



MICROLINK SOLUTIONS BERHAD

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

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 2023

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 JUNE 2023

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 JUNE			CUMULATIVE PERIOD THREE MONTHS ENDED 30 JUNE		
	2023 RM'000 Unaudited	2022 RM'000 Unaudited	Variance %	2023 RM'000 Unaudited	2022 RM'000 Unaudited	Variance %
Revenue	56,932	53,857	6%	56,932	53,857	6%
Cost of sales	(43,505)	(37,037)	17%	(43,505)	(37,037)	17%
Gross profit	13,427	16,820	-20%	13,427	16,820	-20%
Other operating income	1,017	204	NA	1,017	204	NA
Selling and distribution expenses	(361)	(446)	-19%	(361)	(446)	-19%
Administrative expenses	(7,390)	(6,889)	7%	(7,390)	(6,889)	7%
Other operating expenses	(1,949)	(1,564)	25%	(1,949)	(1,564)	25%
Finance costs	(565)	(464)	22%	(565)	(464)	22%
Profit before taxation	4,179	7,661	-45%	4,179	7,661	-45%
Taxation	(473)	(1,020)	-54%	(473)	(1,020)	-54%
Profit for the period	3,706	6,641	-44%	3,706	6,641	-44%
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	(71)	1	NA	(71)	1	NA
Total comprehensive income for the period	3,635	6,642	-45%	3,635	6,642	-45%
Profit attributable to:						
Owners of the parent	3,706	6,641	-44%	3,706	6,641	-44%
Non-controlling interests	-	-	0%	-	-	0%
	3,706	6,641	-44%	3,706	6,641	-44%
Total comprehensive income attributable to:						
Owners of the parent	3,631	6,640	-45%	3,631	6,640	-45%
Non-controlling interests	4	2	NA	4	2	NA
	3,635	6,642	-45%	3,635	6,642	-45%
Earnings per share (sen):						
Basic	0.35	0.62	-44%	0.35	0.62	-44%
Diluted	0.35	0.62	-44%	0.35	0.62	-44%

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2023 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	As At 30 June 2023 RM'000 Unaudited	As At 31 March 2023 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	609	607
Right-of-use assets	3,750	3,989
Goodwill	25,990	22,664
Software development expenditure	109,280	111,908
Other investments	105	394
Deferred tax assets	1,847	1,847
Finance lease receivable	914	914
	142,495	142,323
Current assets		
Inventories	817	1,342
Contract costs	21,742	20,933
Other investments	3,481	3,388
Trade receivables	60,372	55,041
Other receivables, deposits and prepayments	25,452	31,828
Contract assets	36,123	36,307
Finance lease receivable	212	212
Current tax assets	12,171	10,617
Cash and bank balances	22,242	33,676
	182,612	193,344
TOTAL ASSETS	325,107	335,667
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	166,259	166,259
Reserves	(289)	(214)
Retained Earnings	63,770	60,064
	229,740	226,109
Non-controlling interests	134	130
TOTAL EQUITY	229,874	226,239
Non-current liabilities		
Deferred tax liabilities	5,448	5,448
Other payables and accruals	183	183
Lease liabilities	4,463	4,573
	10,094	10,204
Current liabilities		
Trade payables	8,219	17,354
Other payables and accruals	27,845	25,730
Contract liabilities	20,367	26,038
Borrowings	27,105	28,005
Lease liabilities	1,250	1,723
Current tax liabilities	353	374
	85,139	99,224
TOTAL LIABILITIES	95,233	109,428
TOTAL EQUITY AND LIABILITIES	325,107	335,667
Net assets per share (RM)	0.21	0.21

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2023 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2023

	←----- Non-distributable ----->			Total attributable to owners of the parent RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Exchange Translation reserve RM'000	Retained Earnings RM'000			
Unaudited						
3 months ended 30 June 2023						
At 1 April 2023 (audited)	166,259	(214)	60,064	226,109	130	226,239
Profit for the period	-	-	3,706	3,706	-	3,706
Foreign currency translation for foreign operations	-	(75)	-	(75)	4	(71)
Total comprehensive income for the period	-	(75)	3,706	3,631	4	3,635
At 30 June 2023	166,259	(289)	63,770	229,740	134	229,874
Unaudited						
3 months ended 30 June 2022						
At 1 April 2022	161,896	38	39,322	201,256	480	201,736
Profit for the period	-	-	6,641	6,641	-	6,641
Foreign currency translation for foreign operations	-	(1)	-	(1)	2	1
Total comprehensive income for the period	-	(1)	6,641	6,640	2	6,642
Transaction with owners						
Shares issued pursuant to Employee Share Grant Plan ("ESGP")	513	-	-	513	-	513
Dividends paid to non-controlling interest	-	-	-	-	(225)	(225)
Total transactions with owners	513	-	-	513	(225)	288
At 30 June 2022	162,409	37	45,963	208,409	257	208,666

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2023 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FIRST QUARTER ENDED 30 JUNE 2023

(The figures have not been audited)

	Current Year 3 months ended 30 June 2023 RM'000 Unaudited	Preceding Year 3 months ended 30 June 2022 RM'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,179	7,661
Adjustments for non-cash items:		
Amortisation of software development expenditure	4,148	3,323
Depreciation of property, plant and equipment	41	64
Depreciation of right-of-use assets	239	313
Fair value (gain)/ loss on other investments	(259)	125
Loss on disposal of quoted investments	126	-
Interest expense	576	464
Interest income	(115)	(118)
Net unrealised gain on foreign exchange	(8)	-
Dividend income	(5)	-
Operating profit before working capital changes	<u>8,922</u>	<u>11,832</u>
Net changes in assets	(4,347)	(3,974)
Net changes in liabilities	(2,089)	(4,262)
Cash generated from operations	<u>2,486</u>	<u>3,596</u>
Interest received	6	-
Tax paid	(3,247)	(2,921)
Tax refunded	1,064	-
Net cash from operating activities	<u>309</u>	<u>675</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	13	-
Addition of software development expenditure	(1,520)	(1,215)
Repayment to ultimate holding company	-	13,140
Repayment from immediate holding company	-	13
Dividend received	5	-
Interest received	109	118
Placement of deposits pledged to licensed banks	(321)	(150)
Net purchase of other investments	(239)	(9,655)
Purchase of property, plant and equipment	(44)	(58)
Net cash (used in)/ from investing activities	<u>(1,997)</u>	<u>2,193</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(225)
Interest paid	(509)	(353)
Net drawdowns of borrowings	(8,622)	(11,126)
Net repayment of lease liabilities	(650)	(854)
Net cash used in financing activities	<u>(9,781)</u>	<u>(12,558)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,469)	(9,690)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	25,742	56,152
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(228)	36
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>14,045</u>	<u>46,498</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 2023 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 Main Market Listing Requirements ("Main Market 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 2023. 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 2023.

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 2023 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 2023:

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

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

Amendments to MFRS 101 Disclosure of Accounting Policies

Amendments to MFRS 108 Definition of Accounting Estimates

Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 16 Lease Liability in a Sale and Leaseback Non-current

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

Amendments to MFRS 101 Non-current Liabilities with Covenants

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 2023 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
3 months ended 30 June 2023						
External sales	11,476	13,140	31,416	900	-	56,932
Inter-segment sales	1,608	150	1,468	-	(3,226)	-
Total	13,084	13,290	32,884	900	(3,226)	56,932
Results						
Segment results	1,462	777	2,241	115	45	4,640
Interest expense	(157)	(89)	(337)	-	7	(576)
Interest income	59	-	56	-	-	115
Taxation	-	-	(473)	-	-	(473)
Profit for the financial period	1,364	688	1,487	115	52	3,706
Segment assets	234,839	113,943	89,092	26,313	(139,080)	325,107
Segment liabilities	128,573	82,433	110,613	17,151	(243,537)	95,233
3 months ended 30 June 2022						
External sales	12,323	12,164	29,370	-	-	53,857
Inter-segment sales	1,633	118	1,387	144	(3,282)	-
Total	13,956	12,282	30,757	144	(3,282)	53,857
Results						
Segment results	3,851	4,868	25	(528)	(209)	8,007
Interest expense	(156)	(3)	(304)	(1)	-	(464)
Interest income	37	25	56	-	-	118
Taxation	(749)	(170)	(93)	(8)	-	(1,020)
Profit / (Loss) for the financial period	2,983	4,720	(316)	(537)	(209)	6,641
Segment assets	205,912	130,113	76,325	25,576	(145,890)	292,036
Segment liabilities	114,145	96,351	100,911	16,248	(244,286)	83,369

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

On 30 May 2023, the Group has acquired Microlink Solution Vietnam Company Limited (formerly known as Omesti Vietnam Company Limited) from Bancore Asia Pte. Ltd.

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 18 August 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

	Current year as at 30 June 2023 RM'000
Cash and bank balances	16,464
Fixed deposits with licensed financial institutions	5,778
	<u>22,242</u>
Less: Fixed deposits pledged with licensed banks	(5,777)
Bank overdraft	(2,420)
	<u>14,045</u>

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENTS

B1 Review of performance

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

	Individual Quarter 3 months ended 31 March			Cumulative Period 3 months ended 31 March		
	2023	2022	Variance %	2023	2022	Variance %
	RM'000	RM'000		RM'000	RM'000	
Financial Services	13,084	13,956	-6%	13,084	13,956	-6%
Enterprise Solutions	13,290	12,282	8%	13,290	12,282	8%
Distribution Services	32,884	30,757	7%	32,884	30,757	7%
Solution Delivery	900	144	525%	900	144	525%
	<u>60,158</u>	<u>57,139</u>	5%	<u>60,158</u>	<u>57,139</u>	5%
Less : Inter Segment Revenue	<u>(3,226)</u>	<u>(3,282)</u>		<u>(3,226)</u>	<u>(3,282)</u>	
Total Group Revenue	<u>56,932</u>	<u>53,857</u>	6%	<u>56,932</u>	<u>53,857</u>	6%

The Group's revenue has increased in the current quarter under review by RM3.08 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 Enterprise Solutions and Distribution Services segment.

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

	Individual Quarter 3 months ended 31 March			Cumulative Period 3 months ended 31 March		
	2023	2022	Variance %	2023	2022	Variance %
	RM'000	RM'000		RM'000	RM'000	
Financial Services	1,364	3,982	-66%	1,364	3,982	-66%
Enterprise Solutions	688	4,640	-85%	688	4,640	-85%
Distribution Services	1,960	(223)	NA	1,960	(223)	NA
Solution Delivery	115	(529)	NA	115	(529)	NA
	<u>4,127</u>	<u>7,870</u>	-48%	<u>4,127</u>	<u>7,870</u>	-48%
Add : Elimination	<u>52</u>	<u>(209)</u>		<u>52</u>	<u>(209)</u>	
Profit before taxation ("PBT")	<u>4,179</u>	<u>7,661</u>	-45%	<u>4,179</u>	<u>7,661</u>	-45%

The Group recorded a PBT of RM4.18 million in the current quarter under review as compared to RM7.66 million in the previous corresponding quarter due to lower margin from the order fulfilments and progress billings.

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

	Current Quarter RM'000	Immediate Preceding Quarter RM'000	Change %
Revenue	56,932	65,275	-13%
Profit before taxation	4,179	6,425	-35%

The Group recorded decrease in revenue by RM8.34 million in the current quarter as compared to the immediate preceding quarter mainly attributable to lower order fulfilments and progress billings.

The group posted a decrease in PBT by RM2.24 million in the current quarter as compared to the immediate preceding quarter. The lower profit recorded was in tandem with lower revenue posted.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENTS (Cont'd)

B2 Prospects

In the first quarter of 2023, the Malaysian Gross Domestic Product ("GDP") grew by 5.6%, serving as an indicator of the nation's steady economic recovery from the COVID-19 pandemic.

The ongoing drive towards digitalisation, accompanied by the strategic deployment of transformative technologies such as 5G, artificial intelligence and Internet of Things, across Malaysia is expected to create a growing demand for technology solutions in both the private and public sectors. The information technology solutions and cybersecurity subsectors are anticipated to further expand, mainly led by the broader digital adoption. In steadfast alignment with these transformative currents, the Group will continue to play a key role in addressing the ever-evolving digitalisation needs of both the public and private sectors by leveraging the synergies among our subsidiaries to deliver innovative and effective solutions.

The Board remains optimistic about the prospects of the Group and is confident in the management's ability to continue delivering greater performance, while unlocking long-term shareholder value.

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 30 June 2023 RM'000	Cumulative 30 June 2023 RM'000
Taxation - current year	(473)	(473)
Taxation - prior year	-	-
Deferred tax	-	-
Total	<u>(473)</u>	<u>(473)</u>

The effective tax rate of the Group for the current periods were lower than the statutory tax rate principally due to certain expenses that were not deductible 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

The Company has disposed 0.2 million units of Inari shares at average unit price of RM2.45 and acquired 5 million units of KNM shares at unit price of RM0.09 during the financial period under review.

B7 Corporate exercise and utilisation of proceeds

There is no corporate exercise announced but not completed during the period under review.

B8 Group's borrowings and debt securities

The details of the Group's bank borrowings are as follows:

	As at 30 June 2023 RM'000	As at 30 June 2022 RM'000
Current liabilities		
Secured:		
Trust receipts	24,686	14,307
Bank overdraft	2,419	2,379
Total borrowings	<u>27,105</u>	<u>16,686</u>

Bank overdraft and trust receipts of the Group are subject to floating weighted average effective interest rates of 7.30% and 7.89%.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENTS (Cont'd)

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM3.25 million have been issued.

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.

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 30 June 2023	Cumulative Quarter 30 June 2023
Profit attributable to owners of the parent (RM)	3,706,000	3,706,000
Weighted average number of ordinary shares in issue	1,072,396,160	1,072,396,160
Basic earnings per share (sen)	0.35	0.35

B13 Authorisation for issue

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the directors dated 25 August 2023.