



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2023**

**Condensed Consolidated Statements of Comprehensive Income
For The First Quarter Ended 31 March 2023**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2023 Unaudited	31.3.2022 Unaudited	31.3.2023 Unaudited	31.3.2022 Unaudited
Operating revenue	40,947	38,111	40,947	38,111
Cost of sales	(35,783)	(32,665)	(35,783)	(32,665)
Gross profit	5,164	5,446	5,164	5,446
Other income	608	211	608	211
Interest income	165	101	165	101
Operating expense	(6,165)	(4,632)	(6,165)	(4,632)
(Loss)/Profit before tax	(228)	1,126	(228)	1,126
Income tax expense	(197)	(423)	(197)	(423)
(Loss)/Profit for the period	(425)	703	(425)	703

(Loss)/Profit attributable to:

Owners of the Parent	(425)	703	(425)	703
Non-controlling interests	-	-	-	-
	(425)	703	(425)	703

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

Basic (LPS)/EPS	(0.05)	0.08	(0.05)	0.08
Diluted (LPS)/EPS	(0.05)	0.08	(0.05)	0.08

**Condensed Consolidated Statements of Comprehensive Income
 For The First Quarter Ended 31 March 2023 (Cont'd)**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2023 Unaudited	31.3.2022 Unaudited	31.3.2023 Unaudited	31.3.2022 Unaudited
(Loss)/Profit for the period	(425)	703	(425)	703
Items that may be subsequently reclassified to profit:				
Foreign currency translation	45	2	45	2
Total comprehensive (loss)/ income	(380)	705	(380)	705

Total comprehensive (loss)/ income attributable to:

Owners of the Parent	(380)	705	(380)	705
Non-controlling interests	-	-	-	-
	(380)	705	(380)	705

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position
As At 31 March 2023**

Figures in RM'000	Unaudited 31.3.2023	Audited 31.12.2022
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,269	16,134
Prepaid land lease	818	825
Intangible assets	62	66
Goodwill on consolidation	18,561	18,561
Investment property	4,608	4,632
Deferred tax assets	2,226	2,226
Other investment	115	115
Total Non-Current Assets	42,659	42,559
<i>Current Assets</i>		
Inventories	34,306	33,532
Trade receivables	33,621	34,588
Other receivables	3,647	4,056
Contract cost	4,042	3,931
Tax recoverable	1,959	1,589
Short term cash investments	8,089	5,075
Cash and bank balances	36,712	37,376
Total Current Assets	122,376	120,147
TOTAL ASSETS	165,035	162,706

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	123,644	123,644
Reserves	5	(40)
Retained earnings	(9,420)	(8,995)
Total Equity	114,229	114,609

**Condensed Consolidated Statements of Financial Position
 As At 31 March 2023 (Cont'd)**

Figures in RM'000	Unaudited 31.3.2023	Audited 31.12.2022
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	567	567
Total Non-Current Liabilities	567	567
<i>Current Liabilities</i>		
Trade payables	31,676	29,885
Other payables and accruals	6,816	7,902
Contract liabilities	11,244	9,585
Tax payable	503	158
Total Current Liabilities	50,239	47,530
Total Liabilities	50,806	48,097
TOTAL EQUITY AND LIABILITIES	165,035	162,706
Net assets per share attributable to Owners of the Parent (sen)	13.73	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 2022 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Changes in Equity
 For The First Quarter Ended 31 March 2023**

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 2023	123,644	-	(40)	-	(8,995)	114,609	-	114,609
Comprehensive loss								
Loss for the period	-	-	-	-	(425)	(425)	-	(425)
Other comprehensive income								
Foreign currency translation difference	-	-	45	-	-	45	-	45
Total comprehensive income/(loss)	-	-	45	-	(425)	(380)	-	(380)
At 31 March 2023	123,644	-	5	-	(9,420)	114,229	-	114,229

**Condensed Consolidated Statements of Changes in Equity
For The First Quarter Ended 31 March 2023 (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 2022	123,644	323	(78)	-	(9,172)	114,717	-	114,717
Comprehensive income								
Profit for the period	-	-	-	-	703	703	-	703
Other comprehensive income								
Foreign currency translation difference	-	-	2	-	-	2	-	2
Total comprehensive income	-	-	2	-	703	705	-	705
Transaction with owners								
Reclassification of share option reserve upon expiry of ESOS	-	(323)	-	-	323	-	-	-
	-	(323)	-	-	323	-	-	-
At 31 March 2022	123,644	-	(76)	-	(8,146)	115,422	-	115,422

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 2022 and the accompanying explanatory notes attached to the interim financial statements

**Condensed Consolidated Statements of Cash Flows
For The First Quarter Ended 31 March 2023**

Figures in RM'000	3 months ended	
	31.3.2023	31.3.2022
CASH FLOW FROM OPERATING ACTIVITIES		
<i>(Loss)/Profit before taxation</i>	(228)	1,126
Adjustments for:		
Depreciation of property, plant and equipment	629	687
Amortization of intangible assets	4	2
Depreciation of investment property	24	-
Interest income	(165)	(101)
Foreign exchange gain – unrealized	(535)	(185)
Inventories written down	538	-
Receivables written off	43	-
Operating profit before working capital changes	310	1,529
Changes in working capital:		
(Increase)/Decrease in inventory	(774)	268
Decrease/(Increase) in receivables	995	(1,893)
Increase/(Decrease) in payables	2,564	(1,667)
Net cash generated from/(used in) operations	3,095	(1,763)
Taxation paid	(409)	(514)
Interest income	165	101
<i>Net cash generated from/(used in) operating activities</i>	2,851	(2,176)
CASH FLOW FROM INVESTING ACTIVITIES		
(Placement)/Withdrawal of short-term cash fund	(3,000)	7,000
Purchase of property, plant and equipment	(757)	(245)
<i>Net cash (used in)/generated from investing activities</i>	(3,757)	6,755

**Condensed Consolidated Statements of Cash Flows
 For The First Quarter Ended 31 March 2023 (Cont'd)**

Figure in RM'000	3 months ended	
	31.3.2023	31.3.2022
Net (decrease)/increase in cash and cash equivalents	(906)	4,579
Effect of exchange rate changes	242	115
Cash and cash equivalents at beginning of the financial year	17,876	9,879
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	17,212	14,573

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	3 months ended	
	31.3.2023	31.3.2022
Cash and bank balances	17,212	14,573
Deposit placed with licensed banks	19,500	20,000
	36,712	34,573
Less: Non-short term fixed deposits	(19,500)	(20,000)
	17,212	14,573

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 2022.

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 2022, 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 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases
MFRS 101	Presentation of Financial Statements
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 128	Investments in Associates and Joint Ventures
MFRS 132	Financial Instruments: Presentation
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 140	Investment Property
MFRS 141	Agriculture

New MFRS

MFRS 17	Insurance Contracts
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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 (93.5% export in 1Q'23; 80.7% export in 1Q'22) and is subject to seasonal fluctuations. The higher local sales for 1Q'23 and 1Q'22 respectively as compared with the past norm were due to the brisk demand of COVID-19 Antigen saliva self-test kits in the local market. Nonetheless, 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		3 months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
Depreciation of property, plant and equipment	(629)	(687)	(629)	(687)
Depreciation of investment property	(24)	-	(24)	-
Amortization of intangible assets	(4)	(2)	(4)	(2)
Foreign exchange gain/(loss)				
- realized	(505)	(51)	(505)	(51)
- unrealized	535	185	535	185
Inventories written down	(538)	-	(538)	-
Receivables written off	(43)	-	(43)	-
Interest income	165	101	165	101

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	101	24,633	15,927	286	40,947
Internal sales	-	-	-	-	-
Total operating sales	101	24,633	15,927	286	40,947
Others and interest income	98	556	18	101	773
	199	25,189	15,945	387	41,720
Results					
Segment results	76	(844)	795	(255)	(228)
Finance costs	-	-	-	-	-
Income tax expense	(16)	-	(181)	-	(197)
Profit/(Loss) after tax before non-controlling interests	60	(844)	614	(255)	(425)
Non-controlling interests	-	-	-	-	-
Profit/(Loss) after tax after non-controlling interests	60	(844)	614	(255)	(425)
Other information					
Segment assets	10,717	76,910	36,629	36,594	160,850
Unallocated assets					4,185
					165,035
Segment liabilities	646	26,212	22,574	245	49,677
Unallocated liabilities					1,129
					50,806

9. SEGMENT INFORMATION (Cont'd)

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

The geographical sales breakdown is as follows:

	3 months ended 31.3.2023		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	1,615	10,865	12,480
Asia (excluding M'sia)	4,532	5,047	9,579
Europe	15,580	20	15,600
US	3,031	-	3,031
Oceania	251	6	257
	25,009	15,938	40,947

	3 months ended 31.3.2022		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	4,132	9,784	13,916
Asia (excluding M'sia)	3,432	6,908	10,340
Europe	9,950	3	9,953
US	3,854	-	3,854
Oceania	1	47	48
	21,369	16,742	38,111

Note: 1)The EMS business is 93.5% (1Q'22: 80.7%) derived from the export markets with the balance of 6.5% (1Q'22: 19.3%) from the local (Malaysian) market.

2)The Cloud business is 31.8% (1Q'22: 41.6%) derived from the overseas markets with the balance of 68.2% (1Q'22: 58.4%) derived from the local (Malaysian) market.

(c) Sales to Major Customers

For the 3 months ended 31 March 2023, 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 31 March 2023.

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 (1Q'23 vs 1Q'22)

For the first quarter ended 31 March 2023 (1Q'23), the Group's sales revenue increased to RM40.9 million from RM38.1 million in the corresponding quarter last year (1Q'22), recording an organic growth of 7%, underpinned by higher Electronic Manufacturing Services' (EMS) sales.

EMS Sales

Sales from the EMS business jumped to RM25.0 million in the current quarter from RM21.4 million in the corresponding quarter last year, representing an increase of 17%, driven mainly by steady sales of certain new models of electronic headlamps which were launched in 2022 and the increasing supply of spare parts and sub-assemblies for maintenance purpose to a specific customer since end last year, with the Group acting as its Asian Hub.

However, the sales rise which could have achieved a higher trajectory was impeded by the softer performance of medical/healthcare devices and medical supplies viz-a-viz the COVID-19 Antigen saliva self-test kits for the local market as sales normalised in the aftermath of the COVID-19 pandemic.

Cloud Sales

The Cloud business generated sales revenue of RM15.9 million in 1Q'23 as compared with RM16.7 million in the corresponding quarter last year, representing a decrease of 5%, caused mainly by a specific customer not requiring Cloud complementary products in the current quarter as the demand for such complementary products is intermittent. Notwithstanding of the preceding, recurring income grew year-over-year, benefiting from demand driven by the public sectors and private enterprises which continued transition into the Cloud and doubled down adoption of the technology as companies are adopting the cloud-first strategy to keep up with the ever-changing business and technological landscapes.

15. PERFORMANCE REVIEW (Cont'd)

**(a) Current quarter compared to the corresponding quarter of last year (Cont'd)
(1Q'23 vs 1Q'22)**

EMS/Cloud Earnings

The EMS business registered a net loss of RM1.0 million while the Cloud business contributed a net profit of RM0.6 million, making a total net loss of RM0.4 million in 1Q'23 as compared to a total net profit of RM0.7 million for the corresponding quarter last year.

Despite the sales revenue uptick, the EMS business registered a loss of RM1.0 million as compared with RM0.1 million profit in the corresponding quarter last year due mainly to depressed gross profit margin from 16% in 1Q'22 to 12% in 1Q'23 attributed to:- a) product mix changes, b) cost pressure from soaring prices of materials, rise in logistic costs and surge in production labour costs following the increase in minimum monthly wage to RM1,500 effective 1 May 2022 and c) inventories written down of RM0.5 million arising from production yield loss due to manufacturing process change for certain products and d) higher non-recurring factory maintenance costs recorded in the reporting quarter.

Cloud sales was lower but its profit of RM0.6 million was largely unchanged from the corresponding quarter last year attributed mainly to improved margin resulting from product mix changes, particularly no Cloud complementary product sales which usually commanded lower margins.

**(b) Current quarter versus the preceding quarter
(1Q'23 vs 4Q'22)**

The first quarter ended 31 March 2023 posted sales revenue of RM40.9 million, representing a 14% decrease over the preceding quarter of RM47.4 million, with the decline attributed to the EMS business operating in a softening global economy while the Cloud business facing escalating competition in the local market.

15. PERFORMANCE REVIEW (Cont'd)

(b) Current quarter versus the preceding quarter (1Q'23 vs 4Q'22)

EMS Sales

Sales for the EMS business contracted by RM5.2 million; from RM30.2 million (4Q'22) to RM25.0 million (1Q'23), representing a 17% decrease. The decline in EMS sales in the reporting quarter was mainly attributed to the softer demand of electronic headlamps for which sales culminated during the final quarter of the year following the customer's sales drive in its launch of new models and to a certain extent, the weaker demand of industrial equipment on the backdrop of an uncertain global economy.

Sales increase in the medical/healthcare segment and the spare parts and sub-assemblies supply business for maintenance purpose propped up sales in the first quarter, however, insufficient to make up for the shortfall experienced in the consumer electronics and industrial segments.

Cloud Sales

Sales revenue from the Cloud business decreased by 8% to RM15.9 million from RM17.2 million in the preceding quarter, due in part to the services extended to customers in minimising their unused resources which led to cost optimisation. Nevertheless, the Cloud business's customer base continued its upward trend quarter-over-quarter, benefiting from demand driven by enterprises seeking to digitize their operations.

EMS/Cloud Earnings

The Group posted loss attributable to equity holders of the parent company of RM0.4 million in the current quarter as compared to a profit of RM0.2 million in the preceding quarter (4Q'22).

The EMS business delivered a loss of RM1.0 million in the reporting quarter, versus a loss of RM0.9 million in 4Q'22 on lower sales and weakened margin to 12% in 1Q'23 from 15% in 4Q'22 attributed to:- a) business segment and product mix changes, b) margin of new electronic headlamps gradually normalizing in tandem with time as part of the product life-cycle marketing process and c) inventories written down resulting from production yield loss due to manufacturing process change for certain models in 1Q'23 and d) higher one-off factory maintenance costs recorded in 1Q'23.

15. PERFORMANCE REVIEW (Cont'd)

(b) Current quarter versus the preceding quarter (Cont'd) (1Q'23 vs 4Q'22)

The Cloud business registered a lower profit of RM0.6 million as compared to the same of RM1.1 million in the previous quarter in the absence of reversal of prior financial year tax expense recorded in 4Q'22.

16. COMMENTARY ON PROSPECTS AND TARGETS

Although the global economy and supply chain respectively are supposed to benefit from China's ending of its stringent zero-COVID policy in late 2022, the global macroeconomic outlook remains uncertain amid growing recession headwinds, persistent inflationary pressures, high interest rate conditions, global banking turmoils and ongoing geopolitical conflicts.

Amid the volatile and challenging global business environment, the Group has charted its own course to deal with its businesses in 2023, as conjectured in the ensuing notes.

EMS Business

1) With the supply chain bottlenecks easing in 2023, although not out of the woods yet, 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 environment. The newly commenced spare parts and sub-assemblies supply business for maintenance purpose to cater to a specific multinational is projected to maintain its growth as the Group is acting as the customer's Asian Hub.

2) While EMS with a medical and healthcare bias remained the Group's core focus, at the same time, it is doubling down its investment and efforts in the OBM (Own Brand Manufacturing) space via its own-brand Medkaire ventilators, licensed by NASA-JPL and authorized representative (AR) business of medical supplies and consumables, which encompasses hygiene-care products (appointed by Diversey as its exclusive distributor in Malaysia) and healthcare products in the likes of acne patches and wound care products.

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

These products will be promoted and marketed by leveraging on the distribution network ie pharmacies and hospitals that it has established in the selling of COVID-19 Antigen saliva self-test kits. The Group has recently set up a showroom in its PJ HQ to showcase and demo Diversey's range of hygiene-care products to potential customers from the medical, healthcare and hospitality fraternities.

3) With global economic reopenings and the recent World Health Organization's announcement that COVID-19 is no longer a public health emergency of international concern, travel curbs have since been eased that will 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 2023 undeterred by the mounting global macroeconomic uncertainties, albeit at a slower pace in the developed world. However, 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 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 viz-a-viz Malaysia, Singapore, Indonesia and Vietnam.

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

2) The Group's Cloud growth is set to be accelerated with its recent undertakings to:- a) raise its stake in P.T. Gasia Pasific Indo ("GAP Indo") from 15% to 51% by acquiring 36% equity from P.T. Gapura Manajemen Servis ("GMS") and b) form a joint venture in Vietnam, which will be 51% owned by the Group while the balance of 49% will be owned by Vietnet Distribution JSC ("Vietnet"). Definitive agreements pertaining to the said two corporate exercises were executed in April 2023 and these two corporate activities are targeted to be completed on or before 2Q'23. The Cloud markets in Indonesia and Vietnam are enormous and fast growing, driven by their accelerating digital transformation. Thus, it is expected that these two markets will contribute positively to the top and bottom lines of the Cloud business in 2023.

3) The Group is still open to additional M&A opportunities to acquire companies in the Cloud space or those that are cybersecurity-based, as the latter is seen to be complementary to the Cloud business. It is the Group's strategy to further expand its Cloud business and deliver new collaborative Cloud offerings. The M&A route of Cloud business growth is ongoing as the Group wishes to take advantage of its debt-free position and cash surplus of RM44.8 million as at end 1Q'23.

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. In the longer term, it is envisaged to experience an accelerated expansion generated by a combination of organic growth, M&A activities and possibly further diversification into synergistic business.

17. INCOME TAX EXPENSE

	3 months ended		3 months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation based on Profit for the period: -				
Current corporate tax	197	423	197	423
Total Income Tax Expense	197	423	197	423

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 share sales and shareholders' agreements have been executed on 7 April 2023 and the said stake increase is targeted to be completed on or before 30 June 2023.

20. CORPORATE PROPOSALS (Cont'd)

b) Establishment of Joint Venture (JV) in Vietnam to conduct Cloud Computing business

The JV and shareholders' agreements have been signed on 26 April 2023. The JV company with the name of G-AsiaPacific (Vietnam) Company Limited is in the process of formation.

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)

	3 months ended		3 months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
(Loss)/Profit attributable to equity holders of the parent (RM'000)	(425)	703	(425)	703
Weighted average number of Ordinary Shares in issue ('000)	832,007	832,007	832,007	832,007
Basic/Diluted (Loss)/Earnings Per Ordinary Share (sen)	(0.05)	0.08	(0.05)	0.08

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 29 May 2023.

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

29 May 2023