,371

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	12 months ended	
	31.12.2022	31.12.2021
Cash and bank balances	17,858	7,371
Deposit placed with licensed banks	19,500	22,500
	37,358	29,871
Less: Non-short term fixed deposits	(19,500)	(22,500)
	17,858	7,371

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 (93.3% export in 4Q'22; 99.4% export in 4Q'21) and is subject to seasonal fluctuations. The increase in local sales for 2022 was due to the brisk demand 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 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		12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Depreciation of property, plant and equipment	(610)	(686)	(2,477)	(2,597)
Depreciation of investment property	(24)	-	(168)	-
Impairment of plant and equipment	-	-	(1,643)	-
Amortization of intangible assets	(5)	(2)	(9)	(4)
Foreign exchange gain/(loss)				
- realized	14	(110)	663	132
- unrealized	(886)	89	(61)	207
Interest income	158	185	464	724
Provision for doubtful debt on receivable pursuant to disposal of equity of an associate	-	(830)	-	(830)

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	(97)	30,231	17,238	22	47,394
Internal sales	-	-	-	-	-
Total operating sales	(97)	30,231	17,238	22	47,394
Others and interest income	68	172	20	92	352
	(29)	30,403	17,258	114	47,746
Results					
Segment results	345	(931)	745	114	273
Finance costs	-	-	-	-	-
Income tax expense	(157)	(230)	320	-	(67)
Profit/(Loss) after tax before non-controlling interests	188	(1,161)	1,065	114	206
Non-controlling interests	-	-	-	-	-
Profit/(Loss) after tax after non-controlling interests	188	(1,161)	1,065	114	206
Other information					
Segment assets	11,482	77,466	33,105	36,727	158,780
Unallocated assets					3,981
					162,761
Segment liabilities	885	26,272	20,213	200	47,570
Unallocated liabilities					587
					48,157

9. SEGMENT INFORMATION (Cont'd)

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

The geographical sales breakdown is as follows:

	12 months ended 31.12.2022		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	6,524	43,426	49,950
Asia (excluding M'sia)	14,926	23,950	38,876
Europe	64,225	59	64,284
US	11,859	-	11,859
Oceania	188	267	455
	97,722	67,702	165,424

	12 months ended 31.12.2021		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	583	32,653	33,236
Asia (excluding M'sia)	13,025	18,400	31,425
Europe	43,374	5	43,379
US	17,288	-	17,288
Oceania	30	186	216
	74,300	51,244	125,544

Note: 1)The EMS business is 93.3% (FY'21: 99.2%) derived from the export markets with the balance of 6.7% (FY'21: 0.8%) from the local (Malaysian) market.

2)The Cloud business is 35.9% (FY'21: 36.3%) derived from the overseas markets with the balance of 64.1% (FY'21: 63.7%) derived from the local (Malaysian) market.

(c) Sales to Major Customers

For the 12 months ended 31 December 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>

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 (4Q'22 vs 4Q'21)

The Group had its best quarter since 2015 as sales surged to RM47.4 million in 4Q'22 from RM35.7 million in the corresponding quarter last year (4Q'21), recording a strong double digit growth of 33% as EMS delivered quarterly sales of 7-year high, while Cloud racked up record quarterly sales.

EMS Sales

Sales from the EMS business jumped to RM30.2 million in the current quarter from RM21.6 million in the corresponding quarter last year, representing a marked increase of 40%, driven mainly by the extended production ramp up of certain new models of electronic headlamps which were launched in 2Q'22, continued strong order fulfilment for floorcare products and other key product lines, aided by the buffer stock of critical components to navigate the challenges of the prolonged global supply chain disruptions.

In addition, sales uptick in the medical supplies viz-a-viz the COVID-19 Antigen saliva self-test kits in 4Q'22, which kick-started in 4Q'21 further boosted sales as certain conglomerates replenished the preceding rapid test kits in bulk in December 2022 as an ongoing precautionary measure to safeguard their staff. To recap, the Group commenced the distribution of the said COVID-19 Antigen saliva self-test kit in November 2021 after receiving the relevant approval from the Medical Device Authority ("MDA") under the Ministry of Health, Malaysia on 26 October 2021.

However, the sales rise which could have achieved a higher trajectory was impeded by the slowdown of specific medical/healthcare products as demand subsided in line with the world reopening to endemicity.

15. PERFORMANCE REVIEW (Cont'd)

(a) Current quarter compared to the corresponding quarter of last year (Cont'd) (4Q'22 vs 4Q'21)

Cloud Sales

The Cloud business generated sales revenue of RM17.2 million in 4Q'22 as compared with RM14.1 million in the corresponding quarter last year, representing an increase of 22% on steady performance in recurring sales from existing customers, onboarding of new customers and the addition of Cloud complementary product sales. The public sector 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.

EMS/Cloud Earnings

The EMS business registered a net loss of RM0.9 million while the Cloud business contributed a net profit of RM1.1 million, making a total net profit of RM0.2 million in 4Q'22 as compared to a total net loss of RM2.8 million for the corresponding quarter last year.

The EMS business's loss narrowed to RM0.9 million as compared with RM2.2 million loss in the corresponding quarter last year on higher sales and improved gross profit margin from 5% in 4Q'21 to 15% in 4Q'22 attributed to:- a) product mix changes favouring the higher margin floorcare products and electronic headlamps with the latter launching new headlamp models in 2Q'22, b) favourable production overhead variances from improved utilisation rates of the facilities and c) materials cost down.

Net profit from the Cloud business increased to RM1.1 million from RM0.2 million in the corresponding quarter last year due mainly to stronger sales, improved overall gross profit margin on geographic sales mix changes favouring the higher margin business portfolios and reversal of prior financial year tax expense. Nevertheless, jump in operating expenses caused by increasing headcount to drive the next stage of business expansion curtailed the profit growth.

15. PERFORMANCE REVIEW (Cont'd)

(b) Current quarter versus the preceding quarter (4Q'22 vs 3Q'22)

The fourth quarter ended 31 December 2022 posted sales revenue of RM47.4 million, representing a 6% increase over the preceding quarter of RM44.7 million. The sales growth was attributed to better performance in both the EMS and Cloud businesses.

EMS Sales

Notwithstanding the prolonged global supply chain constraint, the EMS business registered stronger sales of RM30.2 million in 4Q'22 as compared to RM28.8 million in 3Q'22, representing a 5% increase underpinned by the extended ramp up of mass production, especially for certain new models of electronic headlamps to clear backlogs. Additionally, the replenishment of COVID-19 Antigen saliva self-test kits by certain conglomerates towards end 2022 helped to prop up the current quarter sales.

However, softer sales on medical/healthcare devices on normalising pandemic trend dampened the sales growth momentum.

Cloud Sales

Sales revenue from the Cloud business increased by 8% to RM17.2 million from RM15.9 million in the preceding quarter, driven by the continuous growing usage and adoption of Cloud by existing and new customers respectively. The rising awareness of enterprises spurred by the COVID-19 pandemic on the need to transform digitally for long term sustainability is providing the natural impetus to push Cloud sales.

15. PERFORMANCE REVIEW (Cont'd)

(b) Current quarter versus the preceding quarter (Cont'd) (4Q'22 vs 3Q'22)

EMS/Cloud Earnings

The Group posted profit attributable to equity holders of the parent company of RM0.2 million in the current quarter as compared to a profit of RM1.8 million in the preceding quarter (3Q'22).

The EMS business delivered a loss of RM0.9 million in the reporting quarter, versus a profit of RM1.1 million in 3Q'22, weighted primarily by the weakening of the USD in the current quarter, impairment loss on inventory and temporary spike in operating expenses attributed to increased overtime and incentive payments.

The Cloud business registered a higher profit of RM1.1 million as compared to the same of RM0.7 million in the previous quarter on sales growth, better margin and reversal of tax expense. However, the incurrence of additional operating expenses to position the business for regional expansion trimmed the profit growth.

16. COMMENTARY ON PROSPECTS AND TARGETS

For 2022, the Group had its best sales record since 2016 as sales surged to RM165.4 million from RM125.5 million a year ago, representing a strong double digit growth of 32%, supported by sturdy EMS sales and uptrend recurring sales in the Cloud business. The Group's loss in 2022 was reduced to RM0.1 million from RM2.7 million in 2021, attributed to increased sales and improved margins in both the EMS and Cloud businesses. The Cloud business made a profit of RM3.0 million in 2022 but the Group's overall turnaround was dampened by higher wages following the implementation of the revised minimum wage to RM1,500 per month ie 25% increase effective 1 May 2022 and significant jump in logistic costs arising from the EMS business.

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

EMS sales increased 31% to RM97.7 million as compared with RM74.3 million in the preceding year. The sales surge was attributed to stronger demand for industrial equipment, floorcare products, IoT gadgets and new models of electronic headlamps as the global economy under siege by the COVID-19 pandemic reopens progressively in 2022. Incidentally, the sales rise was facilitated by the build-up of buffer stock of critical components such as electronic chips to mitigate the adverse impact of global supply chain disruption. The notable performance of medical supplies 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 enhanced the growth of EMS sales.

The Cloud business generated sales revenue of RM67.7 million in 2022 as compared with RM51.3 million in the previous financial year, marking a growth rate of 32%. The Cloud business maintained its year-over-year sturdy growth momentum, to a good extent spurred by the consequential effects of the COVID-19 pandemic which drove work-from-home (WFH), online buying, online learning and videoconferencing to new heights. Nonetheless, despite economies in most parts of the world, which includes Malaysia and the ASEAN markets having reopened towards the end of 2022, the Cloud business remained upbeat as the preceding altered human behaviours of WFH, online buying, online learning and virtual meeting have somehow become entrenched as the New Normal, hence continuing to augur well for Cloud business.

Moving forward to 2023, barring unforeseen circumstances, the Group is cautiously optimistic and expects to see sturdy sales and earnings turnaround based upon the rationales and expectations illustrated below in the EMS and Cloud businesses's prospects respectively.

EMS Business

1) With the supply chain bottlenecks easing in 2023 and Beijing dropping its zero-COVID policy, sales for the consumer electronics, industrial and IoT sectors are expected to scale higher in anticipation of the Group securing new models from certain customers who continued to enjoy pockets of growth in spite of the fragile global economic conditions. However, specific medical/healthcare products may slow down as demand is expected to subside amid the world moving to endemicity. Overall, the Group is expected to make sales gains.

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

2) While EMS with a medical and healthcare bias remained the core, green shoots have emerged in the OBM (Own Brand Manufacturing) and authorized representative (AR) business of medical supplies and consumables, which encompasses ventilators, healthcare and hygiene-care products (appointed as Diversey's distributor for Malaysia), acne patches, wound care products and the COVID-19 Antigen saliva self-test kits. Although the world has moved on to endemicity, the Group still expects to generate local sales from the COVID-19 test kits as COVID-19 infections continue to linger on, albeit less life threatening. With the matching grant not exceeding RM12.3 million awarded by MIDA in 2021, the Group has further developed the NASA-JPL ventilator to be branded under its own brand name – MedKaire. It is currently undergoing stringent clinical tests by university hospitals/laboratories to produce the required clinical test reports for submission to the Medical Device Authority (MDA) under the Ministry of Health, Malaysia for their evaluation and approval.

3) With global economic reopenings, including China this time around, the easing of travel curbs would enable physical visits by potential customers to the Group's facilities. In this respect, the Group is hopeful that it would help to accelerate and facilitate business closures moving forward. At the same time, the Group's sales team had been doubling-down to visit customers as a more effective means of securing business quickly and also to participate in exhibitions to reach out to target customers.

Cloud Business

1) It is anticipated that the Cloud market will continue growing in the long term undeterred by the mounting macroeconomic uncertainties. Cloud is still at 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 the rapid global rollout of 5G and the increasing adoption of IoT, AI and machine learning which enable more data and new types of data to be streamed from the Cloud will boost Cloud spending in the longer term. Contribution from development/implementation of Cloud solutions is envisaged to be stronger upon the normalization of economic activities in its key markets.

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

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 new markets and other specialized services such as cybersecurity, artificial intelligence and machine learning which are witnessing significant business potential.

3) In line with the Group's ongoing Cloud business expansion in ASEAN and Oceania, 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) raise 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 (JV) in Vietnam, which will be 51% owned by the Group while the balance of 49% will be owned by Vietnet. The Indonesia corporate activity is scheduled to be completed in 2Q'23 following the recent completion of the due diligence reviews, while negotiation is ongoing for the proposed Vietnam JV. It will be an interesting development for the Cloud business upon finalisation of the said corporate activities in view of the enormous and fast growing Cloud markets in Indonesia and Vietnam, driven by their accelerating digital transformation.

The Group is cautiously optimistic on its business prospects for 2023, 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.

17. INCOME TAX EXPENSE

	3 months ended		12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense				
Current tax expense	863	12	1,683	1,137
Under/(Over) provision in prior financial year	(500)	-	(355)	14
Deferred tax expense/(income)	(296)	63	(296)	(219)
Total Income Tax Expense	67	75	1,032	932

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**

The legal and financial due diligence on P.T. Gasia Pasific Indo was completed recently. The parties are in the process of executing the Share Sale Agreement and Shareholders' Agreement and target to complete by 30 June 2023.

20. CORPORATE PROPOSALS (Cont'd)

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 negotiating the terms of the JV and Shareholders' Agreements.

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.

25. EARNINGS PER SHARE (Cont'd)

(a) Basic earnings per share

	3 months ended		12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Profit/(Loss) attributable to equity holders of the parent (RM'000)	206	(2,810)	(102)	(2,713)
Weighted average number of Ordinary Shares in issue ('000)	832,007	827,027	832,007	818,622
Profit/(Loss) Earnings Per Ordinary Share (sen)	0.02	(0.34)	(0.01)	(0.33)

(b) Diluted earnings per share

	3 months ended		12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Profit/(Loss) attributable to equity holders of the parent (RM'000)	206	(2,810)	(102)	(2,713)
Weighted average number of Ordinary Shares in issue ('000)	832,007	827,027	832,007	818,622
Effect of Share Options ('000)	-	-	-	-
Adjusted weighted average number of Ordinary Shares in issue ('000)	832,007	827,027	832,007	818,622
Diluted Profit/(Loss) Earnings Per Ordinary Share (sen)	0.02	(0.34)	(0.01)	(0.33)

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 27 February 2023.

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

27 February 2023