



MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

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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 THIRD QUARTER ENDED 31 DECEMBER 2017

	INDIVIDUAL QUARTER THREE MONTHS ENDED 31 DECEMBER		CUMULATIVE PERIOD NINE MONTHS ENDED 31 DECEMBER	
	2017 RM'000 Unaudited	2016 RM'000 Unaudited	2017 RM'000 Unaudited	2016 RM'000 Unaudited
Revenue	55,466	81,612	158,794	200,245
Cost of sales	(49,022)	(70,940)	(126,816)	(169,675)
Gross profit	6,444	10,672	31,978	30,570
Other operating income	126	116	321	406
Selling and distribution expenses	(200)	(172)	(605)	(649)
Administrative expenses	(7,636)	(7,179)	(23,441)	(22,923)
Finance costs	(974)	(696)	(2,473)	(1,755)
Other operating expenses	(615)	(734)	(2,179)	(7,037)
(Loss) / Profit before taxation	(2,855)	2,007	3,601	(1,388)
Tax expense	(275)	(1,949)	(1,510)	(2,649)
(Loss) / Profit for the period	(3,130)	58	2,091	(4,037)
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	(2)	(10)	(12)	(8)
Other comprehensive (loss) / income for the period, net of tax	(2)	(10)	(12)	(8)
Total comprehensive (loss) / income for the period	(3,132)	48	2,079	(4,045)
(Loss) / Profit attributable to :				
Owners of the Parent	(3,176)	137	1,770	(3,948)
Non-Controlling Interests	46	(79)	321	(89)
	(3,130)	58	2,091	(4,037)
Total comprehensive (loss) / income attributable to :				
Owners of the Parent	(3,178)	127	1,758	(3,956)
Non-Controlling Interests	46	(79)	321	(89)
	(3,132)	48	2,079	(4,045)
(Loss) / Earnings per share (sen):				
Basic	(1.90)	0.08	1.06	(2.36)
Diluted	(1.90)	0.08	1.06	(2.36)

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2017 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 DECEMBER 2017**

	As At 31 December 2017 RM'000 Unaudited	As At 31 March 2017 RM'000 Audited
ASSETS		
Non-Current Assets		
Goodwill	18,409	18,409
Software development expenditure	45,318	46,735
Other investment	105	105
Deferred tax assets	2,484	2,768
Property, plant and equipment	<u>1,144</u>	<u>1,123</u>
	67,460	69,140
Current Assets		
Inventories	9,059	13,138
Other investments	86	120
Trade receivables	65,089	48,135
Other receivables, deposits and prepayments	23,045	27,883
Amount owing by ultimate holding company	660	551
Amount owing by immediate holding company	273	222
Current tax assets	3,822	2,902
Cash and bank balances	<u>19,437</u>	<u>24,983</u>
	121,471	117,934
TOTAL ASSETS	<u>188,931</u>	<u>187,074</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	43,648	43,628
Reserves	5,488	4,131
Retained earnings	<u>33,420</u>	<u>31,670</u>
	82,556	79,429
Non-controlling interests	794	98
TOTAL EQUITY	<u>83,350</u>	<u>79,527</u>
Non-Current Liabilities		
Borrowings	293	14
Provision for gratuity obligations	1,429	1,429
Redeemable preference shares	<u>25,193</u>	<u>27,193</u>
	26,915	28,636
Current Liabilities		
Trade payables	12,642	19,608
Other payables and accruals	36,958	39,646
Amount owing to ultimate holding company	1,949	1,709
Amount owing to immediate holding company	-	96
Amount owing to related companies	513	454
Borrowings	26,292	17,099
Current tax liabilities	<u>312</u>	<u>299</u>
	78,666	78,911
TOTAL LIABILITIES	<u>105,581</u>	<u>107,547</u>
TOTAL EQUITY AND LIABILITIES	<u>188,931</u>	<u>187,074</u>
Net assets per share (RM)	<u>0.50</u>	<u>0.48</u>

Note:

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MICROLINK SOLUTIONS BERHAD (620782-P)
Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017**

	←----- Attributable to Owners of the Parent ----->						Total	Non- controlling interests	Total
	Distributable	←----- Non-distributable ----->							
	Ordinary shares	Retained earnings	Share premium	Capital redemption reserve	Equity compensation reserve	Currencies translation reserve			
Unaudited									
<u>9 months ended 31 December 2016</u>									
At 1 April 2016 (audited)	15,215	30,890	10,576	80	-	(208)	56,553	106	56,659
Other comprehensive income	-	-	-	-	-	(8)	(8)	-	(8)
Loss for the period	-	(3,948)	-	-	-	-	(3,948)	(89)	(4,037)
Total comprehensive loss for the period	-	(3,948)	-	-	-	(8)	(3,956)	(89)	(4,045)
Ordinary shares issued pursuant to Private Placement	1,522	-	16,235	-	-	-	17,757	-	17,757
Employee share option scheme expenses	-	-	-	-	4,294	-	4,294	-	4,294
At 31 December 2016	16,737	26,942	26,811	80	4,294	(216)	74,648	17	74,665
Unaudited									
<u>9 months ended 31 December 2017</u>									
At 1 April 2017 (audited)	43,628	31,670	-	-	4,348	(217)	79,429	98	79,527
Other comprehensive loss	-	-	-	-	-	(12)	(12)	-	(12)
Profit for the period	-	1,770	-	-	-	-	1,770	321	2,091
Total comprehensive profit for the period	-	1,770	-	-	-	(12)	1,758	321	2,079
Employee share option scheme expenses	-	-	-	-	1,369	-	1,369	-	1,369
Arising from accretion of equity interests in a subsidiary	-	-	-	-	-	-	-	375	375
Redemption of redeemable preference shares	20	(20)	-	-	-	-	-	-	-
At 31 December 2017	43,648	33,420	-	-	5,717	(229)	82,556	794	83,350

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2017 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 THIRD QUARTER ENDED 31 DECEMBER 2017

	Current Year 9 months ended 31 December 2017 RM'000 Unaudited	Preceding Year 9 months ended 31 December 2016 RM'000 Unaudited
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Profit / (Loss) before taxation	3,601	(1,388)
Adjustment for non-cash items:		
Amortisation of software development expenditure	1,614	2,138
Bad debts written off	23	-
Depreciation of property, plant and equipment	534	654
Equity settled share-based payment expense	-	50
Employee share option scheme expenses	1,368	4,294
Interest expense	2,473	1,755
Interest income	(306)	(328)
Loss on disposal property, plant and equipment	-	2
Property, plant and equipment written off	2	144
Net unrealised loss on foreign exchange	7	20
Operating profit before working capital changes	<u>9,316</u>	<u>7,341</u>
Net changes in assets	(8,010)	17,001
Net changes in liabilities	(8,781)	(21,361)
Net cash (used in) / from operations	<u>(7,475)</u>	<u>2,981</u>
Tax paid	(2,375)	(3,159)
Tax refund	243	8
Net cash used in operating activities	<u>(9,607)</u>	<u>(170)</u>
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	(67)	-
Addition of software development expenditure	(197)	(35,431)
Interest received	306	328
Placement of deposits pledged to licensed bank	(252)	(440)
Proceeds from disposal of property, plant and equipment	3	18
Purchase of property, plant and equipment	(170)	(246)
Disposal of other investment	34	-
Net cash used in investing activities	<u>(343)</u>	<u>(35,771)</u>
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Drawdown of borrowings	6,517	2,424
Interest paid	(2,473)	(1,755)
Net proceeds from issue of shares pursuant to Private Placement	-	17,757
Redemption of redeemable preference shares	(2,000)	-
Net cash from financing activities	<u>2,044</u>	<u>18,426</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,906)	(17,515)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	16,836	24,740
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(456)	22
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>8,474</u>	<u>7,247</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 2017 and the accompanying explanatory notes attached to the interim financial statements.

**MICROLINK SOLUTIONS BERHAD (620782-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017**

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 2017. 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 2017.

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 2017 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 2017:

MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 107 Disclosure Initiative
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

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 2017 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 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt securities of the Group and equity securities of the Company during the current financial period under review.

A7 Dividend paid

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

A8 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)
A8 Segmental information (Cont'd)

Business Segments	Financial Services	Enterprise Solutions RM'000	Distribution Services RM'000	Solution Delivery RM'000	Elimination RM'000	Consolidation RM'000
9 months ended 31 December 2017						
External sales	27,698	10,584	112,048	8,464	-	158,794
Inter-segment sales	14,644	661	2,163	1,143	(18,611)	-
Total	<u>42,342</u>	<u>11,245</u>	<u>114,211</u>	<u>9,607</u>	<u>(18,611)</u>	<u>158,794</u>
Segment results	3,840	(1,357)	527	2,092	666	5,768
Interest expense	(108)	-	(2,363)	(2)	-	(2,473)
Interest income	100	16	190	-	-	306
Profit / (Loss) before tax	<u>3,832</u>	<u>(1,341)</u>	<u>(1,646)</u>	<u>2,090</u>	<u>666</u>	<u>3,601</u>
Segment assets	<u>193,915</u>	<u>19,166</u>	<u>126,912</u>	<u>10,013</u>	<u>(161,075)</u>	<u>188,931</u>
9 months ended 31 December 2016						
External sales	15,623	13,817	164,363	6,442	-	200,245
Inter-segment sales	7,517	1,085	3,464	290	(12,356)	-
Total	<u>23,140</u>	<u>14,902</u>	<u>167,827</u>	<u>6,732</u>	<u>(12,356)</u>	<u>200,245</u>
Segment results	(5,062)	(970)	5,185	297	589	39
Interest expense	(2)	-	(1,763)	(4)	14	(1,755)
Interest income	121	19	202	-	(14)	328
(Loss) / Profit before tax	<u>(4,943)</u>	<u>(951)</u>	<u>3,624</u>	<u>293</u>	<u>589</u>	<u>(1,388)</u>
Segment assets	<u>167,788</u>	<u>20,196</u>	<u>117,111</u>	<u>6,000</u>	<u>(135,527)</u>	<u>175,568</u>

A9 Valuation of property, plant and equipment

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

A10 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.

A11 Changes in the composition of the Group

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

A12 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 19 February 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A13 Cash and bank balances

	Current year as at 31 December 2017 RM'000
Cash and bank balances	8,818
Fixed deposits with licensed financial institutions	<u>10,619</u>
	19,437
Less: Fixed deposits pledged with a licensed bank	(8,399)
Bank overdraft	<u>(2,564)</u>
	<u>8,474</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		
	2017	2016	Variance	2017	2016	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	10,470	7,321	43%	42,342	23,140	83%
Enterprise Solutions	3,747	6,754	-45%	11,245	14,902	-25%
Distribution Services	43,670	69,794	-37%	114,211	167,827	-32%
Solution Delivery	1,800	2,129	-15%	9,607	6,732	43%
	59,687	85,998	-31%	177,405	212,601	-17%
Less : Inter Segment Revenue	(4,221)	(4,386)		(18,611)	(12,356)	
Total Group Revenue	55,466	81,612	-32%	158,794	200,245	-21%

The Group recorded revenue of RM55.47 million for the quarter ended 31 December 2017, a decrease of 32% against revenue achieved in the previous corresponding quarter. The lower revenue was attributable to lower order fulfilments and progress billings particularly in the Distribution Services segment.

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

	Individual Quarter			Cumulative Period		
	3 months ended 31 December			9 months ended 31 December		
	2017	2016	Variance	2017	2016	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	(1,984)	(662)	-200%	3,832	(4,943)	N/A
Enterprise Solutions	(559)	891	N/A	(1,341)	(951)	-41%
Distribution Services	254	1,942	-87%	(1,646)	3,624	N/A
Solution Delivery	(672)	(355)	-89%	2,090	293	613%
	(2,961)	1,816	-263%	2,935	(1,977)	248%
Add / (Less) : Elimination	106	191		666	589	
Loss ("LBT") / Profit ("PBT") before taxation	(2,855)	2,007	-242%	3,601	(1,388)	359%

The Group posted a LBT of RM2.86 million for the quarter ended 31 December 2017 as compared to PBT of RM2.01 million recorded in the previous corresponding quarter. The decline was mainly attributable to significant reduction in the revenue and gross profit margin as compare to the corresponding period last year.

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

	Current Year	Immediate Preceding Quarter	Change
	Quarter	Quarter	%
	RM'000	RM'000	
Revenue	55,466	45,304	22%
Profit before taxation	(2,855)	10	N/A

The Group recorded an increase in revenue by RM10.17 million mainly attributable to higher order fulfilments. The Group recorded a loss before taxation of RM2.86 million in the current quarter as compared to the immediate preceding quarter mainly attributable lower gross profit margin from less favourable product mix.

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

B2 Prospects

While the Board acknowledges that challenges posed by both micro and macro-economic uncertainties continue to exist in the Group's business environment, the Board is committed towards creating sustainable long term growth for the group.

During the period, the Group received a letter from Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat") advising of its cancellation of its non-binding Letter of Intent ("LOI") issued to the Group on 14 July 2016. The LOI had invited the Group to participate in detailed discussions relating to the improvement and enhancement of Bank Rakyat's existing Core Banking System. The Cancellation Letter, which was dated 5 January 2017 but only received on 14 February 2018, advised that the Bank will not be pursuing the discussions further with the Group due to a change of project requirements and specifications. The Group is seeking all advice, including but not limited to legal advice, on this matter.

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 2017 RM'000	Cumulative 31 December 2017 RM'000
Taxation - current year	221	(1,014)
Taxation - prior year	(212)	(212)
Deferred tax	(284)	(284)
Total	<u>(275)</u>	<u>(1,510)</u>

The effective tax rates for the period under review is higher than statutory tax rate of 24% principally due to no tax credit is being recognised by loss making subsidiaries to offset the tax expenses of profitable subsidiaries.

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

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

B8 Borrowings and debt securities

The Group's bank borrowings are as follows:

	As at 31 December 2017 RM'000	As at 31 December 2016 RM'000
Short term bank borrowings - secured	26,292	16,461
Long term bank borrowings - secured	293	19
Total borrowings	<u>26,585</u>	<u>16,480</u>

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM2.66 million have been issued as at 31 December 2017.

B10 Disclosure of Realised and Unrealised Profits

	Unaudited As at 31 December 2017 RM'000	Unaudited As at 30 September 2017 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	28,434	31,385
- Unrealised	<u>2,476</u>	<u>2,760</u>
	30,910	34,145
Less: Consolidation adjustments	<u>2,511</u>	<u>2,451</u>
Total group retained earnings as per statement of financial position	<u>33,421</u>	<u>36,596</u>

B11 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.

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

B12 Dividends

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

B13 Earnings per share

Basic earnings per share

The calculation of the basic earnings / (loss) per share is based on the net profit / (loss) 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 2017	Cumulative Quarter 31 December 2017
(Loss) / Profit attributable to owners of the parent (RM)	(3,176,000)	1,770,000
No. of ordinary share in issue	167,368,100	167,368,100
Basic earnings per share (sen)	<u>(1.90)</u>	<u>1.06</u>

B14 Authorisation for issue

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the directors dated 26 February 2018.

MICROLINK SOLUTIONS BERHAD (620782-P)

26 February 2018