



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021**

**Condensed Consolidated Statements of Comprehensive Income
 For The Third Quarter Ended 30 September 2021**

Figures in RM'000	3 months ended		9 months ended	
	30.9.2021 Unaudited	30.9.2020 Unaudited	30.9.2021 Unaudited	30.9.2020 Unaudited
Operating revenue	23,812	23,850	89,869	59,855
Cost of sales	(21,725)	(19,537)	(77,521)	(49,085)
Gross profit	2,087	4,313	12,348	10,770
Other income	98	174	896	665
Interest income	159	203	539	743
Operating expenses	(4,310)	(4,233)	(12,762)	(12,829)
Fair value movement on put option liability	-	-	-	(927)
(Loss)/Profit before tax	(1,966)	457	1,021	(1,578)
Income tax (expense)/credit	(439)	66	(857)	(236)
(Loss)/Profit for the period	(2,405)	523	164	(1,814)

(Loss)/Profit attributable to:

Owners of the Parent	(2,405)	523	164	(2,225)
Non-controlling interests	-	-	-	411
	(2,405)	523	164	(1,814)

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

Basic (LPS)/EPS	(0.29)	0.07	0.02	(0.29)
Diluted (LPS)/EPS	(0.29)	0.07	0.02	(0.29)

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

Figures in RM'000	3 months ended		9 months ended	
	30.9.2021 Unaudited	30.9.2020 Unaudited	30.9.2021 Unaudited	30.9.2020 Unaudited
(Loss)/Profit for the period	(2,405)	523	164	(1,814)
Items that may be subsequently reclassified to loss:				
Foreign currency translation	(21)	(6)	(15)	(6)
Total comprehensive (loss)/ income	(2,426)	517	149	(1,808)

**Total comprehensive (loss)/
income attributable to:**

Owners of the Parent	(2,426)	517	149	(2,219)
Non-controlling interests	-	-	-	411
	(2,426)	517	149	(1,808)

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 September 2021**

Figures in RM'000	Unaudited 30.9.2021	Audited 31.12.2020
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,790	17,747
Prepaid land lease	861	889
Intangible assets	11	13
Goodwill on consolidation	18,561	18,561
Deferred tax assets	868	99
Other investment	115	115
Total Non-Current Assets	37,206	37,424
<i>Current Assets</i>		
Inventories	26,826	19,134
Trade receivables	20,000	23,189
Other receivables	11,170	11,633
Tax recoverable	2,331	2,038
Short term cash investments	16,530	18,651
Cash and bank balances	34,337	37,204
Total Current Assets	111,194	111,849
TOTAL ASSETS	148,400	149,273

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	119,786	119,786
Reserves	1,723	1,661
Retained earnings	(6,340)	(6,504)
Total Equity	115,169	114,943

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

Figures in RM'000	Unaudited 30.9.2021	Audited 31.12.2020
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	400	241
Total Non-Current Liabilities	400	241
<i>Current Liabilities</i>		
Trade payables	20,694	23,768
Other payables and accruals	4,862	4,237
Contract liabilities	6,822	6,035
Tax payable	453	49
Total Current Liabilities	32,831	34,089
Total Liabilities	33,231	34,330
TOTAL EQUITY AND LIABILITIES	148,400	149,273
Net assets per share attributable to Owners of the Parent (sen)	14.12	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 Third Quarter Ended 30 September 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 income								
Profit for the period	-	-	-	-	164	164	-	164
Other comprehensive income								
Foreign currency translation difference	-	-	(15)	-	-	(15)	-	(15)
Total comprehensive income	-	-	(15)	-	164	149	-	149
Transaction with owners								
Share based payment under Employees' Share Options Scheme ("ESOS")	-	77	-	-	-	77	-	77
	-	77	-	-	-	77	-	77
At 30 September 2021	119,786	1,821	(98)	-	(6,340)	115,169	-	115,169

**Condensed Consolidated Statements of Changes in Equity
For The Third Quarter Ended 30 September 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	100,859
Comprehensive profit (Loss)/Profit for the period	-	-	-	-	(2,225)	(2,225)	411	(1,814)
Other comprehensive income								
Foreign currency translation difference	-	-	(6)	-	-	(6)	-	(6)
Total comprehensive loss	-	-	-	-	(2,225)	(2,231)	411	(1,820)
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")	-	308	-	-	-	308	-	308
	17,260	308	-	16,212	(13,191)	20,589	(3,314)	17,275
At 30 September 2020	111,939	4,730	(85)	-	(270)	116,314	-	116,314

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 Third Quarter Ended 30 September 2021**

Figures in RM'000	9 months ended	
	30.9.2021	30.9.2020
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Profit/(Loss) before taxation</i>	1,021	(1,578)
Adjustments for:		
Depreciation of property, plant and equipment	1,911	1,534
Amortization of intangible assets	3	25
Share option granted under ESOS	77	308
Interest income	(539)	(743)
Foreign exchange gain – unrealized	(117)	(200)
Fair value movement on put option liability	-	927
Operating profit before working capital changes	2,356	273
Changes in working capital:		
Increase in inventory	(7,692)	(86)
Decrease in receivables	3,359	1,518
(Decrease)/Increase in payables	(1,662)	328
Net cash (used in)/generated from operations	(3,639)	2,033
Taxation paid	(637)	(783)
Interest income	539	743
<i>Net cash (used in /generated from operating activities)</i>	(3,737)	1,993
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal/(placement) of short-term cash fund	2,121	(10,554)
Withdraw of deposits with licensed bank	-	5,608
Purchase of property, plant and equipment	(927)	(1,824)
<i>Net cash generating from/(used in) investing activities</i>	1,194	(6,770)

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

Figure in RM'000	9 months ended	
	30.9.2021	30.9.2020
Net decrease in cash and cash equivalents	(2,543)	(4,777)
Effect of exchange rate changes	(324)	(211)
Cash and cash equivalents at beginning of the period	14,704	14,617
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	11,837	9,629

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	9 months ended	
	30.9.2021	30.9.2020
Cash and bank balances	11,837	9,629
Deposit placed with licensed banks	22,500	22,500
	34,337	32,129
Less: Non-short term fixed deposits	(22,500)	(22,500)
	11,837	9,629

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 3Q’21; 99.9% export in 3Q’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		9 months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
Depreciation of property, plant and equipment	(652)	(496)	(1,911)	(1,534)
Amortization of intangible assets	(1)	(9)	(3)	(25)
Foreign exchange (loss)/gain				
- realized	38	(155)	242	73
- unrealized	(97)	87	117	200
Interest income	159	203	539	743

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	-	11,514	12,298	-	23,812
Internal sales	-	-	-	-	-
Total operating sales	-	11,514	12,298	-	23,812
Others and interest income	48	113	32	64	257
	48	11,627	12,330	64	24,069
Results					
Segment results	44	(2,106)	657	(561)	(1,966)
Finance costs	-	-	-	-	-
Income tax expense	(7)	(285)	(146)	(1)	(439)
(Loss)/Profit after tax before non-controlling interests	37	(2,391)	511	(562)	(2,405)
Non-controlling interests	-	-	-	-	-
(Loss)/Profit after tax after non-controlling interests	37	(2,391)	511	(562)	(2,405)
Other information					
Segment assets	10,216	62,347	27,829	44,810	145,202
Unallocated assets					3,198
					148,400
Segment liabilities	221	15,663	16,188	304	32,376
Unallocated liabilities					855
					33,231

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	
	30.9.2021	30.9.2020
	RM'000	RM'000
Malaysia	*25,356	23,836
Asia (excluding M'sia)	**20,861	2,212
Europe	29,834	25,380
US	13,791	8,333
Oceania	27	94
	<u>89,869</u>	<u>59,855</u>

* Includes RM25,080,465 from the Cloud business.

** Includes RM12,198,216 from the Cloud business in Singapore.

Note: The EMS business is 99.9% (3Q'20: 99.9%) derived from the export markets with the balance of 0.1% (3Q'20: 0.1%) from the local (Malaysian) market.

(c) Sales to Major Customers

For the 9 months ended 30 September 2021, two (2) major international customers (each with revenue of more than 10% of the Group's revenue) contributed total revenue of approximately RM30.4 million (3Q'20: RM22.4 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 30 September 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 (3Q'21 vs 3Q'20)

For the third quarter ended 30 September 2021 (3Q'21), the Group's sales revenue was about flat at RM23.8 million versus RM23.9 million in the corresponding quarter last year (3Q'20), as surge in sales in the Cloud Computing (Cloud) business was entirely offset by decline in sales in the EMS business.

EMS Sales

Sales from the EMS business decreased to RM11.5 million, a retraction of RM5.0 million from RM16.5 million in the corresponding quarter last year. The sales decline was due mainly to lower orders fulfilled following production interruptions on electronic headlamps, medical/healthcare devices and floorcare products amid multiple headwinds from supply chain and logistic disruptions to labour shortages and production runs constrained by labour capacity restrictions of 60% or 80% depending on manufacturing site location as per the guidelines stipulated by the Full Movement Order Control (FMCO)/National Recovery Plan (NRP). The material shortages were exacerbated in 3Q'21, not just limiting to electronic chips but extending to include plastic parts as a couple of the Group's local key suppliers halted production intermittently during the reporting quarter following an insurgence of COVID-19 cases among their workers in the wake of the worst COVID-19 infection surge in Malaysia since the start of the pandemic in early 2020.

15. PERFORMANCE REVIEW (Cont'd)

**(a) Current quarter compared to the corresponding quarter of last year (Cont'd)
(3Q'21 vs 3Q'20)**

EMS Sales (Cont'd)

With the manufacturing sector in Malaysia having reopened after having transitioned to NRP Phase 2 and beyond and with production generally normalized although some manufacturers are facing labour shortages, it is expected that the backlog orders shall be fulfilled in the coming months barring unforeseen circumstances such as another "lockdown".

Cloud Sales

The Cloud business generated sales revenue of RM12.3 million in 3Q'21 as compared with RM7.4 million in the corresponding quarter last year, representing a jump of 66% on sturdy performance in recurring sales revenue from existing customers in key markets, namely; Malaysia, Singapore and Indonesia and streaming of new customers. The unabating COVID-19 pandemic running on its second year yet again reaffirmed its catalytic effect in spurring Cloud usage and adoption. Towards this end, recurring sales continued to post resilient growth as changing consumer behaviour and work-from-home (WFH) habits in the New Normal drove e-commerce and videoconferencing respectively which boosted Cloud usage.

EMS/Cloud Earnings

The EMS business registered a loss of RM2.9 million while the Cloud business contributed a profit of RM0.5 million, resulting in a net loss of RM2.4 million in 3Q'21 as compared to a net profit of RM0.5 million for the corresponding quarter last year.

The EMS business in the reporting quarter delivered a loss of RM2.9 million on lower revenue and sliding gross profit margin from 18% in 3Q'20 to 5% in 3Q'21. Adverse production overhead variances from suboptimal utilisation rates for the facilities, cost pressure from soaring prices of materials, steep rise in logistic costs and increase in overtime payment to make up for labour shortages weighted on the reporting quarter's profit margin. In addition, increasing initial investments on prototypes making to bid for new business and submissions for product certifications exerted undue pressure on the earnings performance of the EMS business in 3Q'21.

On the Cloud business, profit increased to RM0.5 million from RM0.4 million on sales surge, but restrained by the normalization of corporate tax expense due to the expiry of pioneer status in March'21.

15. PERFORMANCE REVIEW (Cont'd)
(b) Current quarter versus the preceding quarter
(3Q'21 vs 2Q'21)

The third quarter ended 30 September 2021 posted sales revenue of RM23.8 million, representing a 32% decrease over the preceding quarter of RM35.0 million on lower sales in both the EMS and Cloud businesses.

EMS Sales

The EMS business registered sales of RM11.5 million in 3Q'21 as compared to RM21.0 million in 2Q'21, representing a 45% decrease due to production delays on electronic headlamps and medical/healthcare devices caused mainly by supply chain disruption, labour shortage and compliance to workforce capacity restriction of 80% while operating during the FMCO/NRP periods which coincided with the most part of 3Q'21.

Cloud Sales

Sales revenue from the Cloud business decreased by 12% to RM12.3 million in the current quarter as compared to RM14.0 million in the preceding quarter. Softening in the quarter-over-quarter (QOQ) Cloud sales was mainly attributed to the reduced usage over specific business process performed by a key customer. Nevertheless, the underlying core Cloud demand in 3Q'21 expanded QOQ, driven by the growing usage and adoption of Cloud that served enterprises well during the ongoing COVID-19 pandemic.

EMS/Cloud Earnings

The Group posted loss attributable to equity holders of the parent company of RM2.4 million in the current quarter as compared to a profit of RM1.2 million in the preceding quarter (2Q'21). Incidentally, the profit registered in the preceding quarter was augmented by other income attributed to profit guarantee contribution of RM0.5 million.

The EMS business registered a loss of RM2.9 million as compared with a profit of RM0.5 million in the previous quarter on lower revenue and depressed gross profit margin, which was mainly due to adverse production overhead variances from suboptimal utilisation rates for the facilities and rising materials, SOP (Standard Operating Procedure) incidental, logistic and labour costs amid the COVID-19 pandemic.

The Cloud business registered a profit of RM0.5 million as compared to the same of RM0.6 million in the previous quarter on lower sales.

16. COMMENTARY ON PROSPECTS AND TARGETS

For the initial 9 months of the year ended 30 September 2021, the K-One Group delivered sales of RM90.0 million against RM59.9 million for the corresponding period last year, representing an increase of 50%. In fact, the year-to-date 9 months sales is just shy of the full year sales of RM91.2 million for FY 2020.

EMS sales clocked in at RM52.6 million on a cumulative nine-month basis compared with RM40.0 million in the corresponding period last year, marking an increase of 32%. Medical/healthcare devices, electronic headlamps, industrial equipment, floorcare products and IoT gadgets demonstrated sturdy sales growth on the back of economic reopening following the rollout of mass COVID-19 immunization programmes in major economies in the world since the beginning of 2021. However, the sales rise which could have achieved a higher trajectory was impeded by material and worker shortages and labour capacity restriction compliance under FMCO/NRP which was invoked in the most part of 3Q'21 in the wake of the worst COVID-19 infection surge in Malaysia since the start of the pandemic in early 2020.

Cloud business, the second engine of growth of the K-One Group, generated sales revenue of RM37.4 million for the initial 9-month period of 2021 as compared with RM19.8 million in the corresponding period last year, scoring an impressive growth rate of 89%. The Cloud business remained upbeat despite FMCO/NRP restrictions as Cloud adoption continues to climb in view of the escalating interest of enterprises pursuing a Cloud-First policy 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 the final quarter of the year, barring unforeseen circumstances, the Group is cautiously hopeful and expects to see sales improving on the backdrop of volatile business challenges based upon the rationales and expectations illustrated below in the EMS and Cloud businesses's prospects respectively.

EMS Business

1)With some of the supply chain bottlenecks and labour supply shortages presumably easing in the coming months, while Malaysia gets back on its feet to normalized business operations, the EMS business expects to ramp up its production in 4Q'21. Production of specific running medical/healthcare devices for OEM customers is expected to play catch up to meet backlogs and growing demands as the COVID-19 pandemic and reopening of global economies respectively have exerted increasing requirements on each of these particular medical/healthcare devices. Sales for consumer electronics, industrial and IoT sectors of the EMS business are expected to scale up in line with the traditional year end demand peaks.

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

EMS Business (Cont'd)

2) With the onset of the COVID-19 pandemic early last year, the Group has since extended its existing medical/healthcare portfolio within its EMS business into the development, manufacturing and distribution of medical devices under its own brand name or as authorized representative, which encompasses nasal/oral swabs, ventilators, LDV syringes and the COVID-19 Antigen saliva self-test kits. As regards to the NASA-JPL licensed ventilator, the Malaysian Investment Development Authority (MIDA) had on 6 September 2021 awarded a matching grant not exceeding RM12.3 million to the Group for further development and manufacture of the NASA-JPL ventilator to be branded under its own brand name - MedKaire to cater to broader requirements during and after the COVID-19 pandemic. The Medkaire ventilator is a strategic business which is expected to provide long term sustainability to K-One as it would be needed as a critical hospital equipment even on the abatement of the COVID-19 pandemic. LDV syringes required for COVID-19 vaccinations are forecasted to be in short supply globally in 2022. In this respect, the Group is continuously marketing its MDA approved LDV syringes locally while at the same time pursuing the overseas markets working in conjunction with its local business collaboration manufacturing partner. It has also launched in the local market its recently MDA approved COVID-19 Antigen saliva self-test kits which carry high sensitivity and specificity of 96.7% and 100% respectively based on tests by a local reputable lab. The said product is gaining traction on the back of vigorous price competition.

3) 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. This new mode of engaging potential customers, so far, is the ideal compromised solution in pitching to divert US manufacturing from China to Malaysia during the New Normal against the backdrop of tense US-China relations.

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

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 Sdn Bhd's (GAP) existing 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. The impending launch of 5G and the increasing adoption of Internet of Things (IoT) and Artificial Intelligence (AI) are expected to further support the growth of Cloud. Incidentally, the government of Malaysia's Cloud-First strategy of migrating 80% of public data to hybrid systems by 2022 is setting the trend of increasing Cloud buy-in by the private sector which is anticipated to boost GAP's sales moving forward.

2) On 13 August 2021, the Group and the vendors of Infinity Consulting Technology Sdn Bhd (ICT) had mutually terminated the proposed acquisition of ICT by K-One. Notwithstanding, the Group remains committed to complement its business growth by acquiring companies in the Cloud space or those that are cybersecurity-based, which 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 RM51 million as at end 3Q'21.

3) The Cloud business's ongoing expansion in Singapore and Indonesia through its wholly-owned subsidiary and joint venture company, namely; G-AsiaPacific (S) Pte. Ltd. and P.T. GAsiaPasific Indo. 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 prepared and has the ability to replicate its success in other countries in the near term.

In conclusion, barring unforeseen circumstances, the Group is cautiously optimistic on its sales prospects for the remainder of the year while it catches up to fulfill backlog orders in the EMS business and capture the strong demand in the Cloud business. In the longer term, it is expected to experience an accelerated growth generated by a combination of organic growth and M&A activities. However, the Group cautions that it is operating in a vulnerable global economic environment with mounting global economic risks marked with growing inflationary pressures, prolonged global supply chain disruptions, hard-to-predict dynamics of COVID-19 variants and heightened geopolitical instability which may derail sales and earnings prospects. Nonetheless, it will endeavour to render its business acumen and experience to navigate through these challenges to the best of its ability.

17. INCOME TAX EXPENSE

	3 months ended		9 months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current financial year	146	7	521	309
Under/(Over) provision in prior financial years	293	(73)	336	(73)
Total Income Tax Expense/ (Credit)	439	(66)	857	236

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 Sept 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		9 months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
(Loss)/Profit attributable to equity holders of the parent (RM'000)	(2,405)	523	164	(2,225)
Weighted average number of Ordinary Shares in issue ('000)	815,793	782,708	815,793	755,725
(Loss)/Profit Earnings Per Ordinary Share (sen)	(0.29)	0.07	0.02	(0.29)

25. EARNINGS PER SHARE (Cont'd)

(b) Diluted earnings per share

	3 months ended		9 months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
(Loss)/Profit attributable to equity holders of the parent (RM'000)	(2,405)	523	164	(2,225)
Weighted average number of Ordinary Shares in issue ('000)	815,793	782,708	815,793	755,725
Effect of Share Options ('000)	3,894	25,415	3,894	25,415
Adjusted weighted average number of Ordinary Shares in issue ('000)	819,687	808,123	819,687	781,140
Diluted (Loss)/Profit Earnings Per Ordinary Share (sen)*	(0.29)	0.07	0.02	(0.29)

* The diluted loss per share is the same with the basic loss per share for the three (3) months ended 30 September 2021 as the potential ordinary shares are anti-dilutive.

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 25 November 2021.

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

25 November 2021