



MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 MARCH 2020

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MICROLINK SOLUTIONS BERHAD (620782-P)
Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020**

	INDIVIDUAL QUARTER THREE MONTHS ENDED 31 MARCH		CUMULATIVE PERIOD TWELVE MONTHS ENDED 31 MARCH	
	2020	2019	2020	2019
	RM'000 Unaudited	RM'000 Unaudited	RM'000 Unaudited	RM'000
Revenue	66,699	52,460	220,963	190,620
Cost of sales	(51,766)	(43,907)	(176,110)	(155,366)
Gross profit	14,933	8,553	44,853	35,254
Other operating income	840	3,688	2,119	4,578
Selling and distribution expenses	(260)	(148)	(700)	(540)
Administrative expenses	(12,764)	(5,736)	(24,775)	(29,671)
Finance costs	(846)	(837)	(2,967)	(4,548)
Other operating expenses	3,105	(2,896)	(4,309)	(3,805)
Profit before taxation	5,008	2,624	14,221	1,268
Tax expense	(1,248)	(602)	(3,582)	(264)
Profit for the period	3,760	2,022	10,639	1,004
Other comprehensive (loss) / income, net of tax - item that may be reclassified subsequently to profit or loss:				
Foreign currency translations for foreign operations, net of tax	(5)	1	225	3
Income tax relating to components of other comprehensive income				
Other comprehensive (loss) / income for the period, net of tax	(5)	1	225	3
Total comprehensive income for the period	3,755	2,023	10,864	1,007
Profit attributable to:				
Owners of the parent	3,674	2,028	10,640	869
Non-controlling interests	86	(6)	(1)	135
	3,760	2,022	10,639	1,004
Total comprehensive income attributable to:				
Owners of the parent	3,674	2,027	10,881	869
Non-controlling interests	81	(4)	(17)	138
	3,755	2,023	10,864	1,007
Earnings per share (sen):				
Basic	2.13	1.21	6.18	0.52
Diluted	2.13	1.21	6.18	0.52

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial statements.

MICROLINK SOLUTIONS BERHAD (620782-P)
Incorporated in Malaysia

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	As At 31 March 2020 RM'000 Unaudited	As At 31 March 2019 RM'000 Audited
ASSETS		
Non-Current Assets		
Goodwill	18,409	18,409
Software development expenditure	2,963	4,292
Other investments	105	105
Deferred tax assets	3,566	4,397
Property, plant and equipment	592	814
Right-of-use assets	3,320	-
Lease receivables	822	-
	<u>29,777</u>	<u>28,017</u>
Current Assets		
Inventories	2,132	2,612
Other investments	110	107
Trade receivables	72,822	44,258
Other receivables, deposits and prepayments	25,948	21,694
Contract assets	1,970	3,315
Lease receivables	1,800	-
Amount owing by ultimate holding company	301	917
Amount owing by immediate holding company	217	5,886
Current tax assets	1,657	5,576
Cash and bank balances	22,790	27,961
	<u>129,747</u>	<u>112,326</u>
TOTAL ASSETS	<u>159,524</u>	<u>140,343</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	52,833	43,628
Reserves	46	6,021
Accumulated losses	(14,112)	(31,080)
	<u>38,767</u>	<u>18,569</u>
Non-controlling interests	443	460
TOTAL EQUITY	<u>39,210</u>	<u>19,029</u>
Non-Current Liabilities		
Borrowings	118	2,737
Provision for gratuity obligations	1,908	1,550
Lease liabilities	3,649	-
	<u>5,675</u>	<u>4,287</u>
Current Liabilities		
Trade payables	42,852	18,257
Other payables and accruals	24,717	16,716
Contract liabilities	26,786	28,336
Amount owing to ultimate holding company	782	2,502
Amount owing to immediate holding company	37	15
Amounts owing to related companies	177	711
Borrowings	15,676	25,012
Redeemable preference shares	-	25,193
Lease liabilities	2,378	-
Current tax liabilities	1,234	285
	<u>114,639</u>	<u>117,027</u>
TOTAL LIABILITIES	<u>120,314</u>	<u>121,314</u>
TOTAL EQUITY AND LIABILITIES	<u>159,524</u>	<u>140,343</u>
Net assets per share (RM)	<u>0.21</u>	<u>0.11</u>

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial statements.

MICROLINK SOLUTIONS BERHAD (620782-P)
Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020**

	<----- Non-distributable ----->				Total attributable to owners of the parent RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Accumulated losses RM'000	Equity compensation reserve RM'000	Translation reserve RM'000			
Unaudited							
<u>12 months ended 31 March 2020</u>							
At 1 April 2019, as previously reported	43,628	(31,080)	6,216	(195)	18,569	460	19,029
Adjustments on initial application of MFRS 16	-	112	-	-	112	-	112
At 1 April 2019, as restated	43,628	(30,968)	6,216	(195)	18,681	460	19,141
Profit for the financial year	-	10,640	-	-	10,640	(1)	10,639
Foreign currency translation for foreign operations	-	-	-	241	241	(16)	225
Total comprehensive income for the financial year	-	10,640	-	241	10,881	(17)	10,864
Transaction with owners							
Ordinary shares issued pursuant to private placement	9,205	-	-	-	9,205	-	9,205
ESOS lapsed	-	6,216	(6,216)	-	-	-	-
Total transactions with owners	9,205	6,216	(6,216)	-	9,205	-	9,205
At 31 March 2020	52,833	(14,112)	-	46	38,767	443	39,210
Audited							
<u>12 months ended 31 March 2019</u>							
At 1 April 2018, as previously reported	43,628	(18,961)	5,761	(194)	30,234	437	30,671
Adjustments on initial application of:							
MFRS 9	-	(5,142)	-	-	(5,142)	(1)	(5,143)
MFRS 15	-	(7,847)	-	-	(7,847)	(114)	(7,961)
At 1 April 2018, as restated	43,628	(31,950)	5,761	(194)	17,245	322	17,567
Profit for the financial year	-	870	-	-	870	134	1,004
Foreign currency translation for foreign operations	-	-	-	(1)	(1)	4	3
Total comprehensive loss for the financial year	-	870	-	(1)	869	138	1,007
Transaction with owners							
Share based payment transactions	-	-	455	-	455	-	455
Total transactions with owners	-	-	455	-	455	-	455
At 31 March 2019	43,628	(31,080)	6,216	(195)	18,569	460	19,029

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial statements.

MICROLINK SOLUTIONS BERHAD (620782-P)
Incorporated in Malaysia

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020
(The figures have not been audited)

	Current Year 12 months ended 31 March 2020 RM'000 Unaudited	Preceding Year 12 months ended 31 March 2019 RM'000 Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	14,221	1,268
Adjustments for:		
Amortisation of software development expenditure	1,556	1,461
Bad debts written off	-	151
Depreciation of property, plant and equipment	317	430
Depreciation of right-of-use assets	734	-
Employees share option scheme expense	-	455
Impairment losses on:		
- trade receivables	746	2,593
- amount owing by ultimate holding company	-	1
Interest expense	2,967	3,805
Interest income	(593)	(413)
Inventories written off	969	2,502
Property, plant and equipment written off	1	1
Reversal of impairment losses on:		
- trade receivables	(756)	(3,641)
- amount owing by ultimate holding company	(4)	-
- amount owing by immediate holding company	(4)	-
- amounts owing by related companies	(776)	-
Net unrealised loss on foreign exchange	17	-
Provision for gratuity obligation	359	45
Loss on disposal of subsidiary	237	-
Operating profit before working capital changes	<u>19,991</u>	<u>8,658</u>
Net changes in assets	(29,762)	(195)
Net changes in liabilities	30,510	4,548
Net cash from operations	<u>20,739</u>	<u>13,011</u>
Tax paid	(2,534)	(2,661)
Tax refunded	4,619	724
Net cash from operating activities	<u>22,824</u>	<u>11,074</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of software development expenditure	(227)	(421)
Repayment to ultimate holding company	(1,099)	(351)
Advances from / (Repayment to) immediate holding company	5,695	(1)
Interest received	593	413
Withdrawal / (Placement) of deposits pledged to licensed banks	3,370	(714)
Purchase of other investments	(3)	(3)
Purchase of property, plant and equipment	(97)	(216)
Net cash from / (used in) investing activities	<u>8,232</u>	<u>(1,293)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,419)	(3,805)
Proceeds from issuance of shares pursuant to private placement	9,205	-
(Repayments) / Drawdown of borrowings	(14,164)	2,237
Payments of lease liabilities	(2,541)	-
Redemption of redeemable preference shares	(25,193)	-
Net cash used in financing activities	<u>(35,112)</u>	<u>(1,568)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,056)	8,213
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,627	9,609
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	45	(195)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>13,616</u>	<u>17,627</u>

* Cash and cash equivalents at the beginning and end of the financial period are net of deposits pledged to banks.

MICROLINK SOLUTIONS BERHAD (620782-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020

A NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards ("MFRSs") No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("ACE Listing Requirements") and should be read in conjunction with the audited financial statements of the Company and its subsidiaries ("Group") for the financial year ended 31 March 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2019.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 March 2019 except for the newly-issued accounting framework - MFRS and IC Interpretations ("IC Int.") to be applied by all Entities Other Than Private Entities for the financial periods beginning on or after 1 January 2019:

MFRS 16 Leases
 IC Interpretation 23 *Uncertainty over Income Tax Treatments*
 Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*
 Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
 Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*
 Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*
 Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*
 Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*
 Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*

The adoption of the above did not have any significant effects on the interim financial statements upon their initial application.

MFRS 16 Leases

The impacts of adoption of MFRS 16 are as follows:-

MFRS 16 Leases

MFRS 16 introduces a new model for lessee accounting which eliminates the distinction between finance and operating leases. MFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term more than 12 months. Off-balance sheet lease commitment disclosed previously is required to be accounted based on rights and obligations approach under MFRS 16. For lessors, MFRS 16 requires enhanced disclosure on the information about lessors' risk exposure, particularly to residual value risk.

The adoption of MFRS 16 constitutes a change in accounting policy and the Group has applied this standard to its leases with cumulative effect of initial application of MFRS 16 at 1 April 2019 in accordance with transition requirements. As such, the comparative figure of the report are remained unchanged.

First time adoption adjustments of MFRS 16 to the consolidated statement of financial position as at 1 April 2019 are as below:

Group	First time adoption adjustments		
	As at 31 March 2019	Effects of adoption of MFRS 16	As at 1 April 2019
	RM'000	RM'000	RM'000
Assets			
- Property, plant and equipment	814	(307)	507
- Right-of-use assets	-	1,128	1,128
- Lease receivables	-	4,067	4,067
- Deferred tax assets	4,397	(35)	4,362
Liabilities			
- Borrowings	27,749	(276)	27,473
- Lease liabilities	-	5,017	5,017
Equity			
- Accumulated losses	(31,080)	112	(30,968)

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A1 Basis of preparation (Cont'd)

A2 Audit report of preceding annual financial statements

The preceding audited financial statements for the financial year 31 March 2019 were not subjected to any qualification.

A3 Seasonal or cyclical factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review.

A5 Material changes in estimates

There were no changes in estimates of amounts which have a material effect in the current quarter under review.

A6 Dividend paid

No dividend has been paid in the current quarter under review.

A7 Segmental information

The Group's reportable segments were identified as follows:-

- (i) Financial Services - Provision of business and technical services for financial institutions
- (ii) Enterprise Solutions - Provision of emerging technologies for enterprise
- (iii) Distribution Services - Distribution and maintenance of computer equipment and software
- (iv) Solution Delivery - Provision of project and software solutions delivery services

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A7 Segmental information (Cont'd)

Business Segments	Financial Services RM'000	Enterprise Solutions RM'000	Distribution Services RM'000	Solution Delivery RM'000	Elimination RM'000	Consolidation RM'000
12 months ended 31 March 2020						
External sales	25,812	32,825	146,545	15,781	-	220,963
Inter-segment sales	11,153	456	4,406	842	(16,857)	-
Total	36,965	33,281	150,951	16,623	(16,857)	220,963
Results						
Segment results	7,171	3,445	4,352	6,589	(4,962)	16,595
Interest expense	(564)	(215)	(2,090)	(98)	-	(2,967)
Interest income	140	279	173	1	-	593
Taxation	(954)	(889)	(665)	(909)	(165)	(3,582)
Profit / (Loss) for the financial period	5,793	2,620	1,770	5,583	(5,127)	10,639
12 months ended 31 March 2019						
External sales	32,682	18,955	129,320	9,663	-	190,620
Inter-segment sales	13,466	489	6,185	1,535	(21,675)	-
Total	46,148	19,444	135,505	11,198	(21,675)	190,620
Results						
Segment results	(838)	823	1,646	2,395	634	4,660
Interest expense	(320)	-	(3,478)	(7)	-	(3,805)
Interest income	131	18	264	-	-	413
Taxation	696	(5)	(760)	(195)	-	(264)
(Loss) / Profit for the financial period	(331)	836	(2,328)	2,193	634	1,004

A8 Valuation of property, plant and equipment

The Group did not carry out any valuation of its property, plant and equipment.

A9 Material events subsequent to the end of the quarter

There were no material events announced subsequent to the end of the current financial period under review up to the date of this announcement.

A10 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

A11 Contingent liabilities

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at 22 June 2020 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A12 Cash and bank balances

	Current year as at 31 March 2020 RM'000
Cash and bank balances	15,811
Fixed deposits with licensed financial institutions	6,979
	<u>22,790</u>
Less: Fixed deposits pledged with licensed banks	(6,964)
Bank overdraft	(2,210)
	<u>13,616</u>

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE LISTING REQUIREMENTS

B1 Review of performance

The summary breakdown of revenue by business segments of the Group is as follows:-

	Individual Quarter			Cumulative Period		
	3 months ended 31 March			12 months ended 31 March		
	2020	2019	Variance	2020	2019	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	10,609	9,558	11%	36,965	46,148	-20%
Enterprise Solutions	9,973	3,775	164%	33,281	19,444	71%
Distribution Services	48,311	42,695	13%	150,951	135,505	11%
Solution Delivery	2,066	2,630	-21%	16,623	11,198	48%
	70,959	58,658	21%	237,820	212,295	12%
Less : Inter Segment Revenue	(4,260)	(6,198)		(16,857)	(21,675)	
Total Group Revenue	66,699	52,460	27%	220,963	190,620	16%

The Group's revenue increased in the current quarter under review by RM14.24 million as compared to the revenue achieved in the corresponding quarter of preceding year. The higher revenue was mainly attributable to higher order fulfillments and progress billings particularly in Enterprise Solutions segment.

The Group recorded revenue of RM220.96 million, an increase by RM30.34 million in financial year ended 31 March 2020 as compared to preceeding financial year. The higher revenue was attributable to higher order fulfillments and progress billings particularly in the Distribution Services segment and Enterprise Solutions segment.

The summary breakdown of profit before taxation by business segments of the Group is as follows:-

	Individual Quarter			Cumulative Period		
	3 months ended 31 March			12 months ended 31 March		
	2020	2019	Variance	2020	2019	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	1,101	1,384	-20%	6,747	(1,027)	NA
Enterprise Solutions	(182)	739	NA	3,509	841	317%
Distribution Services	8,157	(172)	NA	2,435	(1,568)	NA
Solution Delivery	(282)	484	NA	6,492	2,388	172%
	8,794	2,435	261%	19,183	634	2926%
Add : Elimination	(3,786)	189		(4,962)	634	
Profit before taxation ("PBT")	5,008	2,624	91%	14,221	1,268	1022%

The Group recorded a PBT of RM5.01 million in the current quarter under review as compared to RM2.62 million in the previous corresponding quarter. The increase was mainly attributable to higher order fulfillments and progress billings and lower allowance of doubtful debts.

Material change in profit before taxation for the quarter reported as compared with the immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Change
	RM'000	RM'000	%
Revenue	66,699	45,928	45%
Profit before taxation	5,008	2,211	127%

The Group recorded increase in revenue by RM20.77 million in the current quarter as compared to the immediate preceding quarter mainly attributable to higher order fulfillments and progress billings.

The increase in PBT by RM2.80 million in the current quarter as compared to the immediate preceding quarter is mainly attributable to higher gross profit margin.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE LISTING REQUIREMENTS (Cont'd)

B2 Prospects

The outbreak of COVID-19 and the subsequent Movement Control Order implemented in Malaysia have impacted all businesses across the nation. The Group is no exception and has implemented a number of measures to conserve cash, including salary reductions across the organisation and cost-cutting initiatives.

Nevertheless, the Board of Directors remain cautiously optimistic on the outlook of the ICT industry given the marked increase in the requirement for businesses to transform digitally and automate their operations to ensure long-term sustainability and profitability.

B3 Profit forecast or guarantee

There were no profit forecast or profit guarantee issued by the Group and the Company.

B4 Income tax expense

	Current quarter 31 March 2020 RM'000	Cumulative 31 March 2020 RM'000
Taxation - current year	(915)	(2,128)
Taxation - prior year	(5)	(177)
Deferred tax	(328)	(1,277)
Total	<u>(1,248)</u>	<u>(3,582)</u>

The effective tax rates for the period under review is higher than statutory rate of 24% principally as profits of certain subsidiaries cannot be set-off against losses of other subsidiaries for tax purposes.

B5 Unquoted investments and properties

There were no purchase or disposal of unquoted investments and properties during the financial period under review.

B6 Quoted securities

There were no acquisitions or disposals of quoted securities during the financial period under review.

B7 Corporate exercise and utilisation of proceeds

On 19 December 2019, the Company had completed a private placement, raising total gross proceeds of RM9.21 million which has been fully utilised for the repayment of Group's bank borrowings and trade payables.

Saved as disclosed above, there is no corporate exercise announced but not completed during the period under review.

B8 Group's borrowings and debt securities

The Group's bank borrowings are as follows:

	As at 31 March 2020 RM'000	As at 31 March 2019 RM'000
Short term bank borrowings - secured	15,676	25,012
Long term bank borrowings - secured	118	2,737
Total borrowings	<u>15,794</u>	<u>27,749</u>

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM1.33 million have been issued.

B10 Dividends

The Board of Directors declared a single-tier interim dividend of RM0.01 per share payable for the year ended 31 March 2020 (FY2019: Nil). The dividend payment will be approximately RM1.84 million (FY2019: RM Nil).

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE LISTING REQUIREMENTS (Cont'd)

B11 Earnings per share

Basic earnings per share

The calculation of the basic earnings per share is based on the net profit for the financial quarter and period under review divided by the weighted average number of ordinary shares in issue during the quarter.

	Individual Quarter 31 March 2020	Cumulative Quarter 31 March 2020
Profit attributable to owners of the parent (RM)	3,674,000	10,640,000
Weighted average number of ordinary share in issue	172,091,087	172,091,087
Basic earnings per share (sen)	<u>2.13</u>	<u>6.18</u>

B12 Authorisation for issue

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the Directors dated 29 June 2020.

MICROLINK SOLUTIONS BERHAD (620782-P)

29 June 2020