



# K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

**Condensed Consolidated Statements of Comprehensive Income  
For The Second Quarter Ended 30 June 2023**

Figures in RM'000	3 months ended		6 months ended	
	30.6.2023 Unaudited	30.6.2022 Unaudited	30.6.2023 Unaudited	30.6.2022 Unaudited
Operating revenue	43,214	35,229	84,161	73,340
Cost of sales	(38,562)	(33,930)	(74,345)	(66,595)
Gross profit	4,652	1,299	9,816	6,745
Other income	1,079	745	1,687	956
Interest income	196	99	361	200
Operating expense	(5,561)	(4,817)	(11,726)	(9,449)
Profit/(Loss) before tax	366	(2,674)	138	(1,548)
Income tax expense	(348)	(151)	(545)	(574)
Profit/(Loss) for the period	18	(2,825)	(407)	(2,122)

Profit/(Loss) attributable to:

Owners of the Parent	18	(2,825)	(407)	(2,122)
Non-controlling interests	-	-	-	-
	18	(2,825)	(407)	(2,122)

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

Basic EPS/(LPS)	0.00	(0.34)	(0.05)	(0.26)
Diluted EPS/(LPS)	0.00	(0.34)	(0.05)	(0.26)

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

Figures in RM'000	3 months ended		6 months ended	
	30.6.2023 Unaudited	30.6.2022 Unaudited	30.6.2023 Unaudited	30.6.2022 Unaudited
Profit/(Loss) for the period	18	(2,825)	(407)	(2,122)
Items that may be subsequently reclassified to profit:				
Foreign currency translation	80	(44)	125	(42)
<b>Total comprehensive income/(loss)</b>	<b>98</b>	<b>(2,869)</b>	<b>(282)</b>	<b>(2,164)</b>

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

Owners of the Parent	98	(2,869)	(282)	(2,164)
Non-controlling interests	-	-	-	-
	<b>98</b>	<b>(2,869)</b>	<b>(282)</b>	<b>(2,164)</b>

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 June 2023**

Figures in RM'000	Unaudited 30.6.2023	Audited 31.12.2022
<b>ASSETS</b>		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,521	16,134
Prepaid land lease	811	825
Intangible assets	58	66
Goodwill on consolidation	22,669	18,561
Investment property	4,584	4,632
Deferred tax assets	2,226	2,226
Other investment	-	115
<b>Total Non-Current Assets</b>	<b>46,869</b>	<b>42,559</b>
<i>Current Assets</i>		
Inventories	37,509	33,532
Trade receivables	40,569	34,588
Other receivables	5,452	4,056
Contract cost	3,849	3,931
Tax recoverable	2,666	1,589
Short term cash investments	7,104	5,075
Cash and bank balances	36,242	37,376
<b>Total Current Assets</b>	<b>133,391</b>	<b>120,147</b>
<b>TOTAL ASSETS</b>	<b>180,260</b>	<b>162,706</b>

<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	123,644	123,644
Reserves	85	(40)
Non-controlling interests	901	-
Retained earnings	(9,402)	(8,995)
<b>Total Equity</b>	<b>115,228</b>	<b>114,609</b>

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

Figures in RM'000	Unaudited 30.6.2023	Audited 31.12.2022
<b>EQUITY AND LIABILITIES (Cont'd)</b>		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	567	567
<b>Total Non-Current Liabilities</b>	<b>567</b>	<b>567</b>
<i>Current Liabilities</i>		
Trade payables	39,943	29,885
Other payables and accruals	7,121	7,902
Contract liabilities	16,271	9,585
Tax payable	1,130	158
<b>Total Current Liabilities</b>	<b>64,465</b>	<b>47,530</b>
<b>Total Liabilities</b>	<b>65,032</b>	<b>48,097</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>180,260</b>	<b>162,706</b>
<b>Net assets per share attributable to Owners of the Parent (sen)</b>	<b>13.85</b>	<b>13.78</b>

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 Second Quarter Ended 30 June 2023**

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		
<b>At 1 January 2023</b>	123,644	-	(40)	-	(8,995)	114,609	-	114,609
<b>Comprehensive income/(loss)</b>								
Profit /(loss) for the period	-	-	-	-	(407)	(407)	901	494
<b>Other comprehensive income</b>								
Foreign currency translation difference	-	-	125	-	-	125	-	125
Total comprehensive income/(loss)	-	-	125	-	(407)	(282)	901	619
<b>At 30 June 2023</b>	123,644	-	85	-	(9,402)	114,327	901	115,228

**Condensed Consolidated Statements of Changes in Equity  
For The Second Quarter Ended 30 June 2023 (Cont'd)**

	←----- Attributable to Owners of the Parent ----->						Non- controlling Interests	Total Equity
	←----- Non-distributable ----->			----- Distributable ----->				
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Sub-Total		
Figures in RM'000								
<b>At 1 January 2022</b>	123,644	323	(78)	-	(9,210)	114,679	-	114,679
<b>Comprehensive loss</b>								
Loss for the period	-	-	-	-	(2,122)	(2,122)	-	(2,122)
<b>Other comprehensive loss</b>								
Foreign currency translation difference	-	-	(42)	-	-	(42)	-	(42)
Reclassification of share option reserve upon expiry of ESOS	-	(323)	-	-	323	-	-	-
Total comprehensive loss	-	-	(42)	-	(1,799)	(2,164)	-	(2,164)
<b>At 30 June 2022</b>	123,644	-	(120)	-	(11,009)	112,515	-	112,515

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 Second Quarter Ended 30 June 2023**

Figures in RM'000	6 months ended	
	30.6.2023	30.6.2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Profit/(Loss) before taxation</i>	138	(1,548)
Adjustments for:		
Depreciation of property, plant and equipment	1,283	1,375
Amortization of intangible assets	8	2
Depreciation of investment property	48	-
Interest income	(361)	(200)
Foreign exchange gain – unrealized	(650)	(390)
Impairment of plant and equipment	-	1,643
Inventories written down	538	-
Receivables written off	86	-
Operating profit before working capital changes	1,090	882
Changes in working capital:		
Increase in inventory	(3,977)	(2,851)
(Increase)/Decrease in receivables	(2,445)	1,198
Increase/(Decrease) in payables	14,673	(268)
Net cash generated from/(used in) operations	9,341	(1,039)
Taxation paid	(596)	(862)
Interest income	361	200
<b><i>Net cash generated from/(used in) operating activities</i></b>	<b>9,106</b>	<b>(1,701)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Placement)/Withdrawal of short-term cash fund	(2,000)	7,000
Acquisition of a subsidiary, net of cash acquired	(4,587)	-
Purchase of property, plant and equipment	(1,582)	(591)
<b><i>Net cash (used in)/generated from investing activities</i></b>	<b>(8,169)</b>	<b>6,409</b>



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

Figure in RM'000	6 months ended	
	30.6.2023	30.6.2022
Net increase in cash and cash equivalents	937	4,708
Effect of exchange rate changes	(571)	280
Cash and cash equivalents at beginning of the financial year	17,876	9,879
<b>CASH AND CASH EQUIVALENT AT END OF THE PERIOD</b>	<b>18,242</b>	<b>14,867</b>

**COMPOSITION OF CASH AND CASH EQUIVALENTS**

Figure in RM'000	6 months ended	
	30.6.2023	30.6.2022
Cash and bank balances	18,242	14,867
Deposit placed with licensed banks	18,000	20,000
	36,242	34,867
Less: Non-short term fixed deposits	(18,000)	(20,000)
	<b>18,242</b>	<b>14,867</b>

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 (96.4% export in 1H'23; 84.9% export in 1H'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 and Singapore. The Indonesia and Vietnam subsidiaries will commence contributing revenue from 3Q'23 with the completion of the corporate exercises involving P.T Gasia Pasific Indo and G-AsiaPacific (Vietnam) Company Limited respectively as mentioned in Items 11 and 20 below. 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		6 months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
Depreciation of property, plant and equipment	(654)	(688)	(1,283)	(1,375)
Depreciation of investment property	(24)	-	(48)	-
Impairment of plant and equipment	-	1,643	-	1,643
Amortization of intangible assets	(4)	-	(8)	(2)
Foreign exchange gain/(loss)				
- realized	235	470	(270)	419
- unrealized	115	205	650	390
Inventories written down	-	-	(538)	-
Receivables written off	-	-	(86)	-
Interest income	196	99	361	200

## 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
<b>Sales</b>					
External sales	-	25,742	17,143	329	43,214
Internal sales	-	-	-	-	-
Total operating sales	-	25,742	17,143	329	43,214
Others and interest income	91	291	786	107	1,275
	91	26,033	17,929	436	44,489
<b>Results</b>					
Segment results	1	(942)	1,560	(253)	366
Finance costs	-	-	-	-	-
Income tax (expense)/credit	26	-	(374)	-	(348)
Profit/(Loss) after tax before non-controlling interests	27	(942)	1,186	(253)	18
Non-controlling interests	-	-	-	-	-
Profit/(Loss) after tax after non-controlling interests	<b>27</b>	<b>(942)</b>	<b>1,186</b>	<b>(253)</b>	<b>18</b>
<b>Other information</b>					
Segment assets	10,847	86,065	40,095	39,153	176,160
Unallocated assets					4,100
					<b>180,260</b>
Segment liabilities	872	34,821	27,331	252	63,276
Unallocated liabilities					1,756
					<b>65,032</b>

## 9. SEGMENT INFORMATION (Cont'd)

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

The geographical sales breakdown is as follows:

	6 months ended 30.6.2023		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	1,828	24,048	25,876
Asia (excluding M'sia)	11,665	8,995	20,660
Europe	30,997	20	31,017
US	6,043	-	6,043
Oceania	547	18	565
	<b>51,080</b>	<b>33,081</b>	<b>84,161</b>

  

	6 months ended 30.6.2022		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	5,868	20,754	26,622
Asia (excluding M'sia)	5,858	13,622	19,480
Europe	19,531	23	19,554
US	7,475	-	7,475
Oceania	63	146	209
	<b>38,795</b>	<b>34,545</b>	<b>73,340</b>

Note: 1)The EMS business is 96.4% (1H'22: 84.9%) derived from the export markets with the balance of 3.6% (1H'22: 15.1%) from the local (Malaysian) market.

2)The Cloud business is 27.3% (1H'22: 39.9%) derived from the overseas markets with the balance of 72.7% (1H'22: 60.1%) derived from the local (Malaysian) market.

### (c) Sales to Major Customers

For the 6 months ended 30 June 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**

The acquisition of 36% shareholdings in P.T. Gasia Pasific Indo was completed on 19 June 2023. The said company has since become a 51% subsidiary of G-AsiaPacific Sdn Bhd and the latter in turn a wholly-owned subsidiary of K-One Technology Bhd.

Save for the above, there were no other changes in the composition of the Group during the financial quarter ended 30 June 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:-

	RM'000
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 (2Q'23 vs 2Q'22)

For the second quarter ended 30 June 2023 (2Q'23), the Group's sales revenue increased to RM43.2 million from RM35.2 million in the corresponding quarter last year (2Q'22), registering sturdy growth of 23%, which was mainly attributed to the uptick of Electronic Manufacturing Services' (EMS) sales.

#### EMS Sales

Sales from the EMS business jumped to RM26.1 million in the current quarter from RM17.4 million in the corresponding quarter last year, representing a strong increase of 50%, driven mainly by the steady sales of certain new models of electronic headlamps which were launched in 2H'22, 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 and to a lesser extent, order fulfilment for IoT gadgets.

On the other hand, sales of medical/healthcare devices for the overseas markets took a dip while the medical supplies viz-a-viz the COVID-19 Antigen saliva self-test kits for the local market softened as the push to do self-test waned with COVID-19 infections becoming less life-threatening.

#### Cloud Sales

The Cloud business generated sales revenue of RM17.1 million in 2Q'23 as compared with RM17.8 million in the corresponding quarter last year, representing a decrease of 4%, caused mainly by a specific customer not requiring Cloud complementary products in the current quarter as the demand for such complementary products is intermittent. On a positive note, recurring revenue grew year-over-year as the public sector and private enterprises continued to transition into the Cloud for technological and cost saving reasons.



**15. PERFORMANCE REVIEW (Cont'd)**

**(a) Current quarter compared to the corresponding quarter of last year (Cont'd)  
(2Q'23 vs 2Q'22)**

**EMS/Cloud Earnings**

The EMS business registered a net loss of RM1.2 million while the Cloud business contributed a net profit of RM1.2 million, making a marginal total net profit of RM17.6 thousand in 2Q'23 as compared to a total net loss of RM2.8 million for the corresponding quarter last year.

The EMS business's loss narrowed to RM1.2 million as compared with RM3.4 million loss in the corresponding quarter last year on higher sales and improved gross profit margin from 5% in 2Q'22 to 9% in 2Q'23 attributed to:- a) product mix changes favouring the higher margin IoT gadgets and electronic headlamps with the latter launching new headlamp models in 2H'22, b) favourable production overhead variances from improved utilisation rates of the facilities and c) materials cost down. In addition, the absence of provision for impairment losses on tooling and machinery recorded in 2Q'22 contributed in the loss reduction in the reporting quarter.

Despite lower sales, the Cloud business registered a higher profit of RM1.2 million as compared to RM0.6 million in the previous year's corresponding quarter due to improved margin resulting from product mix changes, in particular negligible Cloud complementary product sales during the reporting quarter which usually commanded lower margins, in addition to being granted specific financial incentives for achieving the various milestones set by the principal.

**(b) Current quarter versus the preceding quarter  
(2Q'23 vs 1Q'23)**

For the second quarter ended 30 June 2023, sales revenue hit RM43.2 million, representing a 6% increase over the preceding quarter of RM40.9 million. The sales growth was attributed to better performance in both the EMS and Cloud businesses.

## 15. PERFORMANCE REVIEW (Cont'd)

### (b) Current quarter versus the preceding quarter (2Q'23 vs 1Q'23)

#### **EMS Sales**

Sales for the EMS business increased by RM1.0 million; from RM25.0 million (1Q'23) to RM26.1 million (2Q'23), representing a 4% increase. The continued expansion in the sub-assemblies supply business for maintenance purpose and the higher demand for medical/healthcare devices and industrial equipment contributed to the sales rise. On the contrary, the softer demand of electronic headlamps and COVID-19 Antigen saliva self-test kits hampered further sales growth.

#### **Cloud Sales**

Sales revenue from the Cloud business increased by 8% to RM17.1 million from RM15.9 million in the preceding quarter, driven by the continuous growing usage and adoption of Cloud by existing and new customers respectively. 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 sales.

#### **EMS/Cloud Earnings**

The Group posted a marginal profit attributable to equity holders of the parent company of RM17.6 thousand in the current quarter as compared to a loss of RM0.4 million in the preceding quarter (1Q'23).

Despite higher sales, the EMS business incurred an increased loss of RM1.2 million in the reporting quarter, versus a loss of RM1.0 million in 1Q'23, due to weakened margin from 12% in 1Q'23 to 9% in 2Q'23 attributed to business segment and product mix changes.

The Cloud business recorded a higher profit of RM1.2 million as compared to RM0.6 million in the previous quarter on improved sales and the granting of specific financial incentives by the principal for achieving targets.

## 16. COMMENTARY ON PROSPECTS AND TARGETS

For the first half of the year ended 30 June 2023, the K-One Group delivered sales of RM84.2 million against RM73.3 million for the corresponding period last year, representing an increase of 15% resulting from sturdy EMS sales and uptrend recurring revenue from the Cloud business.

EMS sales clocked-in at RM51.1 million in 1H'23 as compared with RM38.8 million in the corresponding period last year, representing an increase of 31% due mainly to the growth of sub-assemblies supply business which started towards the end of 2022 and the higher demand for IoT gadgets, industrial equipment and electronic headlamps following the latter's launch of new models in 2H'22. However, the weaker performance of medical/healthcare devices 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 constrained the sales upsurge.

The Cloud business generated sales revenue of RM33.1 million in 1H'22 as compared with RM34.5 million in the corresponding period last year, marking a decrease of 4% due purely to the contraction in Cloud complementary product sales. The recurring revenue of the Cloud business remained upbeat, whether COVID-19 is pandemic or turning endemic has no relevance to Cloud adoption, which continues to climb in view of the escalating growth of enterprises and 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. In fact, with the economies in most countries having normalized to the pre-COVID days, the Group's Cloud business is expected to take advantage of the escalation in new migrations to the Cloud in the ASEAN region.

Moving forward to 2H'23, barring unforeseen circumstances, the Group is cautiously optimistic and expects to see sales trending higher than 1H'23 based upon the rationales and expectations illustrated below in the EMS and Cloud businesses's prospects respectively.

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

### EMS Business

1) With the global supply chain disruptions fading away, although there is no shortage of geopolitical and other business risks to be aware of during the rest of 2023, sales for the consumer electronics, medical/healthcare, industrial and IoT sectors are expected to scale higher with the resumption of production for certain product models and in anticipation of the Group running new product lines for specific industrial customers who continued to enjoy pockets of growth in spite of the fragile global economic environment. The spare parts and sub-assemblies supply business for maintenance purpose to cater to a specific multinational is projected to maintain its growth momentum as the Group is acting as the customer's Asia Hub.

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 medical supplies and healthcare consumables in the likes of acne patches and wound care products. The Diversey hygiene-care products are getting 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. In this regard, the K-One Group is poised to take advantage of such business transfer which has recently been aided by easier travelling as travel curbs have been eased in conjunction with the World Health Organization's announcement that COVID-19 is no longer a public health emergency of international concern.

### Cloud Business

1) It is anticipated that the Cloud market will continue growing in 2023 undeterred by the global macroeconomic uncertainties, albeit at a slower pace in the developed world. However, Cloud is still in an early stage of growth in the developing world and the shift to Cloud has only been accelerated since the outbreak of the COVID-19 pandemic in early 2020 as organizations responded to a new business and social dynamics. Cloud is undoubtedly a key driver in digital transformation which businesses could hardly ignore for long term sustainability.

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

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, AI and machine learning which enable more data and new types of data to be streamed from the Cloud will boost Cloud spending in the longer term. Contribution from development/implementation of Cloud solutions is envisaged to be stronger as economic activities pick up in the Group's key markets encompassing Malaysia, Singapore, Indonesia and Vietnam.

2) The growth of the Cloud business is set to be further accelerated with the completion of the acquisition of 36% shareholdings in P.T. Gasia Pasific Indo ("GAP Indo") in June 2023. GAP Indo is now a 51% subsidiary of G-AsiaPacific Sdn Bhd ("GAP"), which is a wholly owned subsidiary of K-One Technology Bhd and is the Cloud business arm of the K-One Group. Meanwhile, G-AsiaPacific (Vietnam) Company Limited ("GAP Vietnam"), which is a 51% subsidiary of GAP has been granted the Investment Registration Certificate and Enterprise Registration Certificate by the relevant governmental authorities of Vietnam in July 2023. With the issuance of such certificates, GAP Vietnam is officially established as a legal entity to commence operation in Vietnam. 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.

3) The Group's cloud computing arm was recently the first in Malaysia to be accredited the AWS Migration Competency Consulting Partner badge, on top of its various other accolades. It was also recently conferred the Google for Education – Appreciation for Exceptional Partnership 2023 badge. As a forerunner in the cloud business, it is confident in taking on large public and private sectors' customers and maintaining its growth path.

The Group is cautiously optimistic on its business prospects, both top and bottom lines for 2H'23 as the global economy remains 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 RM43.3 million as at end 2Q'23.

**17. INCOME TAX EXPENSE**

	3 months ended		6 months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
<b>Malaysian taxation based on Profit for the period: -</b>				
Current corporate tax	348	151	545	574
<b>Total Income Tax Expense</b>	<b>348</b>	<b>151</b>	<b>545</b>	<b>574</b>

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:

- a) **Proposed increase in equity from 15% to 51% In P.T. Gasia Pasific Indo by acquiring 36% from the vendor by G-AsiaPacific Sdn Bhd, a wholly-owned subsidiary of K-One Technology Bhd**

G-AsiaPacific Sdn Bhd ("GAP"), a wholly-owned subsidiary of K-One Technology Bhd, has completed the acquisition of 36% shareholdings in P.T. Gasia Pasific Indo ("GAP Indo") on 19 June 2023 and GAP Indo is now a 51% subsidiary of GAP.

**20. CORPORATE PROPOSALS (Cont'd)**

**b) Establishment of Joint Venture (JV) in Vietnam to conduct Cloud Computing business**

G-AsiaPacific (Vietnam) Company Limited (“GAP Vietnam”), which is a 51% subsidiary of GAP has been granted the Investment Registration Certificate on 10 July 2023 and Enterprise Registration Certificate on 20 July 2023 respectively by the relevant governmental authorities of Vietnam.

With the issuance of the said certificates, GAP Vietnam is officially established as a legal entity to commence operation in Vietnam.

**21. BORROWINGS AND DEBTS SECURITIES**

The Group has neither any secured nor unsecured borrowings as at 30 June 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		6 months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
Profit/(Loss) attributable to equity holders of the parent (RM'000)	18	(2,825)	(407)	(2,122)
Weighted average number of Ordinary Shares in issue ('000)	832,007	832,007	832,007	832,007
Basic/Diluted Earnings/(Loss) Per Ordinary Share (sen)	0.00	(0.34)	(0.05)	(0.26)

## 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 28 August 2023.

### BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)  
Company Secretary

28 August 2023