

**K-One**

**K-One Technology Berhad (539757-K)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

**Condensed Consolidated Statements of Comprehensive Income  
For The First Quarter Ended 31 March 2020**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2020 Unaudited	31.3.2019 Unaudited	31.3.2020 Unaudited	31.3.2019 Unaudited
Operating revenue	16,958	17,952	16,958	17,952
Cost of sales	(13,148)	(12,672)	(13,148)	(12,672)
Gross profit	3,810	5,280	3,810	5,280
Other income	436	247	436	247
Interest income	279	481	279	481
Operating expenses	(4,111)	(4,231)	(4,111)	(4,231)
Profit from operations	414	1,777	414	1,777
Share of profit after tax of equity-accounted associate	-	13	-	13
Profit before tax	414	1,790	414	1,790
Income tax (expense)/credit	(12)	10	(12)	10
Profit for the period	402	1,800	402	1,800
Non- controlling interests	(294)	(85)	(294)	(85)
Profit after tax after Non- controlling interests	108	1,715	108	1,715

Profit attributable to:

Owners of the Parent	108	1,715	108	1,715
Non-controlling interests	294	85	294	85
	402	1,800	402	1,800

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

Basic EPS	0.01	0.24	0.01	0.24
Diluted EPS	0.01	0.23	0.01	0.23

**Condensed Consolidated Statements of Comprehensive Income  
For The First Quarter Ended 31 March 2020 (Cont'd)**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2020 Unaudited	31.3.2019 Unaudited	31.3.2020 Unaudited	31.3.2019 Unaudited
Profit for the period	402	1,800	402	1,800
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	-	(3)	-	(3)
<b>Total comprehensive income</b>	<b>402</b>	<b>1,797</b>	<b>402</b>	<b>1,797</b>

Total comprehensive income attributable to:

Owners of the Parent	108	1,712	108	1,712
Non-controlling interests	294	85	294	85
	<b>402</b>	<b>1,797</b>	<b>402</b>	<b>1,797</b>

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

**Condensed Consolidated Statements of Financial Position  
As At 31 March 2020**

Figures in RM'000	Unaudited 31.12.2020	Audited 31.12.2019
<b>ASSETS</b>		
<i>Non-Current Assets</i>		
Property, plant and equipment	15,249	15,264
Prepaid land lease	903	918
Intangible assets	33	26
Goodwill on consolidation	18,561	18,561
Deferred tax assets	1,405	1,401
Other investment	115	115
<b>Total Non-Current Assets</b>	<b>36,266</b>	<b>36,285</b>
<i>Current Assets</i>		
Inventories	19,519	20,310
Trade receivables	13,373	18,254
Other receivables	11,566	13,337
Tax recoverable	2,569	2,014
Short term cash investments	8,077	8,067
Cash and bank balances	45,411	42,617
<b>Total Current Assets</b>	<b>100,515</b>	<b>104,599</b>
<b>TOTAL ASSETS</b>	<b>136,781</b>	<b>140,884</b>

<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	94,679	94,679
Reserves	4,349	4,343
Retained earnings	15,254	15,146
Put option over shares held by non-controlling interests	(16,212)	(16,212)
	98,070	97,956
Non-controlling Interests	3,197	2,903
<b>Total Equity</b>	<b>101,267</b>	<b>100,859</b>

**Condensed Consolidated Statements of Financial Position  
As At 31 March 2020 (Cont'd)**

Figures in RM'000	Unaudited 31.3.2020	Audited 31.12.2019
<b>EQUITY AND LIABILITIES</b>		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	241	241
<b>Total Non-Current Liabilities</b>	<b>241</b>	<b>241</b>
<i>Current Liabilities</i>		
Trade payables	11,326	15,131
Other payables and accruals	1,690	2,363
Contract liabilities	5,130	5,215
Gross obligation under put option	16,332	16,332
Amount due to Directors	-	2
Tax payable	795	741
<b>Total Current Liabilities</b>	<b>35,273</b>	<b>39,784</b>
<b>Total Liabilities</b>	<b>35,514</b>	<b>40,025</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>136,781</b>	<b>140,884</b>
<b>Net assets per share attributable to Owners of the Parent (sen)</b>	<b>13.89</b>	<b>13.84</b>

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

**Condensed Consolidated Statements of Changes in Equity  
For The First Quarter Ended 31 March 2020**

Figures in RM'000	←----- Attributable to Owners of the Parent ----->						Non- controlling Interests	Total Equity
	←----- Non-distributable ----->			----- Distributable ----->				
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Sub-total		
<b>At 1 January 2020</b>	94,679	4,422	(79)	(16,212)	15,146	97,956	2,903	100,859
<b>Comprehensive profit</b>								
Profit for the period	-	-	-	-	108	108	294	402
Total comprehensive profit	-	-	-	-	108	108	294	402
<b>Transaction with owners</b>								
Share based payment under Employees' Share Options Scheme ("ESOS")	-	6	-	-	-	6	-	6
	-	6	-	-	-	6	-	6
<b>At 31 March 2020</b>	94,679	4,428	(79)	(16,212)	15,254	98,070	3,197	101,267

**Condensed Consolidated Statements of Changes in Equity  
For The First Quarter Ended 31 March 2020(Cont'd)**

Figures in RM'000	<----Attributable to Owners of the Parent ---->						Non-controlling Interests	Total Equity
	←-----Non-distributable			-----Distributable				
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total			
<b>At 1 January 2019</b>	94,679	3,681	(13)	9,042	107,389	-	107,389	
<b>Comprehensive loss</b>								
Profit for the period	-	-	-	1,715	1,715	1,279	2,994	
<b>Other comprehensive income</b>								
Foreign currency translation difference	-	-	(3)	-	(3)	-	(3)	
Total comprehensive loss	-	-	(3)	1,715	1,712	1,279	2,991	
<b>Transactions with owners</b>								
Share based payment under Employees' Share Options Scheme (ESOS)	-	200	-	-	200	-	200	
Total transactions with owners	-	200	-	-	200	-	200	
<b>At 31 March 2019</b>	94,679	3,881	(16)	10,757	109,301	1,279	110,580	

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

**Condensed Consolidated Statements of Cash Flows  
For The First Quarter Ended 31 March 2020**

Figures in RM'000	3 months ended	
	31.3.2020	31.3.2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Profit before taxation</i>	414	1,790
Adjustments for:		
Depreciation of property, plant and equipment	519	272
Amortization of intangible assets	8	21
ESOS expense	6	200
Interest income	(279)	(481)
Foreign exchange gain – unrealized	(367)	(96)
Share of profit of associate company	-	(13)
Operating profit before working capital changes	301	1,693
Changes in working capital:		
Decrease in inventory	791	108
Decrease in receivables	6,652	2,531
Decrease in payables	(4,563)	(2,987)
Cash generated from operations	3,181	1,129
Taxation paid	(504)	(238)
Interest income	279	481
<b><i>Net cash from operating activities</i></b>	<b>2,956</b>	<b>1,372</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Redemption of short term cash fund	-	18,239
Placement in time deposits	-	(6,555)
Acquisition of a subsidiary	-	(12,610)
Purchase of property, plant and equipment	(504)	(2,418)
<b><i>Net cash used in investing activities</i></b>	<b>(504)</b>	<b>(3,344)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of term loan	-	(2)
<b><i>Net cash used in financing activities</i></b>	<b>-</b>	<b>(2)</b>



**Condensed Consolidated Statements of Cash Flows  
For The First Quarter Ended 31 March 2020 (Cont'd)**

Figures in RM'000	3 months ended	
	31.3.2020	31.3.2019
Net increase/(decrease) in cash and cash equivalents	2,452	(1,974)
Effect of exchange rate changes	342	303
Cash and cash equivalents at beginning of the period	14,617	12,356
<b>CASH AND CASH EQUIVALENT AT END OF THE PERIOD</b>	<b>17,411</b>	<b>10,685</b>

**COMPOSITION OF CASH AND CASH EQUIVALENTS**

Figures in RM'000	3 months ended	
	31.3.2020	31.3.2019
Cash and bank balances	15,285	10,685
Deposit placed with licensed banks	30,126	30,555
	45,411	41,240
Less: Non-short term fixed deposits	(28,000)	(30,555)
	<b>17,411</b>	<b>10,685</b>

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

**Part A: Explanatory Notes Pursuant to Financial Reporting Standard 134 (“FRS 134”) - Interim Financial Reporting**

**1. BASIS OF PREPARATION**

The interim financial statements are unaudited and has been prepared in accordance with MFRS 134 – Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) for the ACE Market and should be read in conjunction with the audited statutory financial statements presented for the financial year ended 31 December 2019.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019, except for the following Malaysian Financial Reporting Standards (MFRSs) and IC Interpretations (IC Int):

Amendments/Improvements to MFRSs

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

**2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT**

The audited financial statements of the preceding financial year were not subjected to any qualification.

**3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group's Electronics Manufacturing Services (EMS) business, predominantly export in nature (94.7% export in 1Q'20; 96.6% export in 1Q'19) is subject to seasonal fluctuations. Business in the second half of the year is normally stronger than the first half of the year due to surge in demand mainly attributed to the consumer electronics market segment in conjunction with Christmas and New Year seasons overseas.

Revenue contribution from the Cloud Computing business (through G-AsiaPacific Sdn. Bhd. for which the acquisition of 60% equity interest in the said company was concluded in March 2019) is mainly derived from Malaysia and is not subject to any obvious seasonality.

**4. UNUSUAL ITEM DUE TO THEIR NATURE, SIZE OR INCIDENCE**

During the quarter under review, there were no unusual items affecting assets, liabilities, equity, net income or cash flows to the effect that is unusual in nature, size or incidence.

**5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES**

There were no changes in estimates that have had any material effect on the financial year-to-date results.

**6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuances, repurchases and repayments of debt and equity securities during the period.

**7. DIVIDENDS PAID**

No dividend was paid during the quarter under review.

## 8. Notes to Consolidated Statement of Comprehensive Income

Figures in RM'000	3 months ended		3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
Depreciation of property, plant and equipment	(519)	(272)	(519)	(272)
Amortization of intangible assets	(8)	(21)	(8)	(21)
Foreign exchange gain/(loss)				
- realized	(49)	(240)	(49)	(240)
- unrealized	367	96	367	96
Interest income	279	481	279	481

## 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
<b>Sales</b>					
External sales	457	10,891	5,610	-	16,958
Internal sales	-	-	-	-	-
<b>Total operating sales</b>	<b>457</b>	<b>10,891</b>	<b>5,610</b>	<b>-</b>	<b>16,958</b>
Others and interest income	278	419	18	-	715
	<b>735</b>	<b>11,310</b>	<b>5,628</b>	<b>-</b>	<b>17,673</b>
<b>Results</b>					
Segment results	193	(535)	748	8	414
Finance costs	-	-	-	-	-
Income tax	-	-	(12)	-	(12)
Profit after tax before non-controlling interests	193	(535)	736	8	402
Non-controlling interests	-	-	(294)	-	(294)
<b>Profit after tax after non-controlling interests</b>	<b>193</b>	<b>(535)</b>	<b>442</b>	<b>8</b>	<b>108</b>

**9. SEGMENT INFORMATION (Cont'd)**

**(a) Contribution by Activities (Cont'd)**

	Research, D&D and Sales RM'000	Manu- facturing RM'000	Cloud RM'000	Invest- ment Holding RM'000	Total RM'000
Other information					
Segment assets	64,320	51,081	17,232	174	132,807
Unallocated assets					3,974
					<b>136,781</b>
Segment liabilities	60	24,715	9,690	14	34,479
Unallocated liabilities					1,035
					<b>35,514</b>

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

The geographical sales breakdown is as follows:

	3 months ended	
	31.3.2020 RM'000	31.3.2019 RM'000
Malaysia	**6,524	1,961
Asia (excluding M'sia)	1,002	3,707
Europe	7,693	11,134
US	1,697	1,117
Oceania	42	17
Middle East	-	16
	<b>16,958</b>	<b>17,952</b>

\*\* Includes RM5,610,160 from the Cloud business. The Cloud sales is mainly derived from Malaysia.

Note: The EMS business is 94.7% (1Q'19: 96.6%) derived from the export markets with the balance of 5.3% (1Q'19: 3.4%) from the local (Malaysia) market.

**9. SEGMENT INFORMATION (Cont'd)**

**(c) Sales to Major Customers for the EMS Business**

For the 3 months ended 31 March 2020, two (2) major international customers (each with revenue of more than 10% of the Group's revenue) contributed total revenue of approximately RM6.4 million (1Q'19: RM12.5 million).

**10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There was no revaluation of property, plant and equipment during the financial quarter under review.

**11. CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the financial quarter ended 31 March 2020.

**12. CONTINGENT ASSETS & LIABILITIES**

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

	RM'000
K-One Industry Sdn Bhd	<u>22,576</u>
	<u><b>22,576</b></u>

**13. CAPITAL COMMITMENTS**

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

#### **14. SUBSEQUENT EVENT**

Save as disclosed below, no material event has arisen in the interval between the end of this reporting period and the date of this report:

As announced on 19 May 2020, the Company had exercised the Call Option to acquire the remaining 40% equity interest in G-AsiaPacific Sdn Bhd (“GAP”) at the Option Price of RM17,259,814.40 to be satisfied via the issuance of 53,768,892 Option Consideration Shares (“K-One Shares”) at the Issue Price of RM0.321 per K-One Share. The Call/Put Options was completed on 18 June 2020 following the listing of and quotation for the said Shares on the ACE Market of Bursa Securities on the same date. Following the completion of the preceding Call Option, GAP has become a wholly-owned subsidiary of K-One Technology Berhad.

#### **15. PERFORMANCE REVIEW**

##### **(a) Current quarter compared to the corresponding quarter of last year (1Q’20 vs 1Q’19)**

For the first quarter ended 31 March 2020, the Group’s sales revenue decreased by 6% to RM17.0 million from RM18.0 million in the corresponding quarter last year, primarily due to subdued sales in the EMS business.

##### **EMS Sales**

Sales from the EMS business retracted by RM5.2 million, decreasing to RM11.4 million from RM16.6 million in the corresponding quarter last year. The sales decline was mainly attributed to the sluggish demand of electronic headlamps and industrial products as the COVID-19 pandemic and resulting lockdown measures imposed by various nations to slow down the spread of the infections adversely impacted the global market demand in the said industry segments.

The medical/healthcare segment of the EMS business was exempted from the Movement Control Order (MCO) which came into force on 18 March 2020. In this regard, the production of specific medical/healthcare products such as infusion pump and thermal scanner sub-system which are essential goods to meet urgent demand, particularly, in the hospitals to fight the pandemic, resulted in the uptake of sales of such medical/healthcare devices, however, insufficient to make up for the shortfall arising from the consumer electronics and industrial segments.

**15. PERFORMANCE REVIEW(Cont'd)**

**(a) Current quarter compared to the corresponding quarter of last year  
(1Q'20 vs 1Q'19)**

**Cloud Sales**

The Cloud business, which is the second engine of growth of the K-One Group since the said acquisition in March 2019, generated sales revenue of RM5.6 million in 1Q'20, while the revenue taken into consideration in the same corresponding quarter last year was marginal as the revenue could only commence being accounted following the completion of acquisition in March 2019. Therefore, it is not an apple-to-apple comparison.

**EMS/Cloud Earnings**

The EMS business registered a loss of RM0.3 million, while the Cloud business contributed a profit of RM0.4 million, making an overall final net profit attributable to equity holders of the parent company of RM0.1 million, as compared to a profit of RM1.7 million for the corresponding quarter last year.

The profit decline was mainly attributed to the EMS business. The lower revenue and overall gross profit margin slid from 29% in 1Q'19 to 22% in 1Q'20 caused the EMS business to underperform. Cost-down exercise for a key consumer electronics customer, increasing initial investments such as prototype making to bid for new business from existing and potential customers and extra COVID-19 related expenses incurred to fulfil customer orders such as additional transport charges and measures taken to keep employees safe pulled down the overall gross margin.

However, on the Cloud business, profit based on 60% equity interest contributed about RM0.4 million was encouraging.

**(b) Current quarter versus the preceding quarter  
(1Q'20 vs 4Q'19)**

The first quarter ended 31 March 2010 posted sales revenue of RM17.0 million, representing a 36% decrease over the preceding quarter of RM26.7 million. The EMS and Cloud businesses contributed RM11.4 million and RM5.6 million respectively to make the RM17.0 million sales for the current quarter.



**15. PERFORMANCE REVIEW(Cont'd)**

**(b) Current quarter versus the preceding quarter (Cont'd)**  
**(1Q'20 vs 4Q'19)**

**EMS Sales**

Sales for the EMS business contracted by RM5.5 million; from RM16.9 million (4Q'19) to RM11.4 million (1Q'20), representing a 33% decrease. The decline in EMS sales in the reporting quarter was mainly attributed to the soft demand of electronic headlamps, industrial products and IoT devices as the COVID-19 pandemic compelled various nations, with China leading the pack, progressively locking down partially or fully, thus, curbing global market demand. Furthermore, the partial lockdown in China since January 2020 had disrupted the global supply chain which in turn interrupted the Group's order fulfilments. Nevertheless, sales increase in the medical/healthcare segment as a result of urgent demand in the hospitals to fight COVID-19 propped up sales in the first quarter, but insufficient to make up for the shortfall experienced in the consumer electronics, industrial and IoT segments.

**Cloud Sales**

Sales revenue from the Cloud business decreased by 43% to RM5.6 million in the current quarter as compared to RM9.8 million in the preceding quarter, attributed to lower implementation orders on initial cautionary measures taken by the local business community in view of the worsening COVID-19 infections globally and distortion in the sales comparison for these two quarters as the preceding quarter's sales was positively affected by certain adjustment following the change of GAP's accounting period to coincide with the financial year ending December of the K-One Group. It is however noted that the initial cautionary views taken by certain local business community on IT spending took a change when the MCO was invoked on 18 March 2020 as digitalization was needed to cater for remote working.

**EMS/Cloud Earnings**

The Group posted profit attributable to equity holders of the parent company of RM0.1 million as compared to a profit of RM1.3 million in the preceding quarter. The EMS business registered a loss of RM0.3 million as compared with a profit of RM0.5 million in the previous quarter on lower revenue and gross profit margin, while earnings from the Cloud business was lessened by RM0.9 million to RM0.4 million from RM1.3 million in the previous quarter on lower implementation orders and negative impact of the above said adjustment.

## **16. COMMENTARY ON PROSPECTS AND TARGETS**

The entire world was caught off-guard by the unprecedented health crisis brought on by the COVID-19 pandemic. In addition to the ensuing panic, the world economy has come to a virtual standstill as the spread of COVID-19 has single-handedly disrupted the world. Aimed at slowing down the spread of the pandemic, many nations implemented full or partial lockdowns to flatten the COVID-19 curve. Technology has emerged as a powerful lifeline, both for running many kinds of businesses as well as to keep individuals connected. As the saying goes “in the midst of every crisis, lies great opportunities”. During this period of pandemic crisis, the Group took the opportunity to accelerate its ongoing business transformation effected since the last few years by taking bolder steps to expand both the medical/healthcare industry segment within the EMS space and Cloud businesses as these technology business segments are anticipated to be recession proof and most likely, a beneficiary of the COVID-19 pandemic.

Due to the expected favourable underlying growth potential of the preceding indicated business segments, the EMS business will intensify its focus on the medical/healthcare segment by expanding its product portfolio to encompass COVID-19 medical aids. The Group is expected to mass manufacture nasal swabs for use in COVID-19 tests by 3Q'20 and supply to laboratories and hospitals subject to getting the necessary approvals from the respective authorities in Malaysia. It is also working towards manufacturing the NASA-JPL low-cost ventilators (VITAL) for supply to hospitals by 3Q'20, subject to getting the necessary approvals from the relevant authorities in targeted countries. All the above medical aids are regarded as essential goods to fight COVID-19.

Simultaneously, specific recently secured key EMS customers specialising in medical/healthcare devices have commenced mass production after the completion of development and industrialization works. Production for these customers is anticipated to ramp up with increasing sales contributions as the year unfolds, with the expectation and assumption that these medical/healthcare devices are able to hold up against recessionary pressures and/or the COVID-19 pandemic. At the same time, the Group is working hard to convert potential US customers to actual clients by riding the foreseeable next wave of manufacturing diversions following the reignited US-China frictions since the spread of COVID-19 to US. Multinationals who depended heavily on the Chinese supply chain ecosystem may take steps to reroute its production from China to new locations, including Malaysia as they would take measures to strike a balance between production cost efficiency and risk management.

**16. COMMENTARY ON PRESPECTS AND TARGETS (Cont'd)**

The diversification into the Cloud business has contributed positive results in both the top and bottom lines since the acquisition of the 60% equity interest in GAP in March 2019. This business gained traction to become the essential IT infrastructure at the forefront of the COVID-19 pandemic as governments and corporate leaders are changing their work processes amid the unprecedented situation. Hence, global spending in cloud technology is expected to increase given the current operating landscape, which augurs well for the Cloud business. In the long run, as the world is experiencing the 5G wireless revolution, it is anticipated that Cloud will remain as one of the IT services to grow throughout this shift of technology. Therefore, the Cloud business is expected to have sustainable growth potential.

As announced on 19 June 2020, the Group had completed acquisition of the remaining 40% equity interest in GAP. The 100% ownership of GAP is expected to further enhance the business and financial growth of the Group. Notwithstanding, the Group is prepared to take on more M&A opportunities emerging from the market dislocation with its cash surplus of about RM53.5 million as at 31 March 2020. Nevertheless, the Group will remain prudent in this volatile economic climate as there is no certainty as to when the COVID-19 vaccine will be successfully developed and the economy to subsequently recover from the pandemic.

We envisage that global uncertainty and instability to worsen in the later months of 2020 due primarily to dim economic outlook, COVID-19 pandemic worries, lingering global protectionism and heightened geopolitical tensions. Amidst a challenging global business landscape, the K-One Group remains cautiously hopeful on its prospects, underpinned by a few key factors and assumptions. Firstly, medical/healthcare product shortages during the COVID-19 pandemic (perhaps a second wave which we hope not) is expected to continue to create growth opportunities for the Group's EMS's core medical/healthcare industry segment and its extended product portfolio which includes COVID-19 medical aids. The manufacturing of nasal swabs and the manufacturing and distribution of NASA-JPL low-cost ventilators (VITAL) worldwide are expected to spur revenue in the medical/healthcare device segment in 2020 subject to achieving the respective devices approval milestones from the relevant authorities in the targeted countries. Secondly, it is expected to ramp up production for the secured key EMS customers specialising in medical/healthcare devices as the year unfolds to meet expected demand growth as most nations gradually ease lockdowns to restart their economies. Notwithstanding the expected potential growth of the medical/healthcare segment which is assumed to be recession proof, the overall EMS business growth may be curtailed by soft demand of the non-medical/healthcare business which comprises mainly of the consumer electronics, industrial and IoT market segments which are not expected to be resilient to a global slowdown. Thirdly, the US-China trade war echoes still remain and manufacturing

**16. COMMENTARY ON PRESPECTS AND TARGETS (Cont'd)**

diversions may benefit Malaysia and the Group shall try its utmost best to be a beneficiary. Fourthly, the Cloud business is expected to generate meaningful business and financial results to the Group as it is envisaged to hold up to the COVID-19 pandemic and resulting lockdowns, including benefiting from the New Normal where employers and employees alike maintain the new habits of remote working which augurs well for Cloud usage. Last but not least, the recently concluded acquisition of the remaining 40% equity interest in GAP to make it a wholly owned subsidiary is expected to further enhance the business and financial growth of the Group.

In this New Normal, the world has become very unpredictable and volatile, so, it is challenging to gauge future prospects with any certainty. Moreover, the Group's venturing into medical aids related to COVID-19 would involve new risks in uncharted waters. Nevertheless, the Group will try its best to meet the challenges ahead.

**17. INCOME TAX EXPENSE/(CREDIT)**

	3 months ended		3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax income	-	(564)	-	(564)
Current tax expense	12	554	12	554
<b>Total Income Tax Expense/ (Credit)</b>	<b>12</b>	<b>(10)</b>	<b>12</b>	<b>(10)</b>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period.

**18. PURCHASES OR SALES OF UNQUOTED SECURITIES AND PROPERTIES**

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

**19. QUOTED SECURITIES**

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

**20. CORPORATE PROPOSALS**

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

**21. BORROWINGS AND DEBTS SECURITIES**

The Group has neither any secured nor unsecured borrowings as at 31 December 2019.

**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		3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
Profit attributable to equity holders of the parent (RM'000)	108	1,715	108	1,715
Weighted average number of Ordinary Shares in issue ('000)	728,939	728,939	728,939	728,939
Earnings Per Ordinary Share (sen)	0.01	0.24	0.01	0.24

**25. EARNINGS PER SHARE (Cont'd)**

**(b) Diluted earnings per share**

	3 months ended		3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
Profit attributable to equity holders of the parent (RM'000)	108	1,715	108	1,715
Weighted average number of Ordinary Shares in issue ('000)	728,939	728,939	728,939	728,939
Effect of Share Options ('000)	-	10,852	-	10,852
Adjusted weighted average number of Ordinary Shares in issue ('000)	728,939	739,791	728,939	739,791
Diluted Earnings Per Ordinary Share (sen)	0.01	0.23	0.01	0.23

**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 June 2020.

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

29 June 2020