



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2021**

**Condensed Consolidated Statements of Comprehensive Income
 For The First Quarter Ended 31 March 2021**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2021 Unaudited	31.3.2020 Unaudited	31.3.2021 Unaudited	31.3.2020 Unaudited
Operating revenue	31,031	16,958	31,031	16,958
Cost of sales	(25,965)	(13,148)	(25,965)	(13,148)
Gross profit	5,066	3,810	5,066	3,810
Other income	292	436	292	436
Interest income	177	279	177	279
Operating expenses	(4,280)	(4,111)	(4,280)	(4,111)
Profit before tax	1,254	414	1,254	414
Income tax expense	(101)	(12)	(101)	(12)
Profit for the period	1,153	402	1,153	402
Non- controlling interests	-	(294)	-	(294)
Profit after tax after No-controlling interests	1,153	108	1,153	108

Profit attributable to:

Owners of the Parent	1,153	108	1,153	108
Non-controlling interests	-	294	-	294
	1,153	402	1,153	402

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

Basic EPS	0.14	0.01	0.14	0.01
Diluted EPS	0.14	0.01	0.14	0.01

**Condensed Consolidated Statements of Comprehensive Income
 For The First Quarter Ended 31 March 2021 (Cont'd)**

Figures in RM'000	3 months ended		3 months ended	
	31.3.2021 Unaudited	31.3.2020 Unaudited	31.3.2021 Unaudited	31.3.2020 Unaudited
Profit for the period	1,153	402	1,153	402
Items that may be subsequently reclassified to profit :				
Foreign currency translation	3	-	3	-
Total comprehensive income	1,156	402	1,156	402

**Total comprehensive income
 attributable to:**

Owners of the Parent	1,156	108	1,156	108
Non-controlling interests	-	294	-	294
	1,156	402	1,156	402

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 31 March 2021**

Figures in RM'000	Unaudited 31.3.2021	Audited 31.12.2020
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	17,350	17,747
Prepaid land lease	875	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	36,980	37,424
<i>Current Assets</i>		
Inventories	17,486	19,134
Trade receivables	25,440	23,189
Other receivables	9,448	11,633
Tax recoverable	2,218	2,038
Short term cash investments	16,256	18,651
Cash and bank balances	37,587	37,204
Total Current Assets	108,435	111,849
TOTAL ASSETS	145,415	149,273

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	119,786	119,786
Reserves	1,668	1,661
Retained earnings	(5,351)	(6,504)
Total Equity	116,103	114,943

**Condensed Consolidated Statements of Financial Position
 As At 31 March 2021 (Cont'd)**

Figures in RM'000	Unaudited 31.3.2021	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	17,246	23,768
Other payables and accruals	5,009	4,237
Contract liabilities	6,706	6,035
Tax payable	110	49
Total Current Liabilities	29,071	34,089
Total Liabilities	29,312	34,330
TOTAL EQUITY AND LIABILITIES	145,415	149,273
Net assets per share attributable to Owners of the Parent (sen)	14.24	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 First Quarter Ended 31 March 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	-	-	-	-	1,153	1,153	-	1,153
Other comprehensive income								
Foreign currency translation difference	-	-	3	-	-	3	-	3
Total comprehensive profit	-	-	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

**Condensed Consolidated Statements of Changes in Equity
For The First Quarter Ended 31 March 2021 (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 2020	94,679	4,422	(79)	(16,212)	15,146	97,956	2,903	107,859
Comprehensive profit								
Profit for the period	-	-	-	-	108	108	294	402
Other comprehensive income								
Foreign currency translation difference	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	108	108	294	402
Transaction with owners								
Share based payment under Employees' Share Options Scheme ("ESOS")	-	6	-	-	-	6	-	6
	-	6	-	-	-	6	-	6
At 31 March 2020	94,679	4,428	(79)	(16,212)	15,254	98,070	3,197	101,267

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 First Quarter Ended 31 March 2021**

Figures in RM'000	3 months ended	
	31.3.2021	31.3.2020
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit before taxation</i>	1,254	414
Adjustments for:		
Depreciation of property, plant and equipment	618	519
Amortization of intangible assets	1	8
Share option granted under ESOS	4	6
Property, plant and equipment written off	72	-
Interest income	(177)	(279)
Foreign exchange gain – unrealized	(87)	(367)
Operating profit before working capital changes	1,685	301
Changes in working capital:		
Decrease in inventory	1,648	791
(Increase) / decrease in receivables	(67)	6,652
Decrease in payables	(5,078)	(4,563)
Net cash (used in)/generated from operations	(1,812)	3,181
Taxation paid	(186)	(504)
Interest income	177	279
<i>Net cash (used in)/generated from operating activities</i>	(1,821)	2,956
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal of short-term cash fund	2,395	-
Placement of deposits with licensed bank	(4,000)	-
Purchase of property, plant and equipment	(280)	(504)
<i>Net cash used in investing activities</i>	(1,885)	(504)

**Condensed Consolidated Statements of Cash Flows
 For The First Quarter Ended 31 March 2021 (Cont'd)**

Figure in RM'000	3 months ended	
	31.03.2021	31.03.2020
Net (decrease)/increase in cash and cash equivalents	(3,706)	2,452
Effect of exchange rate changes	90	342
Cash and cash equivalents at beginning of the period	14,703	14,617
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	11,087	17,411

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	3 months ended	
	31.03.2021	31.03.2020
Cash and bank balances	11,087	15,285
Deposit placed with licensed banks	26,500	30,126
	37,587	34,411
Less: Non-short term fixed deposits	(26,500)	(28,000)
	11,087	17,411

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 1Q’21; 99.5% export in 1Q’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		3 months ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
Depreciation of property, plant and equipment	(618)	(519)	(618)	(519)
Amortization of intangible assets	(1)	(8)	(1)	(8)
Foreign exchange (loss)/gain				
- realized	22	(49)	22	(49)
- unrealized	87	367	87	367
Interest income	177	279	177	279

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	93	20,013	10,925	-	31,031
Internal sales	-	-	-	-	-
Total operating sales	93	20,013	10,925	-	31,031
Others and interest income	54	314	22	106	496
	147	20,327	10,947	106	31,527
Results					
Segment results	124	892	735	(497)	1,254
Finance costs	-	-	-	-	-
Income tax expense	(42)	(11)	(48)	-	(101)
Profit/(loss) after tax before non-controlling interests	82	881	735	(497)	1,153
Non-controlling interests	-	-	-	-	-
Profit/(loss) after tax after non-controlling interests	82	881	735	(497)	1,153
Other information					
Segment assets	10,804	62,472	25,075	44,781	143,132
Unallocated assets					2,283
					145,415
Segment liabilities	213	14,469	14,035	245	28,962
Unallocated liabilities					350
					29,312

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	
	31.3.2021	31.3.2020
	RM'000	RM'000
Malaysia	*8,345	5,668
Asia (excluding M'sia)	**7,577	1,858
Europe	9,308	7,693
US	5,800	1,697
Oceania	1	42
	<u>31,031</u>	<u>16,958</u>

* Includes RM8,339,970 from the Cloud business.

** Includes RM2,585,030 from the Cloud business in Singapore.

Note: The EMS business is 99.9% (1Q'20: 99.5%) derived from the export markets with the balance of 0.1% (1Q'20: 0.5%) from the local (Malaysian) market.

(c) Sales to Major Customers for the EMS Business

For the 3 months ended 31 March 2021, two (2) major international customers (each with revenue of more than 10% of the Group's revenue) contributed total revenue of approximately RM10.8 million (1Q'20: RM6.4 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 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

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:

- (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

Details of the above are illustrated in Item 20 – Corporate Proposals.

15. PERFORMANCE REVIEW

(a) Current quarter compared to the corresponding quarter of last year (Q1'21 vs Q1'20)

For the first quarter ended 31 March 2021 (1Q'21), the Group's sales revenue increased to RM31.0 million from RM17.0 million in the corresponding quarter last year (1Q'20), denoting a surge of 82% on impressive sales growth in both the EMS and Cloud Computing (Cloud) businesses.

15. PERFORMANCE REVIEW (Cont'd)

(a) Current quarter compared to the corresponding quarter of last year (Cont'd) (1Q'21 vs 1Q'20)

EMS Sales

Sales from the EMS business jumped to RM20.1 million in the current quarter from RM11.4 million in the corresponding quarter last year, representing a strong increase of 76%, driven by production ramp up for key medical/healthcare customers and improved demand of industrial equipment, electronic headlamps and floor-care products to fulfil pent-up demand in line with a recovery in global market sentiment following the rollout of the COVID-19 vaccine in the major economies in the world in the beginning of 2021.

Cloud Sales

The Cloud business generated sales revenue of RM10.9 million in 1Q'21 as compared with RM5.6 million in the corresponding quarter last year, representing a leap of 95% on sturdy performance in recurring sales revenue from key markets, namely; Malaysia, Singapore and Indonesia following new key customer wins and higher usage of Cloud from the existing pool of customers. Recurring sales exhibited resilient growth propelled by changing customer behaviour brought on by the COVID-19 pandemic which encouraged corporations to alter their business models and place greater reliance on Cloud technologies in adapting to the new market reality – New Normal.

EMS/Cloud Earnings

The EMS business registered a profit of RM0.5 million while the Cloud business contributed a profit of RM0.7 million, making a total net profit of RM1.2 million in 1Q'21 as compared to a total net profit of RM0.1 million for the corresponding quarter last year, representing an increase of 1,100%.

The EMS business made a turnaround in the reporting quarter after delivering a profit of RM0.5 million from a loss of RM0.3 million in the corresponding quarter last year, attributed mainly to soaring sales. However, overall gross profit margin slid from 22% in 1Q'20 to 17% in 1Q'21 due partly to temporary hike in logistic costs, loss of production efficiency with the re-imposition of MCO on 13 January 2021 which was subsequently eased to RMCO effective 31 March 2021, increasing initial investments on prototypes making to bid for new business and submissions for medical devices testing/certifications to the medical authorities.

On the Cloud business, profit increased to RM0.7 million from RM0.4 million on sales surge, but restrained by higher effective tax rate due to the expiry of pioneer status.

15. PERFORMANCE REVIEW (Cont'd)

(b) Current quarter versus the preceding quarter (1Q'21 vs 4Q'20)

Sales revenue in the first quarter ended 31 March 2021 was about flat at RM31.0 million versus RM31.3 million over the preceding quarter. The EMS and Cloud businesses contributed RM20.1 million and RM10.9 million respectively to make the RM31.0 million sales revenue for the current quarter. This is a good sign that the sales momentum built up over the four quarters in 2020 is intact.

EMS Sales

The EMS business registered sales of RM20.1 million in 1Q'21 as compared to RM20.6 million in 4Q'20, representing a marginal 2% decrease, due mainly to logistic hiccups which resulted in the delay in product deliveries to the subsequent quarter of the year despite improved customer orders.

Cloud Sales

Sales revenue from the Cloud business increased by 3% to RM10.9 million in the current quarter as compared to RM10.7 million in the preceding quarter, due mainly to higher recurring revenue and on key customer win towards the end of 2020.

EMS/Cloud Earnings

The Group posted profit attributable to equity holders of the parent company of RM1.2 million as compared to a loss of RM6.6 million in 4Q'20. Incidentally, the loss registered in the preceding quarter was materially negatively affected by the reversal of deferred tax assets of RM1.0 million and impairment of RM5.0 million on the receivable pursuant to the disposal of equity of an associate back to the former vendors.

The EMS business registered a profit of RM0.5 million as compared with a loss of RM2.5 million in the previous quarter, due mainly to improved gross profit margin and foreign exchange gain on strengthening of the USD in the reporting quarter.

Earnings from the Cloud business decreased to RM0.7 million from RM0.9 million on lower gross profit margin, mainly dragged by sluggish Cloud solutions development/implementation orders which usually commanded premium margins. Additionally, the profit was restrained by higher effective tax rate on the expiry of pioneer status.

16. COMMENTARY ON PROSPECTS AND TARGETS

The COVID-19 pandemic has changed the world and its effects will last for a while. Nonetheless, the COVID-19 pandemic serves to spur the K-One Group to boldly accelerate expansion of its medical/healthcare industry segment within the EMS space and Cloud business as these technology business segments are anticipated to be recession proof and beneficiaries of the COVID-19 pandemic. As the months unfold in 2021, the Group expects to see sales and business performance on a rising trend as conjectured below.

EMS Business

Production of specific medical/healthcare devices for OEM customers is on the ramp up 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.

On the medical devices OBM front, such product portfolio which includes nasal/oral swabs, NASA-JPL licensed ventilators and syringe safety needle caps are gradually taking traction. Beyond the COVID-19 pandemic period, these named medical devices are still needed and can be applied for detection and treatment of other diseases.

On the consumer electronics, industrial and IoT sectors of the EMS business, orders from existing customers are rebounding aided by global vaccination efforts and the pump-priming initiatives implemented by the various major global economies. Both the medical/healthcare and non-medical/healthcare segments are expected to continue to expand as overall business confidence improves. The global shortage of semiconductor chips is a concern but the Group has taken appropriate measures to mitigate this risk.

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, diverting US manufacturing from China to Malaysia in view of the continuing trade friction between the two economic giants.

Cloud Business

Recurring revenue from the significant pool of the K-One Group's wholly-owned subsidiary, G-AsiaPacific Sdn Bhd'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 in conjunction with the normalization of business activities. As organisations realised the benefits of adopting Cloud services during the COVID-19 pandemic, the trend of increasing Cloud Investment is gaining momentum

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

moving forward, which GAP is in good position to garner its fair share and maximise sales growth in the territories – Malaysia, Singapore and Indonesia which it is steadily represented.

The Cloud business in Malaysia has been given a booster by our Prime Minister, Tan Sri Muhyiddin Yassin's launch of the MyDIGITAL initiative and the Malaysia Digital Economy Blueprint on 19 February 2021. In particular, 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. The Group stands ready to work with its principals; namely, Amazon, Google and Microsoft which have been conditionally appointed as Cloud Service Providers (CSPs) to tap into the vast greenfield public sector market in Malaysia.

The proposed acquisition of Infinity Consulting Technology Sdn. Bhd. (ICT) as announced on 12 April 2021 presents an opportunity for the Group to expand its existing portfolio of Cloud software solutions and deliver new collaborative Cloud offerings, in particular Cloud Backup and Cloud Disaster Recovery services to the pool of more than 3,000 existing customers of GAP. Conversely, ICT can cross-sell GAP's Cloud solutions and managed services to its extensive client base in both the public and private sectors. GAP's Cloud solutions and ICT's Cloud Disaster Recovery are complementary businesses. This proposed acquisition is also timely and strategic as the K-One Group via its Cloud specialized entities (GAP and ICT) will ride on the local and regional (ASEAN) digital transformation wave accelerated by the COVID-19 pandemic. Upon completion of the said acquisition, GAP and ICT with diverse Cloud solutions is poised to take advantage of the MyDigital initiative and impending 5G launch which incidentally will augment Cloud usage.

It is worth to note that the Group is debt free and has cash surplus of RM53.8 million as at the end of 1Q'21. 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.

In conclusion, the Group is cautiously optimistic on its prospects for the coming months of 2021, with its medical/healthcare OEM/ODM and OBM businesses and Cloud business 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. Notwithstanding, it will endeavour to capitalise on new opportunities which may arise to enhance its growth prospects.

17. INCOME TAX EXPENSE/(CREDIT)

	3 months ended		3 months ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense	69	12	69	12
Deferred tax expense / (income)	32	-	32	-
Total Income Tax Expense	101	12	101	12

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").

20. CORPORATE PROPOSALS (Cont'd)

Tranche 1 Purchase Consideration is estimated to be RM9.6 million based on price-to-earnings ("PE") of 8 times the Profit-After-Tax ("PAT") of the audited financial results of ICT for financial year ended 2020. Tranche 2 Purchase Consideration is computed based on PE of 8 or 15 depending on the aggregate PAT for financial year ending ("FYE") 2021 and FYE 2022 respectively. Notwithstanding, the amount of the Tranche 2 Purchase Price calculated will be capped at RM8.8 million.

Tranche 1 Sale Shares is to be completed within 6 months from the date of the SSA, whereas Tranche 2 Sale Shares is to be completed within 1 month after the date of the audited financial statements of ICT for FYE 2022.

21. BORROWINGS AND DEBTS SECURITIES

The Group has neither any secured nor unsecured borrowings as at 31 March 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		3 months ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
Profit attributable to equity holders of the parent (RM'000)	1,156	108	1,156	108
Weighted average number of Ordinary Shares in issue ('000)	815,793	728,939	815,793	728,939
Earnings Per Ordinary Share (sen)	0.14	0.01	0.14	0.01

(b) Diluted earnings per share

	3 months ended		3 months ended	
	31.3.2021	31.3.2020	31.2.2021	31.3.2020
Profit attributable to equity holders of the parent (RM'000)	1,156	108	1,156	108
Weighted average number of Ordinary Shares in issue ('000)	815,793	728,939	815,793	728,939
Effect of Share Options ('000)	5,233	-	5,233	-
Adjusted weighted average number of Ordinary Shares in issue ('000)	821,026	728,939	821,026	728,939
Diluted Earnings Per Ordinary Share (sen)*	0.14	0.01	0.14	0.01

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 May 2021.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)

Company Secretary

3 May 2021