



MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018

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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 SECOND QUARTER ENDED 30 SEPTEMBER 2018**

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 SEPTEMBER		CUMULATIVE PERIOD SIX MONTHS ENDED 30 SEPTEMBER	
	2018 RM'000 Unaudited	2017 RM'000 Unaudited	2018 RM'000 Unaudited	2017 RM'000 Unaudited
Revenue	51,527	45,304	92,061	103,328
Cost of sales	(42,207)	(35,251)	(75,052)	(77,794)
Gross profit	9,320	10,053	17,009	25,534
Other operating income	85	109	228	195
Selling and distribution expenses	(171)	(209)	(303)	(405)
Administrative expenses	(7,005)	(8,498)	(13,858)	(15,805)
Finance costs	(972)	(715)	(1,978)	(1,499)
Other operating expenses	(488)	(730)	(992)	(1,564)
Profit before taxation	769	10	106	6,456
Tax (expense) / income	(436)	382	(418)	(1,235)
(Loss) / Profit for the period	333	392	(312)	5,221
Other comprehensive loss, net of tax - item that may be reclassified subsequently to profit or loss:				
Foreign currency translations for foreign operations, net of tax	(3)	(14)	(3)	(10)
Other comprehensive loss for the period, net of tax	(3)	(14)	(3)	(10)
Total comprehensive (loss) / income for the period	330	378	(315)	5,211
(Loss) / Profit attributable to :				
Owners of the Parent	298	155	(473)	4,946
Non-Controlling Interests	35	237	161	275
	333	392	(312)	5,221
Total comprehensive (loss) / income attributable to :				
Owners of the Parent	297	141	(474)	4,936
Non-Controlling Interests	33	237	159	275
	330	378	(315)	5,211
Earnings per share (sen):				
Basic	0.18	0.09	(0.28)	2.96
Diluted	0.18	0.09	(0.28)	2.96

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018 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 30 SEPTEMBER 2018**

	As At 30 September 2018 RM'000 Unaudited	As At 31 March 2018 RM'000 Audited
ASSETS		
Non-Current Assets		
Goodwill	18,409	18,409
Software development expenditure	4,894	5,332
Other investment	105	105
Deferred tax assets	4,136	4,239
Property, plant and equipment	1,001	1,029
	<u>28,545</u>	<u>29,114</u>
Current Assets		
Inventories	1,225	1,322
Other investments	105	103
Trade receivables	44,937	41,000
Other receivables, deposits and prepayments	30,525	39,871
Amount owing by ultimate holding company	897	760
Amount owing by immediate holding company	5,923	5,925
Current tax assets	5,446	3,777
Cash and bank balances	17,605	19,414
	<u>106,663</u>	<u>112,172</u>
TOTAL ASSETS	<u>135,208</u>	<u>141,286</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	43,628	43,628
Reserves	6,250	5,567
Accumulated losses	(19,434)	(18,961)
	<u>30,444</u>	<u>30,234</u>
Non-controlling interests	596	437
TOTAL EQUITY	<u>31,040</u>	<u>30,671</u>
Non-Current Liabilities		
Borrowings	4,116	5,464
Provision for gratuity obligations	1,504	1,504
Redeemable preference shares	25,193	25,193
	<u>30,813</u>	<u>32,161</u>
Current Liabilities		
Trade payables	16,270	15,507
Other payables and accruals	32,704	39,335
Amount owing to ultimate holding company	4,123	2,689
Amount owing to immediate holding company	10	10
Amount owing to related companies	645	678
Borrowings	19,596	20,233
Current tax liabilities	7	2
	<u>73,355</u>	<u>78,454</u>
TOTAL LIABILITIES	<u>104,168</u>	<u>110,615</u>
TOTAL EQUITY AND LIABILITIES	<u>135,208</u>	<u>141,286</u>
Net assets per share (RM)	<u>0.19</u>	<u>0.18</u>

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial statements.

MICROLINK SOLUTIONS BERHAD (620782-P)
Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018**

	←----- 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>6 months ended 30 September 2018</u>									
At 1 April 2018 (audited)	43,628	(18,961)	-	-	5,761	(194)	30,234	437	30,671
Loss for the period	-	(473)	-	-	-	-	(473)	161	(312)
Foreign currency translation for foreign operations	-	-	-	-	-	(1)	(1)	(2)	(3)
Total comprehensive loss for the period	-	(473)	-	-	-	(1)	(474)	159	(315)
Transactions with owners									
Share based payment transactions	-	-	-	-	684	-	684	-	684
Total transactions with owners	-	-	-	-	684	-	684	-	684
At 30 September 2018	43,628	(19,434)	-	-	6,445	(195)	30,444	596	31,040
Unaudited									
<u>6 months ended 30 September 2017</u>									
At 1 April 2017 (audited)	43,628	31,670	-	-	4,348	(217)	79,429	98	79,527
Profit for the period	-	4,946	-	-	-	-	4,946	275	5,221
Foreign currency translation for foreign operations	-	-	-	-	-	(10)	(10)	-	(10)
Total comprehensive income for the period	-	4,946	-	-	-	(10)	4,936	275	5,211
Transactions with owners									
Share based payment transactions	-	-	-	-	912	-	912	-	912
Arising from accretion of equity interests in a subsidiary	-	-	-	-	-	-	-	375	375
Redemption of redeemable preference shares	20	(20)	-	-	-	-	-	-	-
Total transactions with owners	20	(20)	-	-	912	-	912	375	1,287
At 30 September 2017	43,648	36,596	-	-	5,260	(227)	85,277	748	86,025

Note:

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MICROLINK SOLUTIONS BERHAD (620782-P)
Incorporated in Malaysia

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018
(The figures have not been audited)

	Current Year 6 months ended 30 September 2018 RM'000 Unaudited	Preceding Year 6 months ended 30 September 2017 RM'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	106	6,456
Adjustment for non-cash items:		
Amortisation of software development expenditure	730	1,182
Bad debts written off	-	23
Depreciation of property, plant and equipment	226	356
Employees share option scheme expense	684	912
Interest expense	1,978	1,499
Interest income	(193)	(186)
Inventories written off	2	-
Net unrealised loss on foreign exchange	-	8
Operating profit before working capital changes	<u>3,533</u>	<u>10,250</u>
Net changes in assets	5,998	(13,517)
Net changes in liabilities	(4,905)	(4,705)
Net cash from / (used in) operations	<u>4,626</u>	<u>(7,972)</u>
Tax paid	(1,999)	(1,649)
Tax refund	19	243
Net cash from / (used in) operating activities	<u>2,646</u>	<u>(9,378)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	-	(67)
Addition of software development expenditure	(292)	(99)
Interest received	193	186
Withdrawal / (Placement) of deposits pledged to licensed bank	406	(195)
Purchase of other investments	(2)	(1)
Purchase of property, plant and equipment	(198)	(165)
Net cash from / (used in) investing activities	<u>107</u>	<u>(341)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,978)	(1,499)
(Repayments) / Drawdown of borrowings	(2,966)	6,178
Redemption of redeemable preference shares	-	(2,000)
Net cash (used in) / from financing activities	<u>(4,944)</u>	<u>2,679</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,191)	(7,040)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	9,609	16,836
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(194)	(355)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>7,224</u>	<u>9,441</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 2018 and the accompanying explanatory notes attached to the interim financial statements.

MICROLINK SOLUTIONS BERHAD (620782-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018

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 2018. 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 2018.

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 2018 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 2018:

Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 - 2016 Cycle
MFRS 15 Revenue from Contracts with Customers
Clarification to MFRS 15
MFRS 9 Financial Instruments (IFRS as issued by IASB in July 2014)
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014 - 2016 Cycle
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 140 Transfers of Investment Property

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 2018 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
6 months ended 30 September 2018						
External sales	18,685	8,061	60,353	4,962	-	92,061
Inter-segment sales	3,276	162	3,663	765	(7,866)	-
Total	<u>21,961</u>	<u>8,223</u>	<u>64,016</u>	<u>5,727</u>	<u>(7,866)</u>	<u>92,061</u>
Results						
Segment results	(24)	(271)	577	1,454	155	1,891
Interest expense	(169)	-	(1,809)	-	-	(1,978)
Interest income	64	5	124	-	-	193
Tax expense	(146)	-	(272)	-	-	(418)
(Loss) / Profit for the financial period	<u>(275)</u>	<u>(266)</u>	<u>(1,380)</u>	<u>1,454</u>	<u>155</u>	<u>(312)</u>
6 months ended 30 September 2017						
External sales	19,811	7,122	69,125	7,270	-	103,328
Inter-segment sales	12,061	376	1,416	537	(14,390)	-
Total	<u>31,872</u>	<u>7,498</u>	<u>70,541</u>	<u>7,807</u>	<u>(14,390)</u>	<u>103,328</u>
Results						
Segment results	5,805	(796)	(564)	2,764	560	7,769
Interest expense	(33)	-	(1,464)	(2)	-	(1,499)
Interest income	44	14	128	-	-	186
Tax expense	(1,163)	-	(72)	-	-	(1,235)
Profit / (Loss) for the financial period	<u>4,653</u>	<u>(782)</u>	<u>(1,972)</u>	<u>2,762</u>	<u>560</u>	<u>5,221</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

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

A10 Changes in the composition of the Group

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

A11 Contingent liabilities

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at 19 November 2018 (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 September 2018 RM'000
Cash and bank balances	7,301
Fixed deposits with licensed financial institutions	<u>10,304</u>
	17,605
Less: Fixed deposits pledged with a licensed bank	(9,214)
Bank overdraft	<u>(1,167)</u>
	<u>7,224</u>

A13 Comparative Figures

Certain comparative figures for the financial year ended 31 March 2018 have been reclassified to conform with current financial year's presentation. These reclassification do not have an impact on the retained earnings of the Company.

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
31 March 2018			
Statement of Financial Position			
Current Assets			
Inventories	16,177	(14,855)	1,322
Other receivables, deposits and prepayments	25,016	14,855	39,871

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 30 September		Variance	6 months ended 30 September		Variance
	2018	2017		2018	2017	
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	6,895	9,646	-29%	21,961	31,872	-31%
Enterprise Solutions	4,892	3,090	58%	8,223	7,498	10%
Distribution Services	40,997	31,367	31%	64,016	70,541	-9%
Solution Delivery	3,888	5,696	-32%	5,727	7,807	-27%
	56,672	49,799	14%	99,927	117,718	-15%
Less : Inter Segment Revenue	(5,145)	(4,495)		(7,866)	(14,390)	
Total Group Revenue	51,527	45,304	14%	92,061	103,328	-11%

The Group recorded revenue of RM51.53 million for the quarter ended 30 September 2018, an increase of 14% against revenue achieved in the previous corresponding quarter. The higher revenue was attributable to higher order fulfilments and progress billings particularly in the Distribution Services segment.

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

	Individual Quarter			Cumulative Period		
	3 months ended 30 September		Variance	6 months ended 30 September		Variance
	2018	2017		2018	2017	
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	(1,325)	(1,635)	-19%	(129)	5,816	NA
Enterprise Solutions	6	(568)	NA	(266)	(782)	66%
Distribution Services	552	(1,045)	NA	(1,108)	(1,900)	42%
Solution Delivery	1,451	3,162	-54%	1,454	2,762	-47%
	684	(86)	NA	(49)	5,896	NA
Add / (Less) : Elimination	85	96		155	560	
Profit before taxation ("PBT")	769	10	7590%	106	6,456	-98%

The Group posted a PBT of RM0.77 million in the current quarter under review as compared to a profit of RM0.01 million in the previous corresponding quarter. The increase was mainly attributable to lower employees costs as compared to the corresponding quarter last year.

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

	Current Year Quarter	Immediate Preceding Quarter	Change
	RM'000	RM'000	%
Revenue	51,527	40,534	27%
Profit / (Loss) before taxation	769	(663)	N/A

The Group recorded an increase in revenue by RM10.99 million in the current quarter as compared to the immediate preceding quarter mainly attributable to higher order fulfilments.

The Group posted an increase in PBT by RM1.43 million in the current quarter as compared to the immediate preceding quarter mainly attributable to higher revenue and higher gross profit.

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

B2 Prospects

The uncertainty in the current economic climate is affecting the overall economic performance of the Group. Nevertheless the Board is still cautiously optimistic of the Group's financial performance for the current financial year.

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 September 2018 RM'000	Cumulative 30 September 2018 RM'000
Taxation - current year	(315)	(315)
Taxation - prior year	-	-
Deferred tax	(121)	(103)
Total	<u>(436)</u>	<u>(418)</u>

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

B5 Unquoted investments and properties

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

B6 Quoted securities

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

B7 Corporate exercise and utilisation of proceeds

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 30 September 2018 RM'000	As at 30 September 2017 RM'000
Short term bank borrowings - secured	19,596	25,212
Long term bank borrowings - secured	4,116	315
Total borrowings	<u>23,712</u>	<u>25,527</u>

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM2.29 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.

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 earning / (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 30 September 2018	Cumulative Quarter 30 September 2018
Profit / (Loss) attributable to owners of the parent (RM)	298,000	(473,000)
No. of ordinary share in issue	167,368,100	167,368,100
Basic earning / (loss) per share (sen)	0.18	(0.28)

B13 Authorisation for issue

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

MICROLINK SOLUTIONS BERHAD (620782-P)

26 November 2018