



K-One Technology Berhad

[Registration No. 200101004001 (539757-K)]

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021**

**Condensed Consolidated Statements of Comprehensive Income
 For The Fourth Quarter Ended 31 December 2021**

Figures in RM'000	3 months ended		12 months ended	
	31.12.2021 Unaudited	31.12.2020 Unaudited	31.12.2021 Unaudited	31.12.2020 Audited
Operating revenue	35,675	31,348	125,544	91,203
Cost of sales	(32,779)	(27,348)	(110,300)	(76,437)
Gross profit	2,896	4,000	15,244	14,766
Other income	64	17	960	841
Interest income	185	184	724	972
Operating expenses	(5,880)	(9,556)	(18,697)	(22,583)
Fair value movement on put option liability	-	-	-	(927)
Loss before tax	(2,735)	(5,355)	(1,769)	(6,931)
Income tax expense	(75)	(1,233)	(932)	(1,442)
Loss for the period	(2,810)	(6,588)	(2,701)	(8,373)

(Loss)/ Profit attributable to:

Owners of the Parent	(2,810)	(6,588)	(2,701)	(8,784)
Non-controlling interests	-	-	-	411
	(2,810)	(6,588)	(2,701)	(8,373)

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

Basic LPS	(0.34)	(0.84)	(0.33)	(1.16)
Diluted LPS	(0.34)	(0.84)	(0.33)	(1.16)

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

Figures in RM'000	3 months ended		12 months ended	
	31.12.2021 Unaudited	31.12.2020 Unaudited	31.12.2021 Unaudited	12.12.2020 Unaudited
Loss for the period	(2,810)	(6,588)	(2,701)	(8,373)
Items that may be subsequently reclassified to profit/(loss):				
Foreign currency translation	20	2	5	(4)
Total comprehensive loss	(2,790)	(6,586)	(2,696)	(8,377)

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

Owners of the Parent	(2,790)	(6,586)	(2,696)	(8,788)
Non-controlling interests	-	-	-	411
	(2,790)	(6,586)	(2,696)	(8,377)

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 December 2021**

Figures in RM'000	Unaudited 31.12.2021	Audited 31.12.2020
ASSETS		
<i>Non-Current Assets</i>		
Property, plant and equipment	16,732	17,747
Prepaid land lease	854	889
Intangible assets	29	13
Goodwill on consolidation	18,561	18,561
Investment property	4,800	-
Deferred tax assets	1,939	99
Other investment	115	115
Total Non-Current Assets	43,030	37,424
<i>Current Assets</i>		
Inventories	27,668	19,134
Trade receivables	27,008	23,189
Other receivables	5,669	11,633
Tax recoverable	2,474	2,038
Short term cash investments	16,538	18,651
Cash and bank balances	29,879	37,204
Total Current Assets	109,236	111,849
TOTAL ASSETS	152,266	149,273

EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	122,087	119,786
Reserves	1,835	1,661
Retained earnings	(9,205)	(6,504)
Total Equity	114,717	114,943

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

Figures in RM'000	Unaudited 31.12.2021	Audited 31.12.2020
EQUITY AND LIABILITIES (Cont'd)		
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	396	241
Total Non-Current Liabilities	396	241
<i>Current Liabilities</i>		
Trade payables	25,203	23,768
Other payables and accruals	4,269	4,237
Contract liabilities	7,363	6,035
Tax payable	318	49
Total Current Liabilities	37,153	34,089
Total Liabilities	37,549	34,330
TOTAL EQUITY AND LIABILITIES	152,266	149,273
Net assets per share attributable to Owners of the Parent (sen)	13.79	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 Fourth Quarter Ended 31 December 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								
Loss for the period	-	-	-	-	(2,701)	(2,701)	-	(2,701)
Other comprehensive income								
Foreign currency translation difference	-	-	5	-	-	5	-	5
Total comprehensive income/(loss)	-	-	5	-	(2,701)	(2,696)	-	(2,696)
Transaction with owners								
Issuance of ordinary shares pursuant to:								
- Exercise of ESOS	2,276					2,276		2,276
- Conversion of Warrant 2018/2021	25					25		25
Share based payment under Employees' Share Options Scheme ("ESOS")	-	169	-	-	-	169	-	169
	2,301	169	-	-	-	2,470	-	2,470
At 31 December 2021	122,087	1,913	(78)	-	(9,205)	114,717	-	114,717

**Condensed Consolidated Statements of Changes in Equity
For The Fourth Quarter Ended 31 December 2021 (Cont'd)**

Figures in RM'000	←----- Attributable to Owners of the Parent ----->						Non-controlling Interests	Total Equity
	←----- Non-distributable Foreign ----->			----- Distributable -----				
	Share Capital	Share Option Reserve	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 income								
(Loss)/Profit for the period	-	-	-	-	(8,784)	(8,784)	411	(8,373)
Other comprehensive loss								
Foreign currency translation difference	-	-	(4)	-	-	(4)	-	(4)
Total comprehensive loss	-	-	(4)	-	(8,784)	(8,788)	411	(8,377)
Transaction with owners								
Issuance of Ordinary Shares	17,260	-	-	-	-	17,260	-	17,260
ESOS granted		420			33	453	-	453
Elimination of put option over shares held by non-controlling interest	-	-	-	16,212	-	16,212	-	16,212
Changes in ownership interest of a subsidiary	-	-	-	-	(12,899)	(12,899)	(3,314)	(16,213)
Exercise of Employees' Share Options Scheme ("ESOS")	7,847	(3,098)	-	-	-	4,749	-	4,749
	25,107	(2,678)	-	16,212	(12,866)	25,775	(3,314)	22,461
At 31 December 2020	119,786	1,744	(83)	-	(6,504)	114,943	-	114,943

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 Fourth Quarter Ended 31 December 2021**

Figures in RM'000	12 months ended	
	31.12.2021	31.12.2020
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Loss before taxation</i>	(1,769)	(6,932)
Adjustments for:		
Depreciation of property, plant and equipment	2,597	2,122
Amortization of intangible assets	5	30
Share option granted under ESOS	169	451
Interest income	(724)	(1,057)
Foreign exchange (gain)/loss – unrealized	(207)	85
Provision for doubtful debt on receivable pursuant to disposal of equity of an associate	830	4,990
Impairment loss on trade receivables	-	66
Fair value movement on put option liability	-	927
Operating profit before working capital changes	901	682
Changes in working capital:		
(Increase)/Decrease in inventory	(8,534)	1,176
Increase in receivables	(1,171)	(7,176)
Increase in payables	2,795	10,171
Net cash (used in)/generated from operations	(6,009)	4,853
Taxation paid	(2,761)	(855)
Interest income	724	972
<i>Net cash (used in)/generated from operating activities</i>	(8,046)	4,970
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal/(placement) of short-term cash fund	2,113	(10,500)
Withdraw of deposits with licensed bank	2,500	5,500
Purchase of property, plant and equipment	(1,568)	(4,592)
Purchase of investment property	(1,920)	-
<i>Net cash generated / (used in) investing activities</i>	1,125	(9,592)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuances of shares:		
Exercise of ESOS	2,276	4,749
Conversion of Warrant	25	-
<i>Net cash generating from Financing activities</i>	2,301	4,749

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

Figure in RM'000	12 months ended	
	31.12.2021	31.12.2020
Net (decrease)/increase in cash and cash equivalents	(4,620)	127
Effect of exchange rate changes	(205)	(40)
Cash and cash equivalents at beginning of the period	14,704	14,617
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	9,879	14,704

COMPOSITION OF CASH AND CASH EQUIVALENTS

Figure in RM'000	12 months ended	
	31.12.2021	31.12.2020
Cash and bank balances	9,879	14,704
Deposit placed with licensed banks	20,000	22,500
	29,879	37,204
Less: Non-short term fixed deposits	(20,000)	(22,500)
	9,879	14,704

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 (99.4% export in 4Q’21; 99.4% export in 4Q’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 attributed mainly to the consumer electronics market segment in conjunction with Christmas and New Year seasons overseas.

Revenue contribution from the Cloud Computing (Cloud) business is mainly derived from Malaysia and Singapore and is not subject to any obvious seasonality.

4. UNUSUAL ITEM DUE TO THEIR NATURE, SIZE OR INCIDENCE

During the quarter under review, there were no unusual items affecting assets, liabilities, equity, net income or cash flows to the effect that is unusual in nature, size or incidence.

5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have had any material effect on the financial year-to-date results.

6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the period.

7. DIVIDENDS PAID

No dividend was paid during the quarter under review.

8. Notes to Consolidated Statement of Comprehensive Income

Figures in RM'000	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Depreciation of property, plant and equipment	(686)	(561)	(2,597)	(2,122)
Amortization of intangible assets	(2)	(9)	(5)	(30)
Foreign exchange (loss)/gain				
- realized	(110)	(83)	132	(156)
- unrealized	89	(298)	207	(85)
Interest income	185	184	724	972
Provision for doubtful debt on receivable pursuant to disposal of equity of an associate	830	4,990	830	4,990

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	-	21,597	14,078	-	35,675
Internal sales	-	-	-	-	-
Total operating sales	-	21,597	14,078	-	35,675
Others and interest income	47	100	12	90	249
	47	21,697	14,090	90	35,924
Results					
Segment results	(961)	(2,697)	356	567	(2,735)
Finance costs	-	-	-	-	-
Income tax (expense)/credit	(45)	117	(147)	-	(75)
(Loss)/Profit after tax before non-controlling interests	(1,006)	(2,580)	209	567	(2,810)
Non-controlling interests	-	-	-	-	-
(Loss)/Profit after tax after non-controlling interests	(1,006)	(2,580)	209	567	(2,810)
Other information					
Segment assets	10,122	67,110	29,758	40,864	147,854
Unallocated assets					4,412
					152,266
Segment liabilities	214	17,395	19,001	222	36,832
Unallocated liabilities					717
					37,549

9. SEGMENT INFORMATION (Cont'd)

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

The geographical sales breakdown is as follows:

	12 months ended 31.12.2021		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	583	32,653	33,236
Asia (excluding M'sia)	13,025	18,400	31,425
Europe	43,374	5	43,379
US	17,288	-	17,288
Oceania	30	186	216
	74,300	51,244	125,544

	12 months ended 31.12.2020		
	EMS RM'000	Cloud RM'000	Total RM'000
Malaysia	477	28,783	29,260
Asia (excluding M'sia)	9,300	1,443	10,743
Europe	37,561	2	37,563
US	13,172	-	13,172
Oceania	96	369	465
	60,606	30,597	91,203

Note: 1)The EMS business is 99.2% (2020: 99.2%) derived from the export markets with the balance of 0.8% (2020: 0.8%) from the local (Malaysian) market.

2)The Cloud business is 36.3% (2020: 5.9%) derived from the overseas markets with the balance of 63.7% (2020: 94.1%) derived from the local (Malaysian) market.

(c) Sales to Major Customers

EMS

For the 12 months ended 31 December 2021, one (1) major international customer contributed more than 10% of the Group's revenue.

Cloud

For the 12 months ended 31 December 2021, one (1) major international customer contributed more than 10% of the Group's revenue.

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the financial quarter under review.

11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial quarter ended 31 December 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:-

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

13. CAPITAL COMMITMENTS

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

14. SUBSEQUENT EVENT

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

15. PERFORMANCE REVIEW

(a) Current quarter compared to the corresponding quarter of last year (4Q'21 vs 4Q'20)

For the fourth quarter ended 31 December 2021 (4Q'21), the Group's sales revenue increased to RM35.7 million from RM31.3 million in the corresponding quarter last year (4Q'20), recording a double digit growth of 14% underpinned by stronger order fulfilment in the EMS business and a surge in recurring revenue in the Cloud Computing (Cloud) business.

EMS Sales

Sales from the EMS business jumped to RM21.6 million in the current quarter from RM20.6 million in the corresponding quarter last year, representing an increase of 5%, driven by clearance of order backlogs and improved demand of industrial equipment, IoT gadgets and floorcare products in light of the global economic recovery amid intermittent lockdowns to contain COVID-19 resurgence triggered by the new coronavirus variants such as the Omicron. The sales rise which could have achieved a higher trajectory was impeded by persistent material (particularly electronic chips) and production labour shortages as most industries ramp up to meet the pent up demand.

Cloud Sales

The Cloud business generated sales revenue of RM14.1 million in 4Q'21 as compared with RM10.7 million in the corresponding quarter last year, representing a surge of 32% on sturdy performance in recurring sales from existing customers in key markets, namely; Malaysia, Singapore and Indonesia and streaming of new customers. Cloud has emerged as a mainstay of digital transformation, collaborative and efficient working as witnessed in the changing consumer behaviour and work-from-home (WFH) habits in the pandemic-driven New Normal which drove e-commerce and videoconferencing respectively that boosted Cloud usage.

EMS/Cloud Earnings

The EMS business registered an operational loss of RM2.2 million while the Cloud business contributed a profit of RM0.2 million. Thus, the Group made a net operational loss of RM2.0 million in the current quarter. As a measure of prudence in view of the prevailing unstable economic conditions, the provision for doubtful debt of RM0.8 million on the remaining outstanding receivable pursuant to the disposal of equity of an associate back to the former vendors increased the Group's loss attributable to equity holders of the parent company to RM2.8 million as compared to a net loss of RM6.6 million for the corresponding quarter last year. Incidentally, the loss registered in 4Q'20 was negatively affected by the reversal of deferred tax assets and provision for doubtful debt on the said receivable.

15. PERFORMANCE REVIEW (Cont'd)

**(a) Current quarter compared to the corresponding quarter of last year (Cont'd)
(4Q'21 vs 4Q'20)**

EMS/Cloud Earnings (Cont'd)

The operating loss in the EMS business was caused by sliding gross profit margin from 10% in 4Q'20 to 5% in 4Q'21 on cost pressure from soaring prices of materials, steep rise in logistic costs, increase in overtime payment to make up for labour shortages, higher productivity loss and lower manufacturing yield as a result of high production labour turnover. Nevertheless, the sales growth narrowed the loss from RM2.5 million in 4Q'20 to RM2.2 million in the reporting quarter. 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 4Q'21.

On the Cloud business, profit was reduced to RM0.2 million from RM0.9 million in the corresponding quarter last year on decreased margin dragged by sluggish Cloud solutions development/implementation orders which usually commanded premium margins, jump in provision for operating expense and higher corporate tax expense due to the expiry of pioneer status in March'21.

**(b) Current quarter versus the preceding quarter
(4Q'21 vs 3Q'21)**

The fourth quarter ended 31 December 2021 posted sales revenue of RM35.7 million, representing a 50% increase over the preceding quarter of RM23.8 million on sales jump in both the EMS and Cloud businesses.

EMS Sales

The EMS business registered sales of RM21.6 million in 4Q'21 as compared to RM11.5 million in 3Q'21, representing a surge of 88% on strong demand in electronic headlamps, industrial equipment and medical/healthcare devices, riding on the continuing global economic recovery, delivery of backlog orders and the traditional year end demand peaks.

Cloud Sales

Sales revenue from the Cloud business increased by 15% to RM14.1 million from RM12.3 million in the preceding quarter, driven by the growing usage and adoption of Cloud catalysed by the ongoing COVID-19 pandemic.

15. PERFORMANCE REVIEW (Cont'd)

**(b) Current quarter compared to the corresponding quarter of last year (Cont'd)
(4Q'21 vs 3Q'21)**

EMS/Cloud Earnings

The Group posted loss attributable to equity holders of the parent company of RM2.8 million in the current quarter as compared to a loss of RM2.4 million in the preceding quarter (3Q'21). The EMS business's loss narrowed to RM2.2 million from RM2.9 million in the previous quarter on higher revenue. However, continuing compressed gross profit margin (4Q'21:5%; 3Q'21:5%) as a result of persistent elevated materials, logistic and labour costs coupled with adverse production variances caused by the global supply chain chaos and labour supply issues curbed the earnings turnaround. The Cloud business registered a profit of RM0.2 million as compared to the same of RM0.6 million in the previous quarter due mainly to higher provision of operating expense. Nonetheless, the reporting quarter's Group loss had been adversely weighted by the provision for doubtful debt of RM0.8 million as explained earlier

16. COMMENTARY ON PROSPECTS AND TARGETS

Sales revenue for the financial year 2021 increased to RM125.5 million from RM91.2 million a year ago, representing a strong double digit growth of 38% on strong sales rise in both the EMS and Cloud businesses.

EMS sales increased 23% to RM74.3 million as compared with RM60.6 million in the preceding year. Incidentally, EMS sales in 2021 grew 2% over the pre-pandemic level in 2019, denoting that it had staged a recovery from a COVID-19 pandemic induced slump. 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 production labour shortages. The labour capacity restriction compliance during the Full Movement Order Control (FMCO)/National Recovery Plan (NRP) further compounded the production labour shortage issue.

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

The Cloud business generated sales revenue of RM51.2 million in 2021 as compared with RM30.6 million in the previous financial year, marking an impressive growth rate of 67%. It remained robust despite FMCO/NRP restrictions as Cloud has become a key source of fuel for digital transformation with 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. Cloud usage is spurred by the New Normal as businesses require additional capacity for their cloud-based applications in meeting online usage growth.

Moving forward to 2022, barring unforeseen circumstances, in view of the uncertain global economic recovery, the Group is cautiously hopeful and expects growing sales based upon the rationales and expectations illustrated below in the EMS and Cloud businesses's prospects respectively.

EMS Business

1)With the assumption that the supply chain bottlenecks and production labour shortages easing in 2022, the EMS business anticipates to continue ramping up its manufacturing. Output of specific running medical/healthcare devices for OEM customers is expected to play catch up to clear backlogs and meet growing demands as new COVID-19 variants and continuing global economic recovery respectively are forecasted to drive sales upwards. Sales for consumer electronics, industrial and IoT sectors of the EMS business are expected to scale up in tandem with an expected global economic recovery as COVID-19 hopefully moves to the endemic phase.

2)While EMS with a medical and healthcare bias remained the core, green shoots have emerged in the OBM and authorized representative business of medical devices and consumables, which encompass COVID-19 Antigen saliva self-test kits, nasal/oral swabs, ventilators and LDV syringes. Sales growth, in particular from COVID-19 Antigen saliva self-test kits since its launch in the local market in October 2021 is encouraging despite vigorous price competition. The progress of enhancing the NASA-JPL licensed ventilator, which is to be branded under its own brand name – MedKaire is making progress towards certifications by the local and foreign health authorities. This medical device is strategic to the Group's future business plan as it is needed as a critical hospital equipment even on the abatement of the COVID-19 pandemic. It is envisaged that the emerging medical devices and consumables business segment could provide the Group a notable revenue and earnings stream in the long term.

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

EMS Business (Cont'd)

3)The Group's concerted efforts on materials cost down to lessen margin pressures arising from sharply rising material prices and logistic costs are expected to produce positive results moving forward. Besides, its ongoing Industry 4.0 initiatives is anticipated to mitigate production labour woes as the Group embarks to step up automation of work processes.

4)In view of the restrictions on overseas travelling, the Group continued resorting to participating in e-exhibitions and leveraging on other electronic means to reach out to target customers, especially those located in the US as it intends to divert US manufacturing from China to Malaysia during the New Normal against the backdrop of Sino-American great-power confrontation.

Cloud Business

1)Being a net beneficiary of the COVID-19 pandemic and with the emergence of Cloud being a key driver in digital transformation which businesses could hardly ignore for long term sustainability, recurring revenue from the significant pool of the 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. Incidentally, the Malaysian government's Cloud-First policy of migrating 80% of public data to hybrid systems by 2022 should promote Cloud buy-in by the private sector which is anticipated to boost GAP's impending sales.

2)GAP is in a sweet spot with many exciting periods of growth ahead for the Cloud market, driven by the rapid global rollout of 5G and the increasing adoption of Internet of Things (IoT) and Artificial Intelligence (AI) which enable more data and new types of data to be streamed from the Cloud. Sales generated from the Cloud business is envisaged to grow at a faster rate than the EMS business, with increasing overall business weightage contribution. The Group is leveraging on its Google Premier Partner award, the specific Public Sector Partner badge with Amazon (AWS), amongst other partnership programs and its market leadership in terms of sales and technical know-how in the Cloud space in Malaysia and ASEAN to maintain and improve the growth trajectory.

3)The K-One Group is open to M&A opportunities to acquire companies in the Cloud space or those that are cybersecurity-based, as these targets are seen to be complementary to the Cloud business. It is in line with the Group's strategy to expand its Cloud business and deliver new collaborative Cloud offerings. 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 RM46 million as at end 2021.

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

The Group is cautiously optimistic on its sales and financial prospects for 2022, barring unforeseen circumstances. It is prepared to ride on the growth potential of the medical/healthcare segment in the EMS business, its emerging OBM healthcare/medical products' portfolio and the vibrant demand in the Cloud business. The Group's concerted efforts on materials cost down and deepening push into higher margin businesses are expected to translate into potential margin upside in 2022 and beyond. In the longer term, it is expected to experience accelerated growth generated by a combination of organic growth and M&A activities. However, the Group cautions that it is operating in an unstable global economic environment tainted with growing inflationary pressures, prolonged global supply chain disruptions, hard-to-predict dynamics of COVID-19 variants, possible extended production labour shortages and heightened geopolitical instability. Nonetheless, it will endeavour to navigate through these challenges to the best of its ability and deliver the desired achievements.

17. INCOME TAX EXPENSE

	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current financial year	12	252	1,137	461
Under provision in prior financial years	-	-	14	-
Deferred tax expense / (income)	63	981	(219)	981
Total Income Tax Expense	75	1,233	932	1,442

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period.

18. PURCHASES OR SALES OF UNQUOTED SECURITIES AND PROPERTIES

There were no purchases or disposal of unquoted securities and properties during the financial quarter.

19. QUOTED SECURITIES

There were no purchases or disposal of quoted securities during the financial quarter under review.

20. CORPORATE PROPOSALS

There are no corporate proposals announced but not completed as at the reporting date.

21. BORROWINGS AND DEBTS SECURITIES

The Group has neither any secured nor unsecured borrowings as at 31 Dec 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.

25. EARNINGS PER SHARE (Cont'd)

(a) Basic earnings per share

	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Loss attributable to equity holders of the parent (RM'000)	(2,810)	(6,588)	(2,701)	(8,784)
Weighted average number of Ordinary Shares in issue ('000)	827,027	783,067	818,622	758,852
Loss Per Ordinary Share (sen)	(0.34)	(0.84)	(0.33)	(1.16)

(b) Diluted earnings per share

	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Loss attributable to equity holders of the parent (RM'000)	(2,810)	(6,588)	(2,701)	(8,784)
Weighted average number of Ordinary Shares in issue ('000)	827,027	783,067	818,622	758,852
Effect of Share Options ('000)*	-	-	-	-
Adjusted weighted average number of Ordinary Shares in issue ('000)	827,027	783,067	818,622	758,852
Diluted Loss Per Ordinary Share (sen)	(0.34)	(0.84)	(0.33)	(1.16)

* The potential ordinary shares are anti-dilutive for the financial years ended 31 December 2021 and 2020 respectively.

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 24 February 2022.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)

Company Secretary

24 February 2022