



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

**Condensed Consolidated Statements of Comprehensive Income
For The Third Quarter Ended 30 September 2023**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2023 Unaudited	30.9.2022 Unaudited	30.9.2023 Unaudited	30.9.2022 Unaudited
Operating revenue	42,454	44,690	126,615	118,030
Cost of sales	(38,637)	(38,233)	(112,982)	(104,828)
Gross profit	3,817	6,457	13,633	13,202
Other income	202	723	1,889	1,679
Interest income	195	106	556	306
Operating expense	(5,976)	(5,081)	(17,702)	(14,530)
(Loss)/Profit before tax	(1,762)	2,205	(1,624)	657
Income tax expense	(186)	(391)	(731)	(965)
(Loss)/Profit for the period	(1,948)	1,814	(2,355)	(308)
Non-controlling interests	(34)	-	(34)	-
(Loss)/Profit after tax after Non-controlling interests	(1,982)	1,814	(2,389)	(308)

(Loss)/Profit attributable to:

Owners of the Parent	(1,982)	1,814	(2,389)	(308)
Non-controlling interests	34	-	34	-
	(1,948)	1,814	(2,355)	(308)

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

Basic (LPS)/EPS	(0.24)	0.22	(0.29)	(0.04)
Diluted (LPS)/EPS	(0.24)	0.22	(0.29)	(0.04)

**Condensed Consolidated Statements of Comprehensive Income
 For The Third Quarter Ended 30 September 2023 (Cont'd)**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2023 Unaudited	30.9.2022 Unaudited	30.9.2023 Unaudited	30.9.2022 Unaudited
(Loss)/Profit for the period	(1,948)	1,814	(2,355)	(308)
Items that may be subsequently reclassified to profit:				
Foreign currency translation	(165)	23	(40)	(19)
Total comprehensive (loss)/income	(2,113)	1,837	(2,395)	(327)

Total comprehensive (loss)/income attributable to:

Owners of the Parent	(2,147)	1,837	(2,429)	(327)
Non-controlling interests	34	-	34	-
	(2,113)	1,837	(2,395)	(327)

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 30 September 2023**

Figures in RM'000	Unaudited 30.9.2023	Audited 31.12.2022
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,271	16,134
Prepaid land lease	804	825
Intangible assets	54	66
Goodwill on consolidation	22,676	18,561
Investment property	4,560	4,632
Deferred tax assets	2,235	2,226
Other investment	-	115
Total Non-Current Assets	46,600	42,559
<i>Current Assets</i>		
Inventories	34,435	33,532
Trade receivables	35,123	34,588
Other receivables	3,897	4,056
Contract cost	3,669	3,931
Tax recoverable	1,528	1,589
Short term cash investments	7,121	5,075
Cash and bank balances	41,120	37,376
Total Current Assets	126,893	120,147
TOTAL ASSETS	173,493	162,706

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	123,644	123,644
Reserves	(80)	(40)
Non-controlling interests	930	-
Retained earnings	(11,384)	(8,995)
Total Equity	113,110	114,609

**Condensed Consolidated Statements of Financial Position
 As At 30 September 2023 (Cont'd)**

Figures in RM'000	Unaudited 30.9.2023	Audited 31.12.2022
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	576	567
Total Non-Current Liabilities	576	567
<i>Current Liabilities</i>		
Trade payables	35,577	29,885
Other payables and accruals	8,305	7,902
Contract liabilities	14,993	9,585
Tax payable	932	158
Total Current Liabilities	59,807	47,530
Total Liabilities	60,383	48,097
TOTAL EQUITY AND LIABILITIES	173,493	162,706
Net assets per share attributable to Owners of the Parent (sen)	13.59	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 Third Quarter Ended 30 September 2023**

	←----- 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 2023	123,644	-	(40)	-	(8,995)	114,609	-	114,609
Comprehensive (loss)/income								
(Loss)/Profit for the period	-	-	-	-	(2,389)	(2,389)	930	(1,459)
Other comprehensive loss								
Foreign currency translation difference	-	-	(40)	-	-	(40)	-	(40)
Total comprehensive (loss)/income	-	-	(40)	-	(2,389)	(2,429)	930	(1,499)
At 30 September 2023	123,644	-	(80)	-	(11,384)	112,180	930	113,110

**Condensed Consolidated Statements of Changes in Equity
For The Third Quarter Ended 30 September 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)	-	(9,210)	114,679	-	114,679
Comprehensive loss								
Loss for the period	-	-	-	-	(308)	(308)	-	(308)
Other comprehensive loss								
Foreign currency translation difference	-	-	(19)	-	-	(19)	-	(19)
Reclassification of share option reserve upon expiry of ESOS	-	(323)	-	-	323	-	-	-
Total comprehensive (loss)/income	-	-	(19)	-	15	(327)	-	(327)
At 30 September 2022	123,644	-	(97)	-	(9,195)	114,352	-	114,352

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 Third Quarter Ended 30 September 2023**

Figures in RM'000	9 months ended	
	30.9.2023	30.9.2022
CASH FLOW FROM OPERATING ACTIVITIES		
<i>(Loss)/Profit before taxation</i>	(1,624)	657
Adjustments for:		
Depreciation of property, plant and equipment	1,962	1,867
Amortization of intangible assets	12	4
Depreciation of investment property	72	144
Interest income	(556)	(306)
Foreign exchange gain – unrealized	(749)	(825)
Fair value gain on short term investment	-	(27)
Impairment of plant and equipment	-	1,643
Inventories written down	1,046	-
Receivables written off	86	-
Operating profit before working capital changes	249	3,157
Changes in working capital:		
Increase in inventory	(900)	(6,001)
Increase in receivables	(53)	(13,586)
Increase in payables	12,277	10,973
Net cash generated from/(used in) operations	11,573	(5,457)
Taxation refund/(paid)	71	(1,088)
Interest income	556	306
<i>Net cash generated from/(used in) operating activities</i>	12,200	(6,239)
CASH FLOW FROM INVESTING ACTIVITIES		
(Placement)/Withdrawal of short-term cash fund	(2,000)	12,000
Withdrawal of deposits with licensed bank	-	2,500
Acquisition of a subsidiary, net of cash acquired	(4,587)	-
Purchase of property, plant and equipment	(2,078)	(2,552)
<i>Net cash (used in)/generated from investing activities</i>	(8,665)	11,948

**Condensed Consolidated Statements of Cash Flows
 For The Third Quarter Ended 30 September 2023
 (Cont'd)**

Figure in RM'000	9 months ended	
	30.9.2023	30.9.2022
Net increase in cash and cash equivalents	3,535	5,709
Effect of exchange rate changes	209	609
Cash and cash equivalents at beginning of the financial year	17,876	9,879
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	21,620	16,197

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	9 months ended	
	30.9.2023	30.9.2022
Cash and bank balances	21,620	16,197
Deposit placed with licensed banks	19,500	17,500
	41,120	33,697
Less: Non-short term fixed deposits	(19,500)	(17,500)
	21,620	16,197

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 (99.2% export in 3Q'23; 98.9% export in 3Q'22) and is subject to seasonal fluctuations. 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, Singapore and Indonesia. Cloud revenue 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		9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
Depreciation of property, plant and equipment	(679)	(492)	(1,962)	(1,867)
Depreciation of investment property	(24)	(144)	(72)	(144)
Impairment of plant and equipment	-	-	-	(1,643)
Amortization of intangible assets	(4)	(2)	(12)	(4)
Foreign exchange gain/(loss)				
- realized	(212)	230	(482)	649
- unrealized	99	435	749	825
Inventories written down	(508)	-	(1,046)	-
Receivables written off	-	-	(86)	-
Interest income	195	106	556	306

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	-	21,776	20,386	292	42,454
Internal sales	-	-	-	-	-
Total operating sales	-	21,776	20,386	292	42,454
Others and interest income	88	184	26	99	397
	88	21,960	20,412	391	42,851
Results					
Segment results	79	(2,685)	1,009	(165)	(1,762)
Finance costs	-	-	-	-	-
Income tax credit/(expense)	-	39	(225)	-	(186)
Profit/(Loss) after tax before non-controlling interests	79	(2,646)	784	(165)	(1,948)
Non-controlling interests	-	-	(34)	-	(34)
Profit/(Loss) after tax after non-controlling interests	79	(2,646)	750	(165)	(1,982)
Other information					
Segment assets	1,292	81,343	38,408	48,685	169,728
Unallocated assets					3,765
					173,493
Segment liabilities	874	31,949	25,786	215	58,824
Unallocated liabilities					1,559
					60,383

9. SEGMENT INFORMATION (Cont'd)

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

The geographical sales breakdown is as follows:

	9 months ended 30.9.2023		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	1,958	36,173	38,131
Asia (excluding M'sia)	18,312	17,238	35,550
Europe	41,744	20	41,764
US	10,102	-	10,102
Oceania	1,031	37	1,068
	73,147	53,468	126,615

	9 months ended 30.9.2022		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	6,027	31,677	37,704
Asia (excluding M'sia)	11,141	18,533	29,674
Europe	39,671	41	39,712
US	10,580	-	10,580
Oceania	147	213	360
	67,566	50,464	118,030

Note: 1)The EMS business is 97.3% (9 mths'22: 91.1%) derived from the export markets with the balance of 2.7% (9 mths'22: 8.9%) from the local (Malaysian) market.

2)The Cloud business is 32.3% (9 mths'22: 37.2%) derived from the overseas markets with the balance of 67.7% (9 mths'22: 62.8%) derived from the local (Malaysian) market.

(c) Sales to Major Customers

For the 9 months ended 30 September 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 30 September 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 (3Q'23 vs 3Q'22)

For the third quarter ended 30 September 2023 (3Q'23), the Group's sales revenue softened to RM42.5 million from RM44.7 million in the corresponding quarter last year (3Q'22), registering a decrease of 5%, which was attributed entirely to the subdued performance in the Electronic Manufacturing Services (EMS) business.

EMS Sales

Sales from the EMS business retracted to RM22.1 million in the current quarter from RM28.8 million in the corresponding quarter last year, representing a decrease of 23%, due mainly to the demand normalisation for electronic headlamps after strong sales orders over the past few quarters supported by new models launches commencing 2H'22 and slowing sales of industrial equipment attributed to a weak global market.

Fortunately, sturdy sales of medical/healthcare devices and increasing supply of spare parts and sub-assemblies for maintenance purpose to a specific customer since the end of last year, with the Group acting as its Asia Hub propped up sales in the third quarter, but insufficient to make up for the above indicated shortfall.

Cloud Sales

The Cloud Computing (Cloud) business generated sales revenue of RM20.4 million in 3Q'23 as compared with RM15.9 million in the corresponding quarter last year, marking an increase of 28%, attributed to two main contributing factors. Firstly, it was due to the steady performance in recurring sales from existing customers and onboarding of new customers as the public sector and private enterprises continued to transition into the Cloud for technological and cost saving reasons. Secondly, the inclusion of the top line of P.T. Gasia Pasific Indo (GAP Indo) in the consolidated financial statements as the Group gained control of GAP Indo subsequent to the completion of the acquisition of 36% shareholdings in the said company on 19 June 2023, thus making it a 51% subsidiary of the Group.

15. PERFORMANCE REVIEW (Cont'd)

**(a) Current quarter compared to the corresponding quarter of last year (Cont'd)
(3Q'23 vs 3Q'22)**

EMS/Cloud Earnings

The EMS business registered a net loss of RM2.8 million while the Cloud business contributed a net profit of RM0.8 million, resulting in a Group net loss of RM2.0 million in 3Q'23 as compared to a Group net profit of RM1.8 million for the corresponding quarter last year.

The EMS business registered a loss of RM2.8 million as compared with a profit of RM1.1 million in the corresponding quarter last year. The current quarter's loss was largely due to lower sales and weakened gross profit margin from 15% in 3Q'22 to 4% in 3Q'23 attributed to:- a) product mix changes favouring the lower margin sub-assemblies supply business and older models of electronic headlamps and b) impairment loss on inventory of RM0.5 million. The foreign exchange (forex) loss from the USD for the current quarter of RM0.1 million as compared to the forex gain in the corresponding quarter last year of RM0.7 million when the USD was trending up significantly exacerbated the loss.

The Cloud business registered a higher profit of RM0.8 million as compared to RM0.7 million in the previous year's corresponding quarter due mainly to stronger sales and improved overall gross profit margin. Nevertheless, jump in operating expenses on increasing headcount to drive the next stage of business expansion curtailed the profit growth.

**(b) Current quarter versus the preceding quarter
(3Q'23 vs 2Q'23)**

The third quarter ended 30 September 2023 posted sales revenue of RM42.5 million, which is a 2% decrease over the preceding quarter of RM43.2 million on subdued EMS business performance.

15. PERFORMANCE REVIEW (Cont'd)

(b) Current quarter versus the preceding quarter (3Q'23 vs 2Q'23)

EMS Sales

Sales for the EMS business decreased by RM4.0 million; from RM26.1 million (2Q'23) to RM22.1 million (3Q'23), indicating a 15% decrease due to the decelerating sales of electronic headlamps, IoT gadgets and industrial equipment caused by soft global market demands encountered by customers in the said industry segments, while the sub-assemblies supply business was unable to uphold sturdy sales after experiencing strong growth in 1H'23. However, the improved demand for medical/healthcare devices and floorcare products minimised the sales drop.

Cloud Sales

Sales revenue from the Cloud business increased by 19% to RM20.4 million from RM17.1 million in the preceding quarter, driven by both organic and inorganic growth. The rising awareness of enterprises spurred by the COVID-19 pandemic on the need to transform digitally for long term sustainability is providing the natural impetus to push Cloud recurring revenue. Furthermore, with GAP Indo made a subsidiary following the completion of the acquisition of additional shareholdings end June 2023, its sales was equity accounted in the reporting quarter, thus boosting sales growth.

EMS/Cloud Earnings

The Group posted a loss attributable to equity holders of the parent company of RM2.0 million in the current quarter as compared to a profit of RM17.6 thousand in the preceding quarter (2Q'23).

The EMS business incurred an increased loss of RM2.8 million in the reporting quarter, versus a loss of RM1.2 million in 2Q'23, due to lower sales, weakened margin (3Q'23:4%; 2Q'23:9%) impairment loss on inventory and forex loss.

The Cloud business recorded lesser profit of RM0.8 million as compared to RM1.2 million in the previous quarter on the absence of financial incentives recorded in 2Q'23 which was granted by the principal.

16. COMMENTARY ON PROSPECTS AND TARGETS

For the 9 months ended 30 September 2023, the K-One Group achieved sales of RM126.8 million against RM118.0 million for the corresponding period last year, representing an increase of 7%, resulting from a resilient EMS business and growth in the Cloud business.

EMS sales registered at RM73.2 million for the first nine months of the financial year as compared with RM67.6 million in the corresponding period last year, denoting an increase of 8% due to the growth of sub-assemblies supply business which started towards the end of 2022 and the higher demand for electronic headlamps and IoT gadgets. On the flip-side, the weaker performance of industrial equipment and reduced demand for COVID-19 Antigen saliva self-test kits in light of the less life-threatening COVID-19 strains at the tail-end of the pandemic curtailed the sales rise.

The Cloud business contributed sales revenue of RM53.6 million for the initial 9-month period of 2023 as compared with RM50.4 million in the corresponding period last year, marking an increase of 6% due to higher recurring revenue and the consolidation of the post-acquisition top line of GAP Indo. The recurring revenue of the Cloud business remained upbeat, fuelled by private enterprises and the public sector realizing the benefits of Cloud and embracing it to adapt to the changing (changed) human behaviour of work from home (WFH), online learning, online buying and e-government services in the New Normal.

Moving forward to the final quarter of the year, barring unforeseen circumstances, the Group is cautiously optimistic and expects to see sales trending higher based upon the rationales and expectations illustrated below in the EMS and Cloud businesses's prospects respectively.

EMS Business

- 1) Sales for consumer electronics is expected to peak in the final quarter to meet increased demand generated by the year end festive season in US and Europe, while the industrial and medical/healthcare sectors are also expected to trend higher in the last quarter of 2023 in tandem with the production ramp up of replacement models and running of new product lines for specific customers who continued to enjoy pockets of growth in spite of the fragile global economic environment.

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

EMS Business (Cont'd)

2) On the healthcare distribution business front, the Group is anchored by its exclusive distributorship for Diversey hygiene-care products in Malaysia and acting as authorized representatives (AR) of healthcare consumables and medical supplies in the likes of fish oil products, acne patches and wound care products. The Diversey hygiene-care products continue to receive good response from the hospitals and hospitality fraternities. Sales of hygiene-care products is encouraging and is envisaged to counter balance the slowdown or halt in the sales of COVID-19 Antigen saliva self-test kits.

3) The ongoing intense rivalry between US and China has exacerbated the relocation of manufacturing business out of China. Meanwhile, Malaysia unveiled its New Industrial Master Plan (NIMP 2030) on 1 September 2023 which outlined 21 sectors, with electrical and electronics (E&E) as one of the said sectors that the government is eyeing for further positive intervention. In this regard, the K-One Group is poised to take advantage of the recent initiative from the government to win new customers from the said business transfer.

Cloud Business

1) 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, artificial intelligence (AI) and machine learning which will result in higher Cloud utilisation will boost Cloud spending in the longer term.

2) Recurring revenue generated from the Malaysian market was on an upward trend for the first nine months of 2023 and is expected to remain in the positive trajectory moving forward. Cloud services in Malaysia is experiencing continuous growth, with the government of Malaysia being the key vertical in promoting Cloud adoption locally as Malaysia aspires to be a high-technology country by 2030. While AWS in March 2023 announced its plan to invest RM25.5 billion to launch data centers in Malaysia, it further encourages more Malaysian companies to adopt the Cloud-First Strategy.

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

3) The growth of the Cloud business is set to be accelerated in conjunction with the business expansion to Indonesia and Vietnam via GAP Indo and G-AsiaPacific (Vietnam) Company Limited (“GAP Vietnam”) respectively with the completion of the relevant M&A exercises recently. 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 moving forward. The Group is envisioned to expand into other ASEAN countries, with priority given to Philippines and Thailand in the near future.

The Group is cautiously optimistic on its business prospects for the remainder of the year despite the global economy being soft, volatile and fragile. 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.

As a long term business strategy, the M&A route of business growth is ongoing as the Group wishes to take advantage of its debt-free position and cash surplus of RM48.2 million as at end 3Q'23.

17. INCOME TAX EXPENSE

	3 months ended		9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation based on Profit for the period: -				
Current corporate tax	248	246	819	820
Under/(Over) provision in prior financial year	(62)	145	(88)	145
Total Income Tax Expense	186	391	731	965

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 30 September 2023.

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.

Basic/Diluted earnings per share

	3 months ended		9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
(Loss)/Profit attributable to equity holders of the parent (RM'000)	(1,982)	1,814	(2,389)	(308)
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)	(0.24)	0.22	(0.29)	(0.04)

26. AUTHORIZED FOR ISSUE

The interim financial statements are authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 27 November 2023.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

27 November 2023