



MICROLINK SOLUTIONS BERHAD

Company no. 200301018362 (620782 - P)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022**

	INDIVIDUAL QUARTER THREE MONTHS ENDED 31 DECEMBER		CUMULATIVE QUARTER NINE MONTHS ENDED 31 DECEMBER	
	2022 RM'000 Unaudited	2021 RM'000 Unaudited	2022 RM'000 Unaudited	2021 RM'000 Unaudited
Revenue	73,167	61,038	183,030	165,963
Cost of sales	(58,345)	(41,179)	(131,692)	(113,237)
Gross profit	14,822	19,859	51,338	52,726
Other operating income	4,362	1,103	5,715	2,206
Selling and distribution expenses	(490)	(255)	(1,427)	(807)
Administrative expenses	(8,063)	(7,237)	(25,146)	(21,009)
Finance costs	(252)	(328)	(1,065)	(1,106)
Other operating expenses	(2,133)	(2,683)	(5,284)	(6,640)
Profit before tax	8,246	10,459	24,131	25,370
Income tax expense	(737)	(3,080)	(2,762)	(4,404)
Profit after tax	7,509	7,379	21,369	20,966
Other comprehensive income, net of tax - item that may be reclassified subsequently to profit or loss:				
Foreign currency translations for foreign operations, net of tax	(53)	-	(189)	1
Other comprehensive (loss)/income for the period, net of tax	(53)	-	(189)	1
Total comprehensive income for the period	7,456	7,379	21,180	20,967
Profit/(Loss) attributable to:				
Owners of the Company	7,512	7,375	21,495	21,019
Non-controlling interests	(3)	4	(126)	(53)
	7,509	7,379	21,369	20,966
Total comprehensive income/(loss) attributable to:				
Owners of the Company	7,464	7,374	21,306	21,015
Non-controlling interests	(8)	5	(126)	(48)
	7,456	7,379	21,180	20,967
Earnings per share (sen):				
Basic	0.70	3.04	2.01	8.68
Diluted	0.70	3.04	2.01	8.68

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2022 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	As At 31 December 2022 RM'000 Unaudited	As At 31 March 2022 RM'000 Audited
ASSETS		
Non-Current Assets		
Property, plant and equipment	546	310
Right-of-use assets	3,985	4,170
Goodwill	22,664	18,409
Software development expenditure	106,266	102,425
Other investments	105	105
Deferred tax assets	2,707	2,707
	<u>136,273</u>	<u>128,126</u>
Current Assets		
Inventories	2,221	1,463
Contract costs	18,807	4,303
Other investments	4,503	4,475
Trade receivables	65,585	28,052
Other receivables, deposits and prepayments	27,571	20,681
Contract assets	24,747	17,286
Amount owing by ultimate holding company	-	28,075
Amount owing by immediate holding company	-	37
Current tax assets	7,476	6,157
Cash and bank balances	33,602	63,122
	<u>184,512</u>	<u>173,651</u>
TOTAL ASSETS	<u>320,785</u>	<u>301,777</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	165,367	161,896
Reserves	(151)	38
Retained Earnings	55,473	39,322
	<u>220,689</u>	<u>201,256</u>
Non-controlling interests	129	480
TOTAL EQUITY	<u>220,818</u>	<u>201,736</u>
Non-Current Liabilities		
Deferred tax liability	3,995	3,745
Provision for gratuity obligations	-	1,829
Other payables and accruals	157	157
Lease liabilities	3,339	4,120
	<u>7,491</u>	<u>9,851</u>
Current Liabilities		
Trade payables	31,096	23,768
Other payables and accruals	21,848	13,969
Contract liabilities	12,317	17,308
Amount owing to ultimate holding company	-	38
Amount owing to immediate holding company	-	794
Amounts owing to related companies	-	1,379
Borrowings	24,719	27,914
Provision for gratuity obligations	-	239
Lease liabilities	2,275	2,670
Current tax liabilities	221	2,111
	<u>92,476</u>	<u>90,190</u>
TOTAL LIABILITIES	<u>99,967</u>	<u>100,041</u>
TOTAL EQUITY AND LIABILITIES	<u>320,785</u>	<u>301,777</u>
Net assets per share (sen)	<u>21</u>	<u>29</u>

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2022 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022

	←----- Non-distributable ----->					
	Share capital RM'000	Exchange Translation reserve RM'000	Retained Earnings RM'000	Total attributable to owners of the Company RM'000	Non- controlling interests RM'000	Total equity RM'000
Unaudited						
9 months ended 31 December 2022						
At 1 April 2022 (audited)	161,896	38	39,322	201,256	480	201,736
Profit/(Loss) after tax	-	-	21,495	21,495	(126)	21,369
Foreign currency translation for foreign operations	-	(189)	-	(189)	-	(189)
Total comprehensive income for the period	-	(189)	21,495	21,306	(126)	21,180
Transaction with owners						
Shares issued pursuant to Employee Share Grant Plan ("ESGP")	3,471	-	-	3,471	-	3,471
Dividends paid	-	-	(5,344)	(5,344)	(225)	(5,569)
Total transactions with owners	3,471	-	(5,344)	(1,873)	(225)	(2,098)
At 31 December 2022	165,367	(151)	55,473	220,689	129	220,818
Unaudited						
9 months ended 31 December 2021						
At 1 April 2021 (audited)	105,583	42	13,852	119,477	487	119,964
Profit/(Loss) after tax	-	-	21,019	21,019	(53)	20,966
Foreign currency translation for foreign operations	-	(4)	-	(4)	5	1
Total comprehensive income for the period	-	(4)	21,019	21,015	(48)	20,967
Transaction with owners						
Shares issued pursuant to ESGP	2,943	-	-	2,943	-	2,943
Total transactions with owners	2,943	-	-	2,943	-	2,943
At 31 December 2021	108,526	38	34,871	143,435	439	143,874

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2022 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022

	9 months ended 31 December 2022 RM'000 Unaudited	9 months ended 31 December 2021 RM'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	24,131	25,370
Adjustments for non-cash items:		
Amortisation of software development expenditure	6,188	5,440
Bad debts written off	-	2
Depreciation of property, plant and equipment	93	119
Depreciation of right-of-use assets	1,030	971
Employee share grant plan expenses	-	1,962
Fair Value Loss / (Gain) on Investment	979	(70)
Impairment losses on other receivable	(1)	-
Interest expense	1,065	1,252
Interest income	(351)	(218)
Gain on disposal of quoted investment	(5,090)	(1,131)
Net unrealised gain on foreign exchange	-	(27)
Provision for gratuity obligation	1,403	254
Operating profit before working capital changes	<u>29,447</u>	<u>33,924</u>
Net changes in assets	(49,698)	(31,743)
Net changes in liabilities	26,274	(3,800)
Net cash from / (used in) operations	<u>6,023</u>	<u>(1,619)</u>
Interest received	-	9
Tax paid	(6,230)	(3,375)
Tax refunded	510	-
Net cash from / (used in) operating activities	<u>303</u>	<u>(4,985)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	39	-
Addition of software development expenditure	(21,965)	(21,498)
Repayment from ultimate holding company	-	16,747
Repayment from immediate holding company	-	16,320
Interest received	351	209
Placement of deposits pledged to licensed banks	(586)	(428)
Disposal of other investments	4,082	817
Purchase of property, plant and equipment	(330)	(650)
Net cash (used in) / from investing activities	<u>(18,409)</u>	<u>11,517</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(5,569)	-
Interest paid	(711)	(764)
Repayments of borrowings	(2,995)	(1,690)
Payments of lease liabilities	(2,376)	(2,827)
Net cash used in financing activities	<u>(11,651)</u>	<u>(5,281)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(29,757)</u>	<u>1,251</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	56,152	4,121
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(150)	41
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>26,245</u>	<u>5,413</u>

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

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2022 and the accompanying explanatory notes attached to the interim financial statements.

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 Microlink Solutions Berhad ("the Company") and its subsidiaries ("Group") for the financial year ended 31 March 2022. 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 2022.

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 2022 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 2022:

Annual Improvements to MFRS Standards 2018 - 2020

Amendments to MFRS 3 Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract

Amendments to MFRS 101 Classification of Liabilities as Current or Non-current

MFRS 17 Insurance Contract

Amendments to MFRS 17 Insurance Contract

Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)

Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)

Initial Application of MFRS 17 and MFRS 9 Comparative Information (Amendments to MFRS 17 Insurance Contracts)

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

A2 Audit report of preceding annual financial statements

The preceding audited financial statements for the financial year 31 March 2022 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
9 months ended 31 December 2022						
External sales	47,786	43,327	91,917	-	-	183,030
Inter-segment sales	4,574	304	8,849	298	(14,025)	-
Total	<u>52,360</u>	<u>43,631</u>	<u>100,766</u>	<u>298</u>	<u>(14,025)</u>	<u>183,030</u>
Results						
Segment results	11,781	14,446	2,879	(2,428)	(1,833)	24,845
Interest expense	(479)	(10)	(575)	(1)	-	(1,065)
Interest income	137	88	123	3	-	351
Taxation	(1,919)	131	(573)	(401)	-	(2,762)
Profit/(Loss) after tax	<u>9,520</u>	<u>14,655</u>	<u>1,854</u>	<u>(2,827)</u>	<u>(1,833)</u>	<u>21,369</u>
9 months ended 31 December 2021						
External sales	27,920	34,475	101,568	2,000	-	165,963
Inter-segment sales	5,771	440	4,278	435	(10,924)	-
Total	<u>33,691</u>	<u>34,915</u>	<u>105,846</u>	<u>2,435</u>	<u>(10,924)</u>	<u>165,963</u>
Results						
Segment results	2,479	22,082	2,285	(594)	152	26,404
Interest expense	(553)	(179)	(542)	(1)	23	(1,252)
Interest income	111	38	69	-	-	218
Taxation	(1,235)	(2,718)	(241)	(210)	-	(4,404)
Profit/(Loss) after tax	<u>802</u>	<u>19,223</u>	<u>1,571</u>	<u>(805)</u>	<u>175</u>	<u>20,966</u>

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

On 12 July 2022, the Group proposed to transfer the listing of and quotation for the entire issued share capital of Microlink from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad ("Proposed Transfer").

On 19 January 2023, the Securities Commission has approved the Proposed Transfer under Section 214(1) of the Capital Markets and Services Act 2007 and under the Bumiputera equity requirement for public listed companies pursuant to the Proposed Transfer.

Saved as disclosed above, there were no material events announced subsequent to the end of the current financial period under review up to the date of this

A10 Changes in the composition of the Group

On 4 July 2022, the Group has acquired Formis Lab Singapore Pte Ltd from Continuous Network Advisers Sdn Bhd.

Effective from 18 July 2022, Omesti no longer controls the board of directors of Microlink following the changes to the board compositions of both Omesti and Microlink and the re-designation of a director in Omesti.

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 14 February 2023 (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

	As at 31 December 2022 RM'000
Cash and bank balances	28,527
Fixed deposits with licensed financial institutions	<u>5,075</u>
	33,602
Less: Fixed deposits pledged with licensed banks	(5,075)
Bank overdraft	<u>(2,282)</u>
	<u>26,245</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 December			9 months ended 31 December		
	2022	2021	Variance	2022	2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	26,747	8,303	222%	52,360	33,691	55%
Enterprise Solutions	18,643	17,878	4%	43,631	34,915	25%
Distribution Services	35,692	37,813	-6%	100,766	105,846	-5%
Solution Delivery	50	746	-93%	298	2,435	-88%
	<u>81,132</u>	<u>64,740</u>	25%	<u>197,055</u>	<u>176,887</u>	11%
Less : Inter Segment Revenue	<u>(7,965)</u>	<u>(3,702)</u>		<u>(14,025)</u>	<u>(10,924)</u>	
Total Group Revenue	<u>73,167</u>	<u>61,038</u>	20%	<u>183,030</u>	<u>165,963</u>	10%

The Group's revenue has increased in the current quarter under review by RM12.13 million as compared to the revenue achieved in the corresponding quarter of preceding year. The higher revenue was mainly attributable to higher order fulfilments and progress billings particularly in Financial Services segment.

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

	Individual Quarter			Cumulative Period		
	3 months ended 31 December			9 months ended 31 December		
	2022	2021	Variance	2022	2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	884	(2,759)	NA	11,439	2,037	462%
Enterprise Solutions	9,468	11,605	-18%	14,524	21,941	-34%
Distribution Services	915	1,387	-34%	2,427	1,812	34%
Solution Delivery	(1,298)	46	NA	(2,426)	(595)	308%
	<u>9,969</u>	<u>10,279</u>	-3%	<u>25,964</u>	<u>25,195</u>	3%
Add : Elimination	<u>(1,723)</u>	<u>180</u>		<u>(1,833)</u>	<u>175</u>	
Profit before tax ("PBT")	<u>8,246</u>	<u>10,459</u>	-21%	<u>24,131</u>	<u>25,370</u>	-5%

The Group recorded a PBT of RM8.25 million in the current quarter under review as compared to RM10.50 million in the previous corresponding quarter due to lower gross profit margin.

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

	Current Quarter	Immediate Preceding Quarter	Change
	RM'000	RM'000	%
Revenue	73,167	56,006	31%
Profit before tax	8,246	8,224	0%

The Group recorded increase in revenue by RM17.16 million in the current quarter as compared to the immediate preceding quarter mainly attributable to higher order fulfilments and progress billings.

The Group posted a slight increase in PBT by RM0.02 million in the current quarter as compared to the immediate preceding quarter. The higher profit recorded in tandem with higher revenue posted.

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

B2 Prospects

As the Malaysian economy continues to pick up momentum in the wake of the pandemic, the Group is fully focused on executing its plans and growth strategies to expand locally and into other overseas markets. Nevertheless, the Group continues to be mindful of the challenges and risks ahead and will adopt a prudent approach in conducting its existing operations and expanding into new business opportunities.

Barring any unforeseen circumstances, and given the increase in market activity in the Group's core business pillars, the Board remains optimistic of the growth prospects of the Group in continuing to deliver positive returns to the shareholders.

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 December 2022 RM'000	Cumulative 31 December 2022 RM'000
Taxation	(737)	(2,512)
Deferred tax	-	(250)
Total	<u>(737)</u>	<u>(2,762)</u>
Effective tax rate	9%	11%

Income tax expense is determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

The lower effective tax rate of the Group compared to the statutory rate in the period under review was due to the utilisation of available tax credits and tax losses in subsidiary companies.

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

The Company has disposed 21.5 million units of Hexind Shares at average disposal unit price of RM0.60 and 1.72 million units of Inari shares at average disposal unit price of RM2.46 during the financial period under review.

B7 Status of corporate proposal

On 12 July 2022, the Group proposed to transfer the listing of and quotation for the entire issued share capital of Microlink from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad ("Proposed Transfer"). On 19 January 2023, the approval has been obtained from Securities Commission.

As part of the exercise, the subsequent application has been submitted to Bursa Malaysia Securities on 8 February 2023 for approval.

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 December 2022 RM'000	As at 30 December 2021 RM'000
Short term bank borrowings - secured	24,719	19,041
Long term bank borrowings - secured	-	-
Total borrowings	<u>24,719</u>	<u>19,041</u>

B9 Capital commitment

There were no capital commitments during the current financial period under review.

B10 Material litigation

The Group is not engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary companies and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary companies as at the date of this announcement.

B11 Dividends

No dividend has been declared in respect of the current quarter under review.

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

B12 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 December 2022	Cumulative Quarter 31 December 2022
Profit attributable to owners of the parent (RM)	7,512,000	21,495,000
Weighted average number of ordinary shares in issue	1,069,041,576	1,069,244,083
Basic earnings per share (sen)	0.70	2.01

B13 Authorisation for issue

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the directors dated 20 February 2023.

**MICROLINK SOLUTIONS BERHAD 200301018362 (620782 - P)
21 February 2023**