



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

**Condensed Consolidated Statements of Comprehensive Income
 For The Second Quarter Ended 30 June 2021**

Figures in RM'000	3 months ended		6 months ended	
	30.6.2021 Unaudited	30.6.2020 Unaudited	30.6.2021 Unaudited	30.6.2020 Unaudited
Operating revenue	35,026	19,047	66,057	36,005
Cost of sales	(29,831)	(16,400)	(55,796)	(29,548)
Gross profit	5,195	2,647	10,261	6,457
Other income	661	55	891	491
Interest income	189	261	380	540
Operating expenses	(4,313)	(4,485)	(8,545)	(8,596)
Fair value movement on put option liability	-	(927)	-	(927)
Profit/(loss) before tax	1,732	(2,449)	2,987	(2,035)
Income tax expense	(317)	(290)	(418)	(302)
Profit/(loss) for the period	1,415	(2,739)	2,569	(2,337)

Profit attributable to:

Owners of the Parent	1,415	(2,856)	2,569	(2,748)
Non-controlling interests	-	117	-	411
	1,415	(2,739)	2,569	(2,337)

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

Basic EPS	0.17	(0.38)	0.31	(0.37)
Diluted EPS	0.17	(0.38)	0.31	(0.37)

**Condensed Consolidated Statements of Comprehensive Income
 For The Second Quarter Ended 30 June 2021 (Cont'd)**

Figures in RM'000	6 months ended		6 months ended	
	30.6.2021 Unaudited	30.6.2020 Unaudited	30.6.2021 Unaudited	30.6.2020 Unaudited
Profit/(loss) for the period	1,415	(2,739)	2,569	(2,337)
Item that may be subsequently reclassified to profit :				
Foreign currency translation	3	-	6	-
Total comprehensive income	1,418	(2,739)	2,575	(2,337)

Total comprehensive income attributable to:

Owners of the Parent	1,418	(2,856)	2,575	(2,748)
Non-controlling interests	-	117	-	411
	1,418	(2,739)	2,575	(2,337)

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Financial Position
 As At 30 June 2021**

Figures in RM'000	Unaudited 30.6.2021	Audited 31.12.2020
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,968	17,747
Prepaid land lease	868	889
Intangible assets	12	13
Goodwill on consolidation	18,561	18,561
Deferred tax assets	67	99
Other investment	115	115
Total Non-Current Assets	36,591	37,424
<i>Current Assets</i>		
Inventories	21,507	19,134
Trade receivables	26,570	23,189
Other receivables	11,530	11,633
Tax recoverable	2,367	2,038
Short term cash investments	15,530	18,651
Cash and bank balances	39,965	37,204
Total Current Assets	117,469	111,849
TOTAL ASSETS	154,060	149,273

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	119,786	119,786
Reserves	1,708	1,661
Retained earnings	(3,935)	(6,504)
Total Equity	117,559	114,943

**Condensed Consolidated Statements of Financial Position
 As At 30 June 2021 (Cont'd)**

Figures in RM'000	Unaudited 30.6.2021	Audited 31.12.2020
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	241	241
Total Non-Current Liabilities	241	241
<i>Current Liabilities</i>		
Trade payables	23,017	23,768
Other payables and accruals	5,541	4,237
Contract liabilities	7,452	6,035
Tax payable	250	49
Total Current Liabilities	36,260	34,089
Total Liabilities	36,501	34,330
TOTAL EQUITY AND LIABILITIES	154,060	149,273
Net assets per share attributable to Owners of the Parent (sen)	14.44	14.09

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Changes in Equity
 For The Second Quarter Ended 30 June 2021**

Figures in RM'000	←----- Attributable to Owners of the Parent ----->						Non- controlling Interests	Total Equity
	←----- Non-distributable ----->			----- Distributable ----->				
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Sub-Total		
At 1 January 2021	119,786	1,744	(83)	-	(6,504)	114,943	-	114,943
Comprehensive profit								
Profit for the period	-	-	-	-	2,569	2,569	-	2,569
Other comprehensive income								
Foreign currency translation difference	-	-	6	-	-	6	-	6
Total comprehensive profit	-	-	6	-	2,569	2,575	-	2,575
Transaction with owners								
Share based payment under Employees' Share Options Scheme ("ESOS")	-	41	-	-	-	41	-	41
	-	41	-	-	-	41	-	41
At 30 June 2021	119,786	1,785	(77)	-	(3,935)	117,559	-	117,559

**Condensed Consolidated Statements of Changes in Equity
For The Second Quarter Ended 30 June 2021 (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 2020	94,679	4,422	(79)	(16,212)	15,146	97,956	2,903	100,859
Comprehensive profit								
Profit for the period	-	-	-	-	(2,748)	(2,748)	411	(2,337)
Other comprehensive income								
Foreign currency translation difference	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(2,748)	(2,748)	411	(2,337)
Transaction with owners								
Issuance of Ordinary Shares	17,260	-	-	-	-	17,260	-	17,260
Elimination of put option over shares held by non-controlling interest	-	-	-	16,212	-	16,212	-	16,212
Changes in ownership interest of a subsidiary	-	-	-	-	(13,191)	(13,191)	(3,314)	(16,505)
Share based payment under Employees' Share Options Scheme ("ESOS")	-	157	-	-	-	157	-	157
	17,260	157	-	16,212	(13,191)	20,438	(3,314)	17,124
At 30 June 2020	111,939	4,579	(79)	-	(793)	115,646	-	115,646

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 2020 and the accompanying explanatory notes attached to the interim financial statements

**Condensed Consolidated Statements of Cash Flows
For The Second Quarter Ended 30 June 2021**

Figures in RM'000	6 months ended	
	30.6.2021	30.6.2020
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit/(loss) before taxation</i>	2,987	(2,035)
Adjustments for:		
Depreciation of property, plant and equipment	1,259	1,038
Amortization of intangible assets	2	16
Share option granted under ESOS	73	157
Interest income	(380)	(540)
Foreign exchange gain – unrealized	(214)	(113)
Fair value movement on put option liability	-	927
Operating profit/(loss) before working capital changes	3,727	(550)
Changes in working capital:		
(Increase)/Decrease in inventory	(2,373)	901
(Increase)/Decrease in receivables	(3,278)	2,935
Increase/(Decrease) in payables	1,970	(2,206)
Net cash generated from operations	46	1,080
Taxation paid	(366)	(504)
Interest income	380	540
<i>Net cash generated from operating activities</i>	60	1,116
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal/(placement) of short-term cash fund	3,121	(10,513)
(Placement)/withdraw of deposits with licensed bank	(1,000)	5,500
Purchase of property, plant and equipment	(532)	(773)
<i>Net cash generating from/(used in) investing activities</i>	1,589	(5,786)

**Condensed Consolidated Statements of Cash Flows
 For The Second Quarter Ended 30 June 2021 (Cont'd)**

Figure in RM'000	6 months ended	
	30.06.2021	30.06.2020
Net increase/(decrease) in cash and cash equivalents	1,649	(4,670)
Effect of exchange rate changes	112	293
Cash and cash equivalents at beginning of the period	14,704	14,617
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	16,465	10,240

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	6 months ended	
	30.06.2021	30.06.2020
Cash and bank balances	16,465	10,240
Deposit placed with licensed banks	23,500	22,500
	39,965	32,740
Less: Non-short term fixed deposits	(23,500)	(22,500)
	16,465	10,240

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2020.

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 2020, except for the following Malaysian Financial Reporting Standards (MFRSs) and IC Interpretations (IC Int):

Amendments/Improvements to MFRSs

MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
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 Electronic Manufacturing Services (EMS) business, predominantly export in nature (99.9% export in 1H’21; 99.0% export in 1H’20) 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 (Cloud) business (through G-AsiaPacific Sdn. Bhd.) 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		6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Depreciation of property, plant and equipment	(641)	(519)	(1,259)	(1,038)
Amortization of intangible assets	(1)	(8)	(2)	(16)
Foreign exchange (loss)/gain				
- realized	182	131	204	82
- unrealized	(73)	(254)	214	113
Interest income	189	261	380	540

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	91	20,943	13,992	-	35,026
Internal sales	-	-	-	-	-
Total operating sales	91	20,943	13,992	-	35,026
Others and interest income	54	219	27	550	850
	145	21,162	14,019	550	35,876
Results					
Segment results	35	753	825	119	1,732
Finance costs	-	-	-	-	-
Income tax expense	(12)	(128)	(177)	-	(317)
Profit after tax before non- controlling interests	23	625	648	119	1,415
Non-controlling interests	-	-	-	-	-
Profit after tax after non- controlling interests	23	698	648	119	1,415
Other information					
Segment assets	10,566	69,492	28,433	43,135	151,626
Unallocated assets					2,434
					154,060
Segment liabilities	308	18,917	16,707	151	36,083
Unallocated liabilities					418
					36,501

9. SEGMENT INFORMATION (Cont'd)

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

The geographical sales breakdown is as follows:

	6 months ended	
	30.6.2021	30.6.2020
	RM'000	RM'000
Malaysia	*16,820	14,912
Asia (excluding M'sia)	**15,422	1,703
Europe	22,774	14,959
US	11,027	4,351
Oceania	14	80
	<u>66,057</u>	<u>36,005</u>

* Includes RM16,795,595 from the Cloud business.

** Includes RM8,184,613 from the Cloud business in Singapore.

Note: a) The EMS business is 99.9% (1H'20: 99.0%) derived from the export markets with the balance of 0.1% (1H'20: 1%) from the local (Malaysian) market.

b) For 1H'21, EMS:Cloud ratio is 62%:38%

(c) Sales to Major Customers

For the 6 months ended 30 June 2021, three (3) major international customers (each with revenue of more than 10% of the Group's revenue) contributed total revenue of approximately RM32.9 million (1H'20: RM13.23 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 30 June 2021.

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:-

	RM'000
K-One Industry Sdn Bhd	20,576
	20,576

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 (2Q'21 vs 2Q'20)

For the second quarter ended 30 June 2021 (2Q'21), the Group's sales revenue increased to RM35.0 million from RM19.0 million in the corresponding quarter last year (2Q'20), recording a surge of 84% on impressive sales growth in both the EMS and Cloud Computing (Cloud) businesses.

EMS Sales

Sales from the EMS business jumped to RM21.0 million in the current quarter from RM12.2 million in the corresponding quarter last year, representing a strong increase of 72%, driven by production ramp up for key medical/healthcare customers and improved demand of electronic headlamps, floorcare products and IoT gadgets in line with a recovery in global market sentiment following the rollout of mass COVID-19 immunization programmes by the developed countries since the beginning of 2021.

15. PERFORMANCE REVIEW (Cont'd)

**(a) Current quarter compared to the corresponding quarter of last year (Cont'd)
(2Q'21 vs 2Q'20)**

Cloud Sales

The Cloud business generated sales revenue of RM14.0 million in 2Q'21 as compared with RM6.8 million in the corresponding quarter last year, representing a stellar leap of 106% on sturdy performance in recurring sales revenue from key markets, namely; Malaysia, Singapore and Indonesia following new major customer wins and higher usage of Cloud from the existing pool of customers. While the COVID-19 pandemic entered its second year, it yet again reaffirmed that it is a catalyst in spurring Cloud usage and adoption. Towards this end, recurring sales continued to exhibit resilient growth as changing consumer behaviour and work-from-home (WFH) habits in the New Normal drive e-commerce and videoconferencing respectively which are boosting Cloud usage.

EMS/Cloud Earnings

The EMS business registered a combined profit inclusive of other income of RM0.8 million, of which, other income attributed to profit guarantee contribution amounted to RM0.5 million. On the other hand, the Cloud business registered a profit of RM0.6 million, thus making a total net profit of RM1.4 million in the current quarter as compared to a loss of RM2.9 million in the corresponding quarter last year.

The EMS business in the reporting quarter delivered a profit of RM0.3 million, turning around from a loss of RM2.4 million in the corresponding quarter last year, attributed mainly to soaring sales and improved gross profit margin. Overall profit margin increased to 16% in 2Q'21 from 10% in 2Q'20, in the absence of technical issues relating to manufacturing processes which weighted on the profit margin of 2Q'20.

On the Cloud business, profit increased to RM0.6 million from RM0.4 million on sales surge, but restrained by the normalization of corporate tax payment due to the expiry of pioneer status.

**(b) Current quarter versus the preceding quarter
(2Q'21 vs 1Q'21)**

The second quarter ended 30 June 2021 posted total sales revenue of RM35.0 million, representing a 13% increase over the preceding quarter of RM31.0 million. The EMS and Cloud businesses contributed RM21.0 million and RM14.0 million respectively to make the RM35.0 million sales revenue for the current quarter.

15. PERFORMANCE REVIEW (Cont'd)
(b) Current quarter versus the preceding quarter (Cont'd)
(2Q'21 vs 1Q'21)

EMS Sales

The EMS business registered sales of RM21.0 million in 2Q'21 as compared to RM20.1 million in 1Q'21, representing a 4% increase; driven by improved demand of electronic headlamps and IoT gadgets. The sales surge could have achieved a higher trajectory but was impeded by the imposition of Full Movement Control Order (FMCO) effective 1 June '21 which limited production labour capacity to 60%, thereby adversely affected production output and efficiency for the month of June'21. With effect from 5 July'21, the Group's factories which are located in Ipoh were allowed to increase production labour capacity to 80% as Perak in general progressed to Phase 2 of the National Recovery Plan (NRP) which permitted specific SOPs such as production labour capacity threshold to be increased which augurs well for improved productivity.

Cloud Sales

Sales revenue from the Cloud business increased by 28% to RM14.0 million in the current quarter as compared to RM10.9 million in the preceding quarter, due mainly to higher recurring revenue which was attributed to enterprises and their employees increasingly resorting to the internet to conduct business via videoconference and change in physical buying behaviour to e-commerce, all of which promoted Cloud usage.

EMS/Cloud Earnings

The Group posted profit attributable to equity holders of the parent company of RM1.4 million in the current quarter as compared to a profit of RM1.2 million in the preceding quarter (1Q'21), with the increased earnings augmented by other income.

16. COMMENTARY ON PROSPECTS AND TARGETS

For the first half of the year ended 30 June 2021, the K-One Group delivered sales of RM66.0 million against RM36.0 million for the corresponding period last year, representing a huge increase of 83%.

EMS's sales clocked-in at RM41.1 million in 1H'21 as compared with RM23.6 million in the corresponding period last year, marking a significant increase of 74%. Medical/healthcare devices, electronic headlamps, industrial equipment, floorcare products and IoT gadgets demonstrated sturdy sales growth on the back of improving global market sentiment following the rollout of mass vaccination programmes in major economies in the world since early 2021.

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

Cloud business, the second engine of growth of the K-One Group, generated sales revenue of RM24.9 million in 1H'21 as compared with RM12.4 million in the corresponding period last year, scoring a turbo-charged growth rate of 101%. The Cloud business remained upbeat despite MCO restrictions as Cloud adoption continues to climb in view of the escalating growth of enterprises embracing Cloud to adapt to the changing human behaviour of WFH, online learning and online buying in the New Normal, while Cloud usage continues to surge as businesses require additional capacity for their cloud-based applications in meeting online usage growth.

Moving forward to 2H'21, barring unforeseen circumstances, the Group is cautiously optimistic and expects to see sales trending higher than 1H'21 based upon the rationales and expectations illustrated below in the EMS and Cloud businesses's prospects respectively.

EMS Business

1) The K-One Group anticipates to continue ramping up its manufacturing services, with an increasing medical and healthcare bias. Production of specific running medical/healthcare devices for OEM customers is expected to be on a continuous ramp up trend to meet growing demands as the COVID-19 pandemic and re-opening of global economies respectively have exerted increasing requirements on each of these particular medical/healthcare devices. Additionally, the production of the COVID-19 Rapid Antigen Saliva Test Kits for an OEM customer and various new healthcare devices for new and existing overseas customers are expected to commence in the next few months in 2H'21.

2) With the onset of the pandemic early last year, the Group has since extended into the development and manufacturing of its own-brand of medical devices (OBM) such as nasal/oral swabs and ventilators. On top of these medical devices, it has also recently received approval from the Medical Device Authority (MDA) of Malaysia to distribute Low Dead Volume syringes for use in COVID-19 vaccinations which is timely in facilitating sales as the Malaysian government is accelerating its mass vaccination programme. As regards to the NASA-JPL licensed ventilator, the Group has achieved the next major milestone in being offered crucial support by a statutory body in taking the development and manufacturing to the next level.

3) On the consumer electronics, industrial and IoT sectors of the EMS business, orders from existing customers are rebounding as economic recovery takes hold globally, albeit uneven on the back of the rollout of vaccination programmes and the pump-priming initiatives implemented by the various major global economies.

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

EMS Business (Cont'd)

Although there are restrictions in overseas travelling to meet existing and potential customers, the Group has resorted to participating in e-exhibitions and leveraging on other electronic means to reach out to target customers. So far, this new mode of engaging potential customers has been promising, in particular, pitching to divert US manufacturing from China to Malaysia in view of the continuing trade friction between the two economic giants.

Cloud Business

1) Being a beneficiary of the COVID-19 pandemic, recurring revenue from the significant pool of the K-One Group's wholly-owned subsidiary ie G-AsiaPacific's (GAP) existing customers is expected to be sturdy while contribution from development/implementation of Cloud solutions is envisaged to be stronger in the coming quarters upon normalization of economic activities in its key markets. As organisations realised the benefits of adopting Cloud services during the COVID-19 pandemic, the trend of increasing Cloud investment is gaining momentum moving forward, which GAP is in good position to garner its fair share and maximise sales growth in the territories of Malaysia, Singapore and Indonesia which it is steadily represented.

2) Furthermore, the growth of the Cloud business in Malaysia is boosted by the launch of the MyDIGITAL initiative and the Malaysia Digital Economy Blueprint on 19 February 2021. The government's Cloud-First strategy to migrate 80% of public data to hybrid systems by 2022 is expected to provide immense Cloud business opportunities in the public sector which the K-One Group via GAP is expected to catch in the coming months.

3) Google's promotion of GAP recently as a Premier Partner (highest level of partnership in the Google partnership ecosystem) which GAP earned by achieving the stringent criteria set will provide the distinct differentiation over competition. Concurrently, GAP was named 2021 Amazon Web Services (AWS) Consulting Partner of the Year (Malaysia) at the AWS Partner Summit which was held in July 2021. It is an endorsement by AWS that GAP is a market leader in terms of sales and technical know-how in the cloud space in Malaysia and ASEAN. With these "badges" from Google and AWS respectively, GAP will leverage on these endorsements to win large customers in Malaysia and ASEAN as the months unfold.

As the Group is debt free and has cash surplus of RM55.5 million as at the end of 2Q'21, it will continue to seek out M&A opportunities. The Group is interested in acquiring companies in the Cloud space or those that are cybersecurity-based, because they are seen to be complementary to the Cloud business. In these volatile economic conditions, it is advantageous to be in a strong financial position so that it can expand business organically and inorganically without financial restraints.

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

In conclusion, the Group is cautiously optimistic on its prospects for 2H'21 and is expected to experience strong growth moving forward, generated by a combination of organic growth and M&A activities. In the near term, the EMS business – with an increasing medical and healthcare bias – and the Cloud business will continue to be the anchor businesses. These businesses are primed for further growth during the year underpinned by the unprecedented opportunities brought upon by the changing business landscape inflicted by COVID-19 and a recovering global economy, albeit uneven. As for the own-brand medical devices (OBM) business, it will be nurtured as the third engine of growth in the long term. Notwithstanding, the Group will endeavour to capitalise on new opportunities which may arise to enhance its growth prospects.

17. INCOME TAX EXPENSE

	3 months ended		6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense	305	290	374	302
Deferred tax expense	12	-	44	-
Total Income Tax Expense	317	290	418	302

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 announced but not completed as at the reporting date:

- (a) Proposed Acquisition Of Infinity Consulting Technology Sdn. Bhd. By K2 Cloud Sdn. Bhd. (FKA: EMB Technology Sdn. Bhd.), A Wholly-Owned Subsidiary Of K-One Technology Berhad

The Company's wholly-owned subsidiary, K2 Cloud Sdn. Bhd. (Fka: EMB Technology Sdn. Bhd.) had on 12 April 2021 entered into a Share Sale Agreement ("SSA") with the existing shareholders ("Vendors") to acquire Infinity Consulting Technology Sdn. Bhd. ("ICT") in 2 tranches upon satisfying conditions precedent, with an initial 75% equity interest in Tranche 1 and the balance 25% in Tranche 2 ("Proposed Acquisition") within 1 month after the date of the audited financial statements of ICT for FYE 2022. The proposed acquisition is still undergoing the due diligence process and a decision on the proposed acquisition is expected to be made in 3Q'21.

21. BORROWINGS AND DEBTS SECURITIES

The Group has neither any secured nor unsecured borrowings as at 30 June 2021.

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		6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Profit attributable to equity holders of the parent (RM'000)	1,415	(2,856)	2,569	(2,748)
Weighted average number of Ordinary Shares in issue ('000)	815,793	751,733	815,793	741,713
Earnings Per Ordinary Share (sen)	0.17	(0.38)	0.31	(0.37)

(b) Diluted earnings per share

	3 months ended		6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Profit attributable to equity holders of the parent (RM'000)	1,415	(2,856)	2,569	(2,748)
Weighted average number of Ordinary Shares in issue ('000)	815,793	751,733	815,793	741,713
Effect of Share Options ('000)	5,796	-	5,796	-
Adjusted weighted average number of Ordinary Shares in issue ('000)	821,589	751,733	821,589	741,713
Diluted Earnings Per Ordinary Share (sen)*	0.17	(0.38)	0.31	(0.37)

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 3 August 2021.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)

Company Secretary

3 August 2021