C-LINK SQUARED LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1463)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2020 was approximately RM76.7 million, representing an increase of approximately 7.3% from approximately RM71.5 million for the preceding year.

- Gross profit for the year ended 31 December 2020 was approximately RM19.2 million, representing a decrease of approximately 35.2% from approximately RM29.6 million for the preceding year.

- Loss attributable to owners of the Company for the year ended 31 December 2020 was approximately RM5.1 million, representing a decrease of approximately 138.8% from profit attributable to owners of the Company of RM13.1 million for the preceding year.

- Basic loss per share attributable to owners of the Company for the year ended 31 December 2020 was approximately RM0.67 sen, representing a decrease of approximately 130.7% from basic earnings per share attributable to owners of the Company of RM2.18 sen for the preceding year.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

The board (the "**Board**") of directors (the "**Directors**") of C-Link Squared Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

		2020	2019
	Notes	***RM'000***	*RM'000*
Revenue from contracts with customers	*4*	**76,719**	71,526
Cost of sales		**(57,534)**	(41,904)
Gross profit		**19,185**	29,622
Other income and gains	*5*	**1,677**	566
Administrative expenses		**(19,508)**	(10,258)
Finance costs	*6*	**(650)**	(915)
Profit before tax	*7*	**704**	19,015
Income tax expense	*8*	**(5,769)**	(5,962)
(Loss)/profit for the year		**(5,065)**	13,053
(Loss)/profit attributable to owners of the Company		**(5,065)**	13,053
(Loss)/earnings per share attributable to owners of the Company:			
– Basic and diluted *(RM sen)*	*10*	**(0.67)**	2.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2020	2019
	RM'000	*RM'000*
(Loss)/profit for the year	**(5,065)**	13,053
Other comprehensive loss		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(470)**	–
Other comprehensive loss for the year, net of tax	**(470)**	–
Total comprehensive (loss)/income for the year	**(5,535)**	13,053
Total comprehensive (loss)/income attributable to owners of the Company	**(5,535)**	13,053

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2020	2019
		RM'000	*RM'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**8,595**	9,725
Right-of-use assets		**3,433**	3,362
Intangible assets		**4,109**	3,431
Prepayments		**11,647**	–
		27,784	16,518
Current assets			
Trade receivables	*11*	**27,179**	19,229
Prepayments, deposits and other receivables		**5,773**	8,390
Contract assets		**378**	–
Income tax recoverable		**176**	–
Financial asset at fair value through profit or loss		**4,200**	–
Cash and bank balances		**40,831**	26,097
		78,537	53,716
Total assets		**106,321**	70,234
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables	*12*	**1,210**	1,193
Other payables and accruals		**2,188**	2,161
Contract liabilities		**739**	–
Income tax payable		**1,602**	1,603
Loans and borrowings		**6,710**	2,118
Lease liabilities		**192**	71
		12,641	7,146
Net current assets		**65,896**	46,570

	Notes	2020 RM'000	2019 RM'000
Non-current liabilities			
Deferred tax liabilities		**843**	592
Loans and borrowings		**11,760**	14,270
Lease liabilities		**160**	234
		12,763	15,096
Total liabilities		**25,404**	22,242
Net assets		**80,917**	47,992
Equity			
Share capital	*13*	**4,233**	–
Reserves		**76,684**	47,992
Total equity		**80,917**	47,992
Total equity and liabilities		**106,321**	70,234

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

C-Link Squared Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarter and principal place of business of the Company is located at No. 1, Persiaran Sungai Buloh, Taman Industri Sungai Buloh, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The principal place of business of the Company in Hong Kong is located at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The shares of the Company (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") on 27 March 2020 (the "**Listing Date**").

The principal activity of the Company is investment holding. During the Reporting Period, the Company's principal subsidiaries, Coeus Systems Sdn. Bhd. and Compugraphic Media Sdn. Bhd., were engaged in the provision of outsourced data and document management services in Malaysia. There have been no significant changes in the nature of the principal activities during the Reporting Period.

Pursuant to the reorganisation of the Company in connection with the Listing (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 23 January 2019. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 17 March 2020 (the "**Prospectus**").

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for a financial asset which has been measured at fair value. The consolidated financial statements are presented in Ringgit Malaysia ("**RM**") and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2 Changes in Accounting Policies

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Conceptual Framework	*Revised Conceptual Framework for Financial Reporting*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

These amendments have had no material effect on the Group's results and financial position for the current or prior financial years. The Group has not applied any other new standards or interpretation that is not yet effective for the current accounting year.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the provision of outsourced data and document management services. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group's revenue from external customers was derived mainly from its operations in Malaysia, and the non-current assets of the Group were located in Malaysia as at 31 December 2019 and 31 December 2020.

(a) Geographical information

Geographical information for the Group is presented in Note 4.1.

(b) Information about major customers

Revenue from the top five customer groups of the Group's revenue for the reporting period is set out below:

	Representing % of total revenue	**Sales amount** *RM'000*
For the year ended 31 December 2020		
Bank Group A	22.66%	17,381
Bank Group B	19.06%	14,620
Bank Group C	13.63%	10,454
Bank Group F	9.89%	7,587
Insurance Group D	9.01%	6,909
Total	74.25%	56,951
For the year ended 31 December 2019		
Bank Group A	18.53%	13,254
Bank Group B	14.47%	10,350
Bank Group C	11.65%	8,330
Insurance Group D	10.49%	7,500
Retail Customer E	5.74%	4,103
Total	60.88%	43,537

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the year ended 31 December	
	2020	2019
	RM'000	*RM'000*
Type of services		
Outsourced document management services	**74,434**	64,487
Enterprise software solutions:		
– Customised software	**1,505**	6,505
– Electronic document warehouse services	**780**	534
Total revenue from contracts with customers	**76,719**	71,526
Geographical markets		
Malaysia	**75,733**	66,750
Singapore	**986**	4,776
Total revenue from contracts with customers	**76,719**	71,526
Timing of revenue recognition		
At a point in time	**74,434**	64,487
Over time	**2,285**	7,039
Total revenue from contracts with customers	**76,719**	71,526

4.2 Performance obligations

Information about the Group's performance obligations is summarised below:

Outsourced document management services

The performance obligation is satisfied at a point in time and payment is generally due upon completion of the service.

Customised software

The performance obligation is satisfied over-time and payment is generally due upon achieving pre-agreed billing milestones.

Electronic document warehouse services

The performance obligation is satisfied over-time and payment is generally due in advance at the beginning of the service period.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at reporting date are, as follows:

	As at 31 December	
	2020	2019
	RM'000	*RM'000*
Expected to be recognised:		
Within one year	**1,649**	1,136
More than one year	**3,766**	4,225
	5,415	5,361

The Group applies the practical expedient on the exemption to disclose the information on the remaining performance obligations that have original expected durations of one year or less.

The remaining performance obligations expected to be recognised in more than one year as at 31 December 2019 and 31 December 2020 relate to the enterprise software solutions to be satisfied within or more than two years.

5. OTHER INCOME AND GAINS

	For the year ended 31 December	
	2020	2019
	RM'000	*RM'000*
Bank interest income	**604**	468
Net realised foreign currency exchange gains	**422**	–
Government grants*	**558**	–
Others	**93**	98
	1,677	566

* The Group received certain government grants for the stabilisation of employment in Malaysia and Hong Kong. There were no unfulfilled conditions or contingencies relating to these grants as at 31 December 2020 (2019: Nil).

6. FINANCE COSTS

	For the year ended 31 December	
	2020	2019
	RM'000	*RM'000*
Interest expenses on:		
– Term loan	**597**	846
– Overdraft	**10**	3
– Others	**–**	29
– Lease liabilities	**23**	17
Amortisation of transaction costs	**20**	20
	650	915

7. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	For the year ended 31 December	
	2020	2019
	RM'000	*RM'000*
Auditors' remuneration	**420**	247
Salaries and performance related bonuses	**9,697**	7,718
Pension scheme contributions	**925**	771
Other employee benefits	**15**	23
Less: Capitalised as software development expenditure	**(1,356)**	(1,279)
Staff costs	**9,281**	7,233
Depreciation of property, plant and equipment	**1,819**	1,969
Depreciation of right-of-use assets	**238**	107
Amortisation of intangible assets	**678**	677
Allowance for expected credit losses on trade receivables	**455**	170
Bad debts written off:		
– trade receivables	**96**	–
– other receivables	**224**	–
Allowance for unutilised leave	**76**	–
Tax penalty	**370**	–
Net unrealised foreign currency exchange loss	**144**	–
Legal and other professional fee	**5,268**	195
Listing expenses	**4,885**	3,540

8. INCOME TAX EXPENSE

	For the year ended 31 December	
	2020	2019
	RM'000	*RM'000*
Malaysian income tax:		
– Current year	**3,581**	5,859
– Under-provision in prior years	**1,937**	111
	5,518	5,970
Deferred tax:		
– Relating to origination and reversal of temporary differences	**(127)**	(8)
– Under-provision in prior years	**378**	–
	251	(8)
Income tax expense	**5,769**	5,962

9. FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020 (2019: Nil).

On 12 March 2020, the Company declared a tax exempt special dividend of RM13 million representing RM65,000 per share to its then shareholders which was paid on 14 March 2020. Investors who became the shareholders of the Company after the Listing were not entitled to such dividend.

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic (loss)/earnings per share for the year ended 31 December 2020 is based on the loss for the year attributable to owners of the Company of approximately RM5,065,000 (2019: profit of approximately RM13,053,000) and the weighted average number of 752,459,016 ordinary Shares in issue during the year (2019: 600,000,000 ordinary Shares).

The weighted average number of ordinary Shares used to calculate the basic loss per share for the year ended 31 December 2020 represented 200 ordinary Shares of the Company as at 1 January 2020, 599,999,800 ordinary Shares of the Company issued under the Capitalisation Issue (as defined in Note 13) as if these additional shares issued under Capitalisation Issue had been in issue throughout the year ended 31 December 2020, and weighted average number of 152,459,016 ordinary Shares of the Company issued upon the Listing on the Main Board of the Stock Exchange on the Listing Date.

The weighted average number of ordinary Shares used to calculate the basic earnings per share for the year ended 31 December 2019 represented 200 ordinary Shares of the Company as at 1 January 2019 and 599,999,800 ordinary Shares of the Company issued under the Capitalisation Issue, as if these additional shares issued under the Capitalisation Issue had been in issue throughout the year ended 31 December 2019.

No adjustments has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2020 and 31 December 2019 as the Group had no potentially dilutive ordinary Shares in issue during these reporting periods.

11. TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	RM'000	*RM'000*
Trade receivables		
Third parties	**28,400**	19,995
Less: Allowance for expected credit losses	**(1,221)**	(766)
Trade receivables, net	**27,179**	19,229

Trade receivables are non-interest bearing and are generally on 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2020	2019
	RM'000	*RM'000*
Within 1 month	**8,554**	7,947
1 to 2 months	**4,211**	3,026
2 to 3 months	**3,908**	1,599
Over 3 months	**10,506**	6,657
	27,179	19,229

12. TRADE PAYABLES

	As at 31 December	
	2020	2019
	RM'000	*RM'000*
Trade payables		
Third parties	**1,090**	969
Amounts due to related parties	**120**	224
	1,210	1,193

An ageing analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	As at 31 December	
	2020	2019
	RM'000	*RM'000*
Within 1 month	**588**	435
1 to 2 months	**289**	556
2 to 3 months	**153**	–
Over 3 months	**180**	202
	1,210	1,193

13. SHARE CAPITAL

The movements in the Company's share capital during the reporting period were as follows:

	Notes	**Number of shares**	*HK$'000*
Authorised:			
At 1 January 2019, 31 December 2019 and 1 January 2020		38,000,000	380
Increase in authorised share capital	*(a)*	1,462,000,000	14,620
As at 31 December 2020		1,500,000,000	15,000

	Notes	Number of shares	HK$'000	RM'000 equivalent
Issued and fully paid:				
As at 1 January 2019, 31 December 2019 and 1 January 2020		200	–	–
Capitalisation Issue	*(b)*	599,999,800	6,000	3,175
Issue of new shares pursuant to the Share Offer	*(c)*	200,000,000	2,000	1,058
At 31 December 2020		800,000,000	8,000	4,233

Notes:

(a) Pursuant to the written resolutions passed by the shareholders of the Company on 11 March 2020, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 ordinary Shares of a par value of HK$0.01 each to HK$15,000,000 divided into 1,500,000,000 ordinary Shares of a par value of HK$0.01 each by the creation of an additional 1,462,000,000 ordinary Shares of a par value of HK$0.01 each.

(b) Pursuant to the written resolutions passed by the shareholders of the Company on 11 March 2020, the Company allotted and issued 299,999,900 ordinary Shares and 299,999,900 ordinary Shares, credited as fully paid at par, to Flash Dragon Company Limited and Jupiter Rain Company Limited, respectively, on 27 March 2020 by way of capitalisation of a total sum of HK$5,999,998 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**").

(c) In connection with the Listing of the Shares on the Stock Exchange (the "**Share Offer**"), 200,000,000 new ordinary Shares of HK$0.01 each were issued at a price of HK$0.63 per share for a total cash consideration, before expenses, of HK$126,000,000. Dealings in the Shares on the Stock Exchange commenced on 27 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are a Malaysian-based outsourced document management services provider and related software applications and enterprise software solutions developer. Our outsourced document management services include (i) electronic document delivery; (ii) document print and mail fulfilment; (iii) magnetic ink character recognition ("**MICR**") cheque print and mail fulfilment; (iv) medical ID card print and mail fulfilment; and (v) document imaging and scanning services.

In or around 2005, we commenced developing our proprietary software applications that focused on digital transformation of documents and information and providing outsourced services in electronic document, print document delivery and document management hosting services for Malaysian companies in banking, insurance and retail industries. In addition to using our proprietary software for our outsourced document management services, we also provide enterprise software solutions to our customers.

The outsourced document management services industry has evolved rapidly along with the advances in internet technology; and we have foreseen and adapted our business model to this change in stride by continuously evolving and renewing our service offerings under our Streamline Suite applications towards more efficient document processing, electronic delivery fulfilment and solutions.

Apart from this digitalisation trend, the global adoption of software as a service or subscription ("**SaaS**") for software application solution delivery will increase demand from existing and new customers to adopt our Streamline Electronic Document Warehouse ("**EDW**"), a document content hosting and management application that is used to provide our customers with the capability to host their documents in our data centre and makes them available to their customers over the internet, through SaaS. Furthermore, as our customers are mostly financial institutions, our Streamline EDW or services will have to be hosted in a Tier 3 data centre.

In light of the above, we aim to upgrade our IT infrastructure and expand our capacity to host and provide our Streamline EDW through SaaS in a Tier 3 data centre facility in Cyberjaya, Selangor, Malaysia. Please refer to the section headed "Business" in the Prospectus. This new data centre facility will contribute to our Group's outsourced document management services by allowing our Group to enhance our document hosting capability for electronic distribution and enterprise software solutions to our customers. As at 31 December 2020, the Group had applied approximately RM6.2 million (equivalent to approximately HK$12.0 million) out of its internal resources for prepayment in relation to the design and project management of the Tier 3 data centre. However, the relevant work streams in relation to the development of such data centre has been put on hold as a result of the outbreak of the novel coronavirus pandemic ("**COVID-19**"). Please refer to the paragraph headed "Future Plans and Prospects" for details.

FUTURE PLANS AND PROSPECTS

We intend to achieve sustainable growth in our business and create long-term shareholders' value. To achieve our goals, we propose to implement the following strategies:

1. Expanding our Group's data processing and technical capacity:

    (a) build a new Tier 3 data centre to upgrade our information technology infrastructure for expanding our outsourced document management services and our enterprise software solutions;

    (b) strengthen our Group's technical operation support team; and

    (c) expand our research and development team to develop new applications within our Streamline Suite and front-end solutions.

2. Expanding our market presence locally and exploring expansion regionally to capture further market share:

    (a) maintain and strengthen our relationship with existing customers and capture new customers within Malaysia and Singapore; and

    (b) pursue appropriate strategic acquisitions and business opportunities.

3. Increasing our Group's visibility, operational efficiency and profitability through obtaining Multimedia Super Corridor ("**MSC**") Malaysia status.

As a result of the unprecedented outbreak of COVID-19 since the beginning of 2020, the Malaysia Government has taken a series of preventative measures throughout the country on 18 March 2020, including but not limited to the Movement Control Order ("**MCO**"). Due to the country-wide lockdown measures under the MCO, our negotiation of the proposed acquisition of a parcel of land for the construction of our new Tier 3 data centre could not begin in April 2020 (as disclosed in the Prospectus). In addition to the delay in our development of this new Tier 3 data centre, the MCO had resulted in material adverse effects on Malaysia's overall economy for the year ended 31 December 2020.

However, we believe that the post-COVID-19 world will see the hastened acceleration of the rapid shift of financial organisations toward interaction with customers through omni-channel and artificial intelligence to assist engagement with customers and automation to enhance business processes. The rates of adoption of such digitisation will not be limited to customer-facing elements of organisations but also to the core internal operations (such as back-office and customer service) in the supply chain.

Unsurprisingly, compared to the pre COVID-19 world, there has been an increase in (i) top management alignment to implement these changes, (ii) funding of digital initiatives and (iii) execution of the required changes to position the organisations better than they were. With this faster adoption, there will be opportunities in software-as-a-service for online health care, education, commerce and financials.

The COVID-19 crisis has made this technology-related changes imperatively more urgent than ever; this momentum along with the top management alignment on a company's digital strategy will continue in the future. The Group will also continuously monitor any changes in the situation and make timely responses in the implementation of the aforesaid growth strategies.

FINANCIAL REVIEW

Revenue

Our total revenue amounted to approximately RM71.5 million and RM76.7 million for the years ended 31 December 2019 and 31 December 2020, respectively, which was mainly derived from the provision of outsourced document management services and enterprise software solutions.

Outsourced document management services

Our outsourced document management services include (i) electronic document delivery; (ii) document print and mail fulfilment; (iii) MICR cheque print and mail fulfilment; (iv) medical ID card print and mail fulfilment; and (v) document imaging and scanning services.

Our revenue generated from the provision of outsourced document management services represent approximately 90.2% and 97.0% of the total revenue for the years ended 31 December 2019 and 31 December 2020, respectively. The revenue from the provision of outsourced document management services increased by approximately RM9.9 million or 15.4% from approximately RM64.5 million for the year ended 31 December 2019 to approximately RM74.4 million for the year ended 31 December 2020. Such increase in revenue was mainly due to (i) the significant increase in the unit price charged to our customers for the mail fulfilment service, which was part of the print and mail fulfilment services, so as to absorb the significant increase in cost of sales, mainly consisting of postage cost for the year ended 31 December 2020; as was partially offset by (ii) the decrease in demand for document print and mail fulfilment services and medical ID card print and mail fulfilment services for the year ended 31 December 2020 as a result of the slowdown in economy and implementation delay of certain projects caused by the unprecedented outbreak of COVID-19 and the MCO imposed by the Malaysia government during the year.

Enterprise software solutions

We provide enterprise software solutions to our customers using our proprietary streamline software and generate revenue mainly from license fees, maintenance fees and implementation fees.

Our revenue generated from the provision of enterprise software solutions represent approximately 9.8% and 3.0% of the total revenue for the years ended 31 December 2019 and 31 December 2020, respectively. Our revenue from the provision of enterprise software solutions decreased by approximately RM4.8 million or 67.5% from approximately RM7.0 million for the year ended 31 December 2019 to approximately RM2.3 million for the year ended 31 December 2020. The decrease in revenue generated from the provision of enterprise software solutions was mainly due to (i) the substantial completion in 2019 of our provision of Streamline Suite solutions services to two customers in Singapore; and (ii) the decrease in demand for enterprise software solutions for the year ended 31 December 2020 as a result of the slowdown in economy and implementation delay of certain projects caused by the unprecedented outbreak of COVID-19 and the MCO imposed by the Malaysia during the year.

Cost of sales

Our cost of sales increased significantly by approximately RM15.6 million or 37.3% from approximately RM41.9 million for the year ended 31 December 2019 to approximately RM57.5 million for the year ended 31 December 2020. Such increase in cost of sales was mainly attributable to a significant increase in postage cost charged by the Malaysian national postal service provider for the year ended 31 December 2020.

Gross profit and gross profit margin

Our gross profit decreased by approximately RM10.4 million or 35.2% from approximately RM29.6 million for the year ended 31 December 2019 to approximately RM19.2 million for the year ended 31 December 2020 as a result of the net effects of the factors abovementioned. Our gross profit margin decreased by approximately 16.4% from approximately 41.4% for the year ended 31 December 2019 to approximately 25.0% for the year ended 31 December 2020. The decrease in gross profit margin was mainly attributable to: (i) the decrease in revenue generated from the provision of enterprise software solutions to our customers, which had a higher gross profit margin; and (ii) the increase in revenue generated from the provision of mail fulfilment services, which had a significantly lower gross profit margin.

Other income and gains

Our other income and gains increased by approximately RM1.1 million or 196.3% from approximately RM0.6 million for the year ended 31 December 2019 to approximately RM1.7 million for the year ended 31 December 2020, which was mainly attributable to government grants in relation to the stabilisation of employment in Malaysia and Hong Kong as well as net realised foreign currency exchange gain.

Administrative expenses

Our administrative expenses increased by approximately RM9.3 million or 90.2% from approximately RM10.3 million for the year ended 31 December 2019 to approximately RM19.5 million for the year ended 31 December 2020. The increase was mainly attributable to (i) the increase in recognition of listing expenses incurred in relation to the Listing on the Listing Date; (ii) additional administrative costs incurred by the Group for meeting its post-listing obligations and achieving its long term business development objectives after the Listing; (iii) the increase in allowance for expected credit losses on trade receivables and bad debts of trade receivables as a result of the slowdown in economy caused by the unprecedented outbreak of COVID-19 in Malaysia; and (iv) the increase in administrative staff costs.

Finance costs

Our finance costs decreased by approximately RM0.3 million or 28.9% from approximately RM0.9 million for the year ended 31 December 2019 to approximately RM0.7 million for the year ended 31 December 2020. The decrease was mainly due to the decrease in interest expenses in relation to the term loan of RM19.0 million which was drawn down in August 2018.

Profit before tax

Our profit before tax amounted to approximately RM0.7 million for the year ended 31 December 2020 (2019: RM19.0 million). Such decrease in profit before tax was primarily due to the decrease in gross profit and the increase in administrative expenses as abovementioned.

Income tax expense

Our income tax expense decreased by approximately RM0.2 million or 3.2% from approximately RM6.0 million for the year ended 31 December 2019 to approximately RM5.8 million for the year ended 31 December 2020. Although the profit before tax of the Group decreased for the year ended 31 December 2020, income tax credits have not been recognised in respect of tax losses incurred by the Company and certain subsidiaries and income tax expense have been provided for in respect of the assessable profits generated by certain subsidiaries in Malaysia. Such decrease in income tax expense was mainly due to the decrease in gross profits generated by certain subsidiaries in Malaysia as partially offset by the underprovision of income tax expense for prior years.

Profit/(loss) for the year

Our loss for the year amounted to approximately RM5.1 million for the year ended 31 December 2020 (2019: profit for the year of approximately RM13.1 million). Such loss for the year was primarily due to the decrease in gross profit and the increase in administrative expenses as abovementioned.

Final dividend

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020. Please refer to Note 9 of the notes to financial information in this announcement for further details.

Liquidity and financial resources

As at 31 December 2020, the total loans and borrowings of the Group amounted to approximately RM18.5 million (31 December 2019: approximately RM16.4 million), representing an increase of approximately RM2.1 million or 12.7% as compared to that as at 31 December 2019. The Group's loans and borrowings were at floating interest rate which ranged between 3.50% to 5.60% during the year ended 31 December 2020 (2019: 4.75%) and denominated in RM. As at 31 December 2020, the loans and borrowings included secured bank loans of approximately RM14.2 million with maturity of over 5 years and secured short term bank loans and bank overdrafts of approximately RM4.3 million which had been settled subsequent to the Reporting Period.

The Group maintains a solid financial position and was in a net cash position as at 31 December 2020. The Group is able to meet its obligations when they become due in its ordinary and usual course of business. The current ratio, being the ratio of total current assets to total current liabilities, was around 6.2 times as at 31 December 2020 (31 December 2019: approximately 7.5 times). The Group's working capital requirements were mainly financed by internal resources.

Contingent liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

Capital commitments

As at 31 December 2020, the Group had no material capital commitments (31 December 2019: Nil).

Funding and treasury policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the year ended 31 December 2020. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. For the year ended 31 December 2020, the Group did not use any risk hedging instrument.

Foreign currency risk

The Group mainly operates in Malaysia with most of its transactions settled in RM. The assets, liabilities and transactions arising from the operations are mainly denominated in RM. Although the Group may be exposed to foreign currency exchange risks, the Board believes that the future currency fluctuations will not have material impact on the Group's operations and did not engage in any derivative contracts to hedge its exposure to foreign exchange risks for the year ended 31 December 2020. The Group has not adopted formal hedging policies and would consider adopting such policies if the need arises.

Gearing ratio

As at 31 December 2020, the Group's gearing ratio was approximately 22.8% (31 December 2019: approximately 34.1%), representing the total loans and borrowings as a percentage of total equity as at the end of the respective period. The decrease in gearing ratio was mainly attributable to the increase in total equity as a result of the Share Offer of the Company on 27 March 2020 and was partially offset by the increase in interest-bearing bank loans from approximately RM16.4 million as at 31 December 2019 to approximately RM18.5 million as at 31 December 2020.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The management adopted a prudent investment strategy to utilise surplus cash to generate stable interest income from low-risk investment products (the "**Portfolio**"). The management also monitors the investment performance of the Portfolio on a regular basis. During the year ended 31 December 2020, the Portfolio generated an interest income of RM20,000 (2019: Nil). As at 31 December 2020, the total value of the Portfolio amounted to RM4.2 million (31 December 2019: Nil), which comprised our investments in a structured financial product issued by CIMB Islamic Bank Berhad on 15 October 2020. Save as disclosed herein, the Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal during the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the paragraph headed "Issue of Shares and Use of Proceeds from the Listing" in this announcement, the Group does not have other future plans for material investments and capital assets as at the date of this announcement.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Group after 31 December 2020 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 171 employees (31 December 2019: 181 employees). The total remuneration cost (including staff costs capitalised as software development expenditure) amounted to approximately RM10.6 million for the year ended 31 December 2020 (2019: approximately RM8.5 million).

The terms of employment of employees conform to normal commercial practice. The remuneration of the employees, Directors and senior management of the Group is set and paid on the basis of the relevant employees' qualifications, competence, work performance, industry experience, relevant market trend and the Group's operating results etc. Discretionary bonuses are granted to employees based on merit and in accordance with industry practice. Other benefits including share options, retirement benefits, subsidised medical care, pension funds and training programmes are offered to eligible employees.

SHARE OPTION SCHEME

The Company had conditionally adopted a share option scheme on 11 March 2020 (the "**Share Option Scheme**"). Details of the Share Option Scheme are set out in the section headed "Statutory and General Information – F. Share Option Scheme" in appendix V to the Prospectus. No share option has been granted by the Company pursuant to the Share Option Scheme since its adoption.

ISSUE OF SHARES AND USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date with a total of 200,000,000 Shares issued at HK$0.63 each by way of Share Offer and placing, raising net proceeds of approximately HK$73.7 million after deducting underwriting commissions and all related expenses.

A summary of the expected use of the net proceeds from the Listing is set out below:

Business objectives as stated in the Prospectus	**Percentage of total net proceeds**	**Planned use of net proceeds**	**Actual amount utilised up to 31 December 2020**	**Actual balance as at 31 December 2020**	**Expected timeline for utilisation of unutilised net proceeds as at 31 December 2020**
		HK$'million (approximate)	***HK$'million (approximate)***	***HK$'million (approximate)***	
To increase technological capability and capacity to develop into other market vertical/parallels	**88.6%**	**65.3**	–	**65.3**	
– to build a new Tier 3 compliant data centre and upgrade of information technology infrastructure	76.7%	56.5	–	56.5	January 2021 – December 2021
– to strengthen the Group's technical operation support system	6.8%	5.0	–	5.0	January 2021 – August 2022
– to expand the software development team of the Group	5.1%	3.8	–	3.8	January 2021 – August 2022
To expand market presence locally and explore expansion regionally to capture further market share	**11.4%**	**8.4**	–	**8.4**	
– to step up the Group's marketing and sale efforts to reach out to new customers	3.6%	2.7	–	2.7	January 2021 – August 2022
– to be used in potential strategic acquisition and business opportunities	7.8%	5.7	–	5.7	January 2021 – December 2022
	100%	**73.7**	**–**	**73.7**	

Although the utilisation of the net proceeds had been delayed as a result of MCO by Malaysia Government, as at the date of this announcement, the net proceeds are expected to be applied for purposes which are consistent with those as disclosed in the section headed "Future Plans and Proposed Use of Proceeds" of the Prospectus. The unutilised portion of the net proceeds has been deposited in reputable banks in Malaysia and Hong Kong.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions and industry development made by the Company at the time of preparing the Prospectus while the proceeds will be applied based on the actual development of the Group's business and the industry. As at the date of this announcement, there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiries with all the Directors and all the Directors have confirmed that they have complied with the Model Code since the Listing Date and up to 31 December 2020.

The Company's relevant employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company since the Listing Date and up to 31 December 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as the deviation disclosed below, the Company had complied with all applicable Code Provisions set forth in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules since the Listing Date and up to 31 December 2020.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ling Sheng Hwang ("**Mr. F Ling**") holds both positions. Mr. F Ling has been primarily responsible for corporate strategic planning and overall business development of our Group since he founded our Group in the 2000s. Taking into account the continuation of management and the implementation of our business strategies, the Directors (including the independent non-executive Directors) consider it is most suitable for Mr. F Ling to hold both the positions of chairman of the Board and the chief executive officer of the Company and the existing arrangements are beneficial and in the interests of our Company and our shareholders as a whole.

The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

AUDIT COMMITTEE

The Company had established its audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code on 11 March 2020. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Son Heng, Mr. Lee Yan Kit and Ms. Eugenia Yang, and the non-executive Director, Mr. Ling Sheng Shyan. Mr. Wong Son Heng is the chairman of the Audit Committee.

The Audit Committee has considered and reviewed the accounting principles and policies adopted by the Group, the consolidated financial information and the annual results announcement of the Company for the year ended 31 December 2020. The Audit Committee is of the view that the annual results for the year ended 31 December 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF ERNST & YOUNG PLT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes to the financial information thereto for the year ended 31 December 2020 as set out in the announcement have been agreed by the Company's auditors, Ernst & Young PLT, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by the Company's auditors on this announcement.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to attend and vote at the forthcoming annual general meeting ("**2021 AGM**"), the register of members of the Company will be closed from Wednesday, 23 June 2021 to Monday, 28 June 2021 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the 2021 AGM, the unregistered holder of Shares must lodge all transfer documents, accompanied by the relevant share certificates, with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 22 June 2021.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is published on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.clinksquared.com). The annual report of the Group for the year ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
C-Link Squared Limited
Ling Sheng Hwang
Chairman of the Board and executive Director

Hong Kong, 30 March 2021

As at the date of this announcement, the executive Directors are Mr. Ling Sheng Hwang and Mr. Ling Sheng Chung, the non-executive Director is Mr. Ling Sheng Shyan, and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Lee Yan Kit and Mr. Wong Son Heng.