



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022**

**Condensed Consolidated Statements of Comprehensive Income
 For The First Quarter Ended 31 March 2022**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2022 Unaudited	31.3.2021 Unaudited	31.3.2022 Unaudited	31.3.2021 Unaudited
Operating revenue	38,111	31,031	38,111	31,031
Cost of sales	(32,665)	(25,965)	(32,665)	(25,965)
Gross profit	5,446	5,066	5,446	5,066
Other income	211	292	211	292
Interest income	101	177	101	177
Operating expense	(4,632)	(4,280)	(4,632)	(4,280)
Profit before tax	1,126	1,254	1,126	1,254
Income tax expense	(423)	(101)	(423)	(101)
Profit for the period	703	1,153	703	1,153

Profit attributable to:

Owners of the Parent	703	1,153	703	1,153
Non-controlling interests	-	-	-	-
	703	1,153	703	1,153

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

Basic EPS	0.08	0.14	0.08	0.14
Diluted EPS	0.08	0.14	0.08	0.14

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

Figures in RM'000	3 months ended		3 months ended	
	31.3.2022 Unaudited	31.3.2021 Unaudited	31.3.2022 Unaudited	31.3.2021 Unaudited
Profit for the period	703	1,153	703	1,153
Items that may be subsequently reclassified to profit:				
Foreign currency translation	2	3	2	3
Total comprehensive income	705	1,156	705	1,156

**Total comprehensive income
 attributable to:**

Owners of the Parent	705	1,156	705	1,156
Non-controlling interests	-	-	-	-
	705	1,156	705	1,156

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 March 2022**

Figures in RM'000	Unaudited 31.3.2022	Audited 31.12.2021
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,297	16,732
Prepaid land lease	847	854
Intangible assets	29	29
Goodwill on consolidation	18,561	18,561
Investment property	4,800	4,800
Deferred tax assets	1,939	1,930
Other investment	115	115
Total Non-Current Assets	42,588	43,021
<i>Current Assets</i>		
Inventories	27,400	27,668
Trade receivables	26,004	25,426
Other receivables	8,464	7,418
Tax recoverable	2,591	2,322
Short-term cash investments	9,538	16,538
Cash and cash equivalents	34,573	29,871
Total Current Assets	108,570	109,243
TOTAL ASSETS	151,158	152,264

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	123,644	123,644
Translation reserves	(76)	245
Retained earnings	(8,146)	(9,172)
Total Equity	115,422	114,717

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

Figures in RM'000	Unaudited 31.3.2022	Audited 31.12.2021
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	396	387
Total Non-Current Liabilities	396	387
<i>Current Liabilities</i>		
Trade payables	24,586	26,401
Other payables and accruals	2,334	2,685
Contract liabilities	7,862	7,363
Tax payable	558	711
Total Current Liabilities	35,340	37,160
Total Liabilities	35,736	37,547
TOTAL EQUITY AND LIABILITIES	151,158	152,264
Net assets per share attributable to Owners of the Parent (sen)	13.87	13.79

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 First Quarter Ended 31 March 2022**

Figures in RM'000	←----- Attributable to Owners of the Parent ----->						Non- controlling Interests	Total Equity
	←----- Non-distributable ----->			----- Distributable ----->				
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Sub-Total		
At 1 January 2022	123,644	323	(78)	-	(9,172)	114,717	-	114,717
Comprehensive income								
Profit for the period	-	-	-	-	703	703	-	703
Other comprehensive income								
Foreign currency translation difference	-	-	2	-	-	2	-	2
Reclassification of share option reserve upon expiry of ESOS	-	(323)	-	-	323	-	-	-
Total comprehensive income	-	-	2	-	1,026	705	-	705
At 31 March 2022	123,644	-	(76)	-	(8,146)	115,422	-	115,422

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

Figures in RM'000	←----- Attributable to Owners of the Parent ----->						Non- controlling Interests	Total Equity
	←----- Non-distributable ----->			----- Distributable ----->				
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Sub-Total		
At 1 January 2021	119,786	1,744	(83)	-	(6,504)	114,943	-	114,943
Comprehensive income								
Profit for the period	-	-	-	-	1,153	1,153	-	1,153
Other comprehensive income								
Foreign currency translation difference	-	-	3	-	-	3	-	3
Total comprehensive income	-	-	3	-	1,153	1,156	-	1,156
Transaction with owners								
Share based payment under Employees' Share Options Scheme ("ESOS")	-	4	-	-	-	4	-	4
	-	4	-	-	-	4	-	4
At 31 March 2021	119,786	1,748	(80)	-	(5,351)	116,103	-	116,103

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 First Quarter Ended 31 March 2022**

Figures in RM'000	3 months ended	
	31.3.2022	31.3.2021
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	1,126	1,254
Adjustments for:		
Depreciation of property, plant and equipment	687	618
Amortization of intangible assets	2	1
Share option granted under ESOS	-	4
Interest income	(101)	(177)
Foreign exchange gain– unrealized	(185)	(87)
Property, plant and equipment written off	-	72
Operating profit before working capital changes	1,529	1,685
Changes in working capital:		
Decrease in inventory	268	1,648
Increase in receivables	(1,893)	(67)
Decrease in payables	(1,667)	(5,078)
Net cash used in operations	(1,763)	(1,812)
Taxation paid	(514)	(186)
Interest income	101	177
<i>Net cash used in operating activities</i>	(2,176)	(1,821)
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal of short-term cash fund	7,000	2,395
Withdrawal of deposits with licensed bank	-	(4,000)
Purchase of property, plant and equipment	(245)	(280)
<i>Net cash generated from/(used in) investing activities</i>	6,755	(1,885)

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

Figure in RM'000	3 months ended	
	31.3.2022	31.3.2021
Net increase/(decrease) in cash and cash equivalents	4,579	(3,706)
Effect of exchange rate changes	115	90
Cash and cash equivalents at beginning of the period	9,879	14,703
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	14,573	11,087

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	3 months ended	
	31.3.2022	31.3.2021
Cash and bank balances	14,573	11,087
Deposit placed with licensed banks	20,000	26,500
	34,573	37,587
Less: Fixed deposits with maturity of more than three months	(20,000)	(26,500)
	14,573	11,087

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 (80.7% export in 1Q’22; 99.9% export in 1Q’21) and is subject to seasonal fluctuations. The increase in local sales for 1Q’22 was due to the brisk uptick of COVID-19 Antigen saliva self-test kits in the local market. Discounting the preceding as an exception, business in the second half of the year is normally stronger than the first half of the year due to surge in demand attributed mainly to the consumer electronics market in conjunction with Christmas and New Year seasons overseas.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS (Cont'd)

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	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
Depreciation of property, plant and equipment	(687)	(618)	(687)	(618)
Amortization of intangible assets	(2)	(1)	(2)	(1)
Foreign exchange (loss)/gain				
- realized	(51)	22	(51)	22
- unrealized	185	87	185	87
Interest income	101	177	101	177

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	40	21,329	16,742	-	38,111
Internal sales	-	-	-	-	-
Total operating sales	40	21,329	16,742	-	38,111
Others and interest income	52	197	7	56	312
	92	21,526	16,749	56	38,423
Results					
Segment results	61	590	814	(339)	1,126
Finance costs	-	-	-	-	-
Income tax expense	(15)	(224)	(184)	-	(423)
Profit/(Loss) after tax before non-controlling interests	46	366	630	(339)	703
Non-controlling interests	-	-	-	-	-
Profit/(Loss) after tax after non-controlling interests	46	366	630	(339)	703
Other information					
Segment assets	7,767	68,295	31,076	39,490	146,628
Unallocated assets					4,530
					151,158
Segment liabilities	231	14,793	19,682	73	34,779
Unallocated liabilities					957
					35,736

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 31.3.2022		
	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

	3 months ended 31.3.2021		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	5	8,340	8,345
Asia (excluding M'sia)	4,992	2,585	7,577
Europe	9,308	-	9,308
US	5,800	-	5,800
Oceania	1	-	1
	20,106	10,925	31,031

Note: 1) The EMS business is 80.7% (1Q'21: 99.9%) derived from the export markets with the balance of 19.3% (1Q'21: 0.1%) from the local (Malaysian) market. The EMS business for 1Q'22 included sales of COVID-19 Antigen saliva self-test kits in the local market. There was no such sales in 1Q'21 as the Group merely commenced the distribution of the said medical device in November 2021 after receiving the relevant approval from the Medical Device Authority under the Ministry of Health, Malaysia on 26 October 2021.

2) The Cloud business is 41.6% (1Q'21: 23.7%) derived from the overseas markets with the balance of 58.4% (1Q'21: 76.3%) derived from the local (Malaysian) market.

9. SEGMENT INFORMATION (Cont'd)

(c) Sales to Major Customers

For the 3 months ended 31 March 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 31 March 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:-

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

13. CAPITAL COMMITMENTS

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

14. SUBSEQUENT EVENT

There are no subsequent events which have a material impact on the financial statements under review.

15. PERFORMANCE REVIEW

(a) Current quarter compared to the corresponding quarter of last year (1Q'22 vs 1Q'21)

For the first quarter ended 31 March 2022 (1Q'22), the Group's sales revenue increased to RM38.1 million from RM31.0 million in the corresponding quarter last year (1Q'21), recording growth of 23% underpinned by brisk sales of medical devices and a surge in recurring revenue in the Cloud Computing (Cloud) business.

EMS Sales

Sales from the EMS business jumped to RM21.4 million in the current quarter from RM20.1 million in the corresponding quarter last year, representing an increase of 6%, driven mainly by the sales of medical devices required in the fight against the spread of COVID-19 infections. The Group posted strong sales of the COVID-19 Antigen saliva self-test kits in the local market in 1Q'22, with heightened awareness on the need to perform at-home COVID-19 test to curb the spike of the Omicron variant. To recap, the Group merely commenced the distribution of the said COVID-19 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.

As regards to the core OEM/ODM portion of the EMS Business, its sales rise in 1Q'22 was impeded by certain critical component shortages, shipping bottlenecks and production labour woes, thus delaying the OEM/ODMs' order fulfilment.

Cloud Sales

The Cloud business generated sales revenue of RM16.7 million in 1Q'22 as compared with RM10.9 million in the corresponding quarter last year, representing a surge of 53% on sturdy performance in recurring sales from existing customers in key markets, streaming of new customers, and the addition of Cloud complementary product sales. The public and private sectors continued transition into the Cloud and doubled down adoption of the technology leading to sustained high traffic in online shopping (E-commerce) and work-from-home (WFH) culture in the New Normal spurring videoconference use, catalysed Cloud usage, hence, increase in Cloud sales.

EMS/Cloud Earnings

The EMS business registered a profit of RM0.1 million while the Cloud business contributed a profit of RM0.6 million, making a total net profit of RM0.7 million in 1Q'22 as compared to the same of RM1.2 million for the corresponding quarter last year, representing a decrease of 42%.

15. PERFORMANCE REVIEW (Cont'd)

**(a) Current quarter compared to the corresponding quarter of last year (Cont'd)
(1Q'22 vs 1Q'21)**

EMS/Cloud Earnings (Cont'd)

The EMS business in the reporting quarter delivered a profit of RM0.1 million, veering off from a profit of RM0.5 million in the corresponding quarter last year. The profit decrease was attributed mainly to sliding gross profit margin from 17% in 1Q'21 to 16% in 1Q'22 on cost pressure from soaring prices of materials, steep rise in logistic costs and increase in overtime payment to make up for production labour shortages. Nevertheless, the rising costs were partially offset by material cost down, pass-through of portions of increased costs to customers and product mix changes favouring higher margin products helped to soften the margin compression.

Despite the sales revenue uptick, profit from the Cloud business was reduced to RM0.6 million from RM0.7 million in the corresponding quarter last year mainly on higher corporate tax expense due to the expiry of pioneer status in March'21.

**(b) Current quarter versus the preceding quarter
(1Q'22 vs 4Q'21)**

The first quarter ended 31 March 2022 posted sales revenue of RM38.1 million, representing a 7% increase over the preceding quarter of RM35.7 million, primarily attributed to sales jump in the Cloud business.

EMS Sales

EMS sales was about flat at RM21.4 million in 1Q'22 as compared to RM21.6 million in 4Q'21. The strong performance of medical devices viz-a-viz the COVID-19 Antigen saliva self-test kits managed to offset the effects from lower orders fulfilled for OEM/ODM customers following manufacturing interruptions caused by production labour shortages on renewed COVID-19 flare-ups and supply chain disruptions.

Cloud Sales

Sales revenue from the Cloud business increased by 18% to RM16.7 million from RM14.1 million in the preceding quarter, driven by the growing usage and adoption of Cloud catalysed by the ongoing COVID-19 pandemic or endemic. Furthermore, the extra Cloud complementary product sales enhanced the sales growth.

15. PERFORMANCE REVIEW (Cont'd)

**(b) Current quarter compared to the corresponding quarter of last year (Cont'd)
(1Q'22 vs 4Q'21)**

EMS/Cloud Earnings

The Group posted profit attributable to equity holders of the parent company of RM0.7million in the current quarter as compared to a loss of RM2.8 million in the preceding quarter (4Q'21). The EMS business in the reporting quarter delivered a profit of RM0.1 million, turning around from a loss of RM2.9 million in 4Q'21, attributed mainly to improved gross profit margin from 5% in 4Q'21 to 16% in 1Q'22 on favourable product mix, material cost down and pass-through of higher cost to customers. The Cloud business registered a profit of RM0.6 million as compared to the same of RM0.2 million in the previous quarter on higher sales.

16. COMMENTARY ON PROSPECTS AND TARGETS

The world is still in turbulence despite claiming COVID-19 as endemic, arising mainly from:- i) geopolitical uncertainties exacerbated by the Russian invasion of Ukraine resulting in the corresponding US-NATO-Allies' sanctions on Russia, ii) high inflation concerns and hawkish stance of central banks in raising interest rates and iii) fears over COVID-19 lockdowns in major Chinese cities. Collectively, the preceding may derail a fragile global economic recovery from the COVID-19 pandemic or endemic.

Amid the volatile and challenging global business environment, the Group has charted its own course to deal with its businesses in 2022, as conjectured in the ensuing notes.

EMS Business

1) With order forecasts remaining positive across multiple customers, the EMS business shall endeavour to ramp up its manufacturing in spite of the prevailing challenges surrounding production labour, component supply and logistics. Pertaining to specific medical/healthcare devices for OEM/ODM customers, it is geared to clear backlogs to meet growing demands. It also anticipates the commencement of production of specific new medical/healthcare products for new customers. Sales for consumer electronics, industrial and IoT sectors of the OEM/ODM segment are expected to scale up in tandem with a hopeful albeit fragile global economic recovery as COVID-19 moves to the endemic phase, while the Russia-Ukraine crisis is presumed to be contained.

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

EMS Business (Cont'd)

2) The Group's concerted efforts on materials cost down and pass-through of higher cost to customers, logistic and production labour costs control measures mitigation had produced positive results with improved operating profit margin in 1Q'22. Efforts will continue to be invested in such exercises moving forward as rising input cost pressures remained a key challenge for the EMS industry. On the same token, reduction of manual labour by implementation of automation solutions as part of its Industry 4.0 initiative will be accelerated to minimise the adverse impact on the latest government's minimum wage imposition of RM1,500 per month effective May'22.

3) The brisk sales of its COVID-19 Antigen saliva self-test kits is expected to overspill to the second quarter, thereafter may lose its momentum if COVID-19 abates. Nevertheless, it made a good run. To follow through the medical supplies business, the Group is preparing to launch other medical devices and consumables either as Own Brand Manufacturer (OBM) or Authorized Representative (AR) products, leveraging on the distribution network ie pharmacies and hospitals that has been established in the selling of its COVID-19 Antigen self-test kits.

On another front, with the RM12.3 million matching grant from MIDA, the Group is enhancing the NASA-JPL ventilator, rebranding it as Medkaire and taking it through with the relevant MDA, CE and FDA certifications. It is envisaged that the emerging medical supplies segment could provide the Group with notable revenue and earnings stream in the long term.

4) With some countries, including Malaysia recently reopening their international borders, the Group's sales team shall resume its overseas travelling to visit existing customers and also to participate in exhibitions to reach out to target customers, especially those located in the US as it intends to divert US manufacturing from China to Malaysia against the backdrop of Sino-American great-power confrontation and supply chain diversification fuelled by the Covid-19 pandemic/endemic. Face to face meetings are crucial to enhance client and prospect engagement for effective business development. Therefore, the Group expects the planned physical meetings will expedite business closures in the coming months.

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

Cloud Business

1) Being a net beneficiary of the COVID-19 pandemic or endemic and with the emergence of Cloud being a key driver in digital transformation which businesses could hardly ignore for long term sustainability, recurring revenue from the significant pool of the existing Cloud customers is expected to be sturdy while contribution from development/implementation of Cloud solutions is envisaged to be stronger post-pandemic upon the normalization of economic activities in its key markets.

2) The Malaysian government's MyDigital initiative with emphasis to migrate 80% of public data to hybrid systems by 2022 should augur well for the Group's Cloud business as it could potentially collaborate with the appointed Cloud Service Providers (AWS, Google, Microsoft and TM) and/or the Bumi Managed Service Providers to provide specialized Cloud services which it has accumulated over the years as one of the pioneers of Cloud in Malaysia.

3) The Group has 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. The objective is to raise the barrier of entry into the Cloud industry for the Group's long term gain with tolerable short term pain. The Group is poised to increase its staff strength and extending out to tap into other specialized services such as cybersecurity, artificial intelligence and machine learning which are witnessing significant business potential.

4) The Cloud business's ongoing expansion in Singapore and Indonesia respectively are making steady progress in promoting Cloud computing solutions in the said countries. With the vast potential of the Cloud market in ASEAN, the Group is committed to expand to other major ASEAN countries and look forward to replicate its success in these countries in the near term. Concurrently, the Group is open to M&A opportunities to acquire companies in the Cloud space or those that are cybersecurity-based, as these targets are seen to be complementary to the Cloud business. This M&A route of business growth is ongoing as the Group wishes to take advantage of its debt-free position and cash surplus of RM44.1 million as at end 1Q'22.

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

The Group is cautiously optimistic on its sales and financial prospects for the coming months of 2022, barring unforeseen circumstances. It will focus on accelerating the momentum built in the previous years, in particular the growth potential of the medical/healthcare segment in the EMS business, the emerging OBM/AR medical supplies portfolio and the vibrant demand in the Cloud business while keeping a tight rein on costs and adapting to the fluid environment. In the longer term, it is expected to experience accelerated growth generated by a combination of organic growth and M&A activities. However, the Group cautions that it is operating in an unstable global economic environment tainted with growing inflationary pressures, prolonged global supply chain disruptions, extended production labour shortages, hard-to-predict dynamics of COVID-19 variants and heightened geopolitical instability, in particular the ongoing Russia-Ukraine war. Nonetheless, the Group will endeavour to navigate through these challenges to the best of its ability and deliver the desired achievements.

17. INCOME TAX EXPENSE

	3 months ended		3 months ended	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current financial year	423	69	423	69
Deferred tax expense	-	32	-	32
Total Income Tax Expense	423	101	423	101

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 March 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		3 months ended	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
Profit attributable to equity holders of the parent (RM'000)	703	1,153	703	1,153
Weighted average number of Ordinary Shares in issue ('000)	832,007	815,793	832,007	815,793
Earnings Per Ordinary Share (sen)	0.08	0.14	0.08	0.14

(b) Diluted earnings per share

	3 months ended		3 months ended	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
Profit attributable to equity holders of the parent (RM'000)	703	1,153	703	1,153
Weighted average number of Ordinary Shares in issue ('000)	832,007	815,793	832,007	815,793
Effect of Share Options ('000)	-	5,233	-	5,233
Adjusted weighted average number of Ordinary Shares in issue ('000)	832,007	821,026	832,007	821,026
Diluted Earnings Per Ordinary Share (sen)	0.08	0.14	0.08	0.14

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 26 May 2022.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)

Company Secretary

26 May 2022