



MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 THIRD QUARTER ENDED 31 DECEMBER 2018

	INDIVIDUAL QUARTER THREE MONTHS ENDED 31 DECEMBER		CUMULATIVE PERIOD NINE MONTHS ENDED 31 DECEMBER	
	2018	2017	2018	2017
	RM'000 Unaudited	RM'000 Unaudited	RM'000 Unaudited	RM'000 Unaudited
Revenue	45,235	55,466	137,296	158,794
Cost of sales	(39,107)	(49,022)	(114,159)	(126,816)
Gross profit	6,128	6,444	23,137	31,978
Other operating income	112	126	340	321
Selling and distribution expenses	(89)	(200)	(392)	(605)
Administrative expenses	(6,095)	(7,636)	(19,953)	(23,441)
Finance costs	(990)	(974)	(2,968)	(2,473)
Other operating expenses	(470)	(615)	(1,462)	(2,179)
(Loss) / Profit before taxation	(1,404)	(2,855)	(1,298)	3,601
Tax income / (expense)	756	(275)	338	(1,510)
(Loss) / Profit for the period	(648)	(3,130)	(960)	2,091
Other comprehensive income / (loss), net of tax - item that may be reclassified subsequently to profit or loss:				
Foreign currency translations for foreign operations, net of tax	5	(2)	3	(12)
Other comprehensive income / (loss) for the period, net of tax	5	(2)	3	(12)
Total comprehensive (loss) / income for the period	(643)	(3,132)	(957)	2,079
(Loss) / Profit attributable to :				
Owners of the Parent	(629)	(3,176)	(1,102)	1,770
Non-Controlling Interests	(19)	46	142	321
	(648)	(3,130)	(960)	2,091
Total comprehensive (loss) / income attributable to :				
Owners of the Parent	(629)	(3,178)	(1,102)	1,758
Non-Controlling Interests	(14)	46	145	321
	(643)	(3,132)	(957)	2,079
(Loss) / Earnings per share (sen):				
Basic	(0.38)	(1.90)	(0.66)	1.06
Diluted	(0.38)	(1.90)	(0.66)	1.06

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 31 DECEMBER 2018**

	As At 31 December 2018 RM'000 Unaudited	As At 31 March 2018 RM'000 Audited
ASSETS		
Non-Current Assets		
Goodwill	18,409	18,409
Software development expenditure	4,657	5,332
Other investment	105	105
Deferred tax assets	4,179	4,239
Property, plant and equipment	900	1,029
	<u>28,250</u>	<u>29,114</u>
Current Assets		
Inventories	1,327	1,322
Other investments	106	103
Trade receivables	32,152	41,000
Other receivables, deposits and prepayments	31,889	39,871
Amount owing by ultimate holding company	927	760
Amount owing by immediate holding company	5,924	5,925
Current tax assets	6,550	3,777
Cash and bank balances	24,098	19,414
	<u>102,973</u>	<u>112,172</u>
TOTAL ASSETS	<u>131,223</u>	<u>141,286</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	43,628	43,628
Reserves	6,389	5,567
Accumulated losses	(20,063)	(18,961)
	<u>29,954</u>	<u>30,234</u>
Non-controlling interests	<u>582</u>	<u>437</u>
TOTAL EQUITY	<u>30,536</u>	<u>30,671</u>
Non-Current Liabilities		
Borrowings	3,431	5,464
Provision for gratuity obligations	1,504	1,504
Redeemable preference shares	25,193	25,193
	<u>30,128</u>	<u>32,161</u>
Current Liabilities		
Trade payables	18,044	15,507
Other payables and accruals	34,851	39,335
Amount owing to ultimate holding company	4,819	2,689
Amount owing to immediate holding company	10	10
Amount owing to related companies	690	678
Borrowings	12,144	20,233
Current tax liabilities	1	2
	<u>70,559</u>	<u>78,454</u>
TOTAL LIABILITIES	<u>100,687</u>	<u>110,615</u>
TOTAL EQUITY AND LIABILITIES	<u>131,223</u>	<u>141,286</u>
Net assets per share (RM)	<u>0.18</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 THIRD QUARTER ENDED 31 DECEMBER 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>9 months ended 31 December 2018</u>									
At 1 April 2018 (audited)	43,628	(18,961)	-	-	5,761	(194)	30,234	437	30,671
Loss for the period	-	(1,102)	-	-	-	-	(1,102)	142	(960)
Foreign currency translation for foreign operations	-	-	-	-	-	-	-	3	3
Total comprehensive loss for the period	-	(1,102)	-	-	-	-	(1,102)	145	(957)
Transactions with owners									
Share based payment transactions	-	-	-	-	822	-	822	-	822
Total transactions with owners	-	-	-	-	822	-	822	-	822
At 31 December 2018	43,628	(20,063)	-	-	6,583	(194)	29,954	582	30,536
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
Profit for the period	-	1,770	-	-	-	-	1,770	321	2,091
Foreign currency translation for foreign operations	-	-	-	-	-	(12)	(12)	-	(12)
Total comprehensive income for the period	-	1,770	-	-	-	(12)	1,758	321	2,079
Transactions with owners									
Share based payment transactions	-	-	-	-	1,369	-	1,369	-	1,369
Arising from accretion of equity interests in a subsidiary	-	-	-	-	-	-	-	375	375
Redemption of redeemable preference shares	20	(20)	-	-	-	-	-	-	-
Total transactions with owners	20	(20)	-	-	1,369	-	1,369	375	1,744
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 2018 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 2018**

(The figures have not been audited)

	Current Year 9 months ended 31 December 2018 RM'000 Unaudited	Preceding Year 9 months ended 31 December 2017 RM'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(1,298)	3,601
Adjustment for non-cash items:		
Amortisation of software development expenditure	1,096	1,614
Bad debts written off	-	23
Depreciation of property, plant and equipment	327	534
Employees share option scheme expense	822	1,368
Interest expense	2,968	2,473
Interest income	(305)	(306)
Inventories written off	(17)	-
Property, plant and equipment written off	-	2
Net unrealised loss on foreign exchange	-	7
Operating profit before working capital changes	<u>3,593</u>	<u>9,316</u>
Net changes in assets	17,313	(8,010)
Net changes in liabilities	(246)	(8,781)
Net cash from / (used in) operations	<u>20,660</u>	<u>(7,475)</u>
Tax paid	(2,395)	(2,375)
Tax refund	19	243
Net cash from / (used in) operating activities	<u>18,284</u>	<u>(9,607)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	-	(67)
Addition of software development expenditure	(420)	(197)
Interest received	305	306
Withdrawal / (Placement) of deposits pledged to licensed bank	377	(252)
(Purchase) / Disposal of other investments	(3)	34
Purchase of property, plant and equipment	(198)	(170)
Proceeds from disposal of property, plant and equipment	-	3
Net cash from / (used in) investing activities	<u>61</u>	<u>(343)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,968)	(2,473)
(Repayment) / Drawdown of borrowings	(13,173)	6,517
Redemption of redeemable preference shares	-	(2,000)
Net cash (used in) / from financing activities	<u>(16,141)</u>	<u>2,044</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,204	(7,906)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	9,609	16,836
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(195)	(456)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>11,618</u>	<u>8,474</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 THIRD QUARTER ENDED 31 DECEMBER 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
9 months ended 31 December 2018						
External sales	26,964	15,362	87,519	7,451	-	137,296
Inter-segment sales	4,702	307	4,226	1,117	(10,352)	-
Total	31,666	15,669	91,745	8,568	(10,352)	137,296
Results						
Segment results	(971)	(106)	125	2,082	235	1,365
Interest expense	(235)	-	(2,733)	-	-	(2,968)
Interest income	96	7	202	-	-	305
Tax income / (expense)	610	-	(272)	-	-	338
(Loss) / Profit for the financial period	(500)	(99)	(2,678)	2,082	235	(960)
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	42,342	11,245	114,211	9,607	(18,611)	158,794
Results						
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
Tax expense	(1,159)	(1)	(350)	-	-	(1,510)
Profit / (Loss) for the financial period	2,673	(1,342)	(1,996)	2,090	666	2,091

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 20 February 2019 (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 31 December 2018 RM'000
Cash and bank balances	4,604
Fixed deposits with licensed financial institutions	19,494
	24,098
Less: Fixed deposits pledged with a licensed bank	(9,243)
Bank overdraft	(3,237)
	11,618

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 31 December			9 months ended 31 December		
	2018	2017	Variance	2018	2017	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	9,706	10,470	-7%	31,666	42,342	-25%
Enterprise Solutions	7,446	3,747	99%	15,669	11,245	39%
Distribution Services	27,730	43,670	-37%	91,745	114,211	-20%
Solution Delivery	2,841	1,800	58%	8,568	9,607	-11%
	<u>47,723</u>	<u>59,687</u>	<u>-20%</u>	<u>147,648</u>	<u>177,405</u>	<u>-17%</u>
Less : Inter Segment Revenue	<u>(2,488)</u>	<u>(4,221)</u>		<u>(10,352)</u>	<u>(18,611)</u>	
Total Group Revenue	<u>45,235</u>	<u>55,466</u>	<u>-18%</u>	<u>137,296</u>	<u>158,794</u>	<u>-14%</u>

The Group's revenue decreased in the current quarter under review by RM10.23 million as compared to the revenue achieved in the corresponding quarter of preceding year. The lower revenue was mainly 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		
	2018	2017	Variance	2018	2017	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	(981)	(1,984)	-51%	(1,110)	3,832	NA
Enterprise Solutions	166	(559)	NA	(99)	(1,341)	93%
Distribution Services	(1,297)	254	NA	(2,406)	(1,646)	-46%
Solution Delivery	628	(672)	NA	2,082	2,090	0%
	<u>(1,484)</u>	<u>(2,961)</u>	<u>-50%</u>	<u>(1,533)</u>	<u>2,935</u>	<u>NA</u>
Add / (Less) : Elimination	<u>80</u>	<u>106</u>		<u>235</u>	<u>666</u>	
Loss before taxation ("LBT") / Profit before taxation ("PBT")	<u>(1,404)</u>	<u>(2,855)</u>	<u>-51%</u>	<u>(1,298)</u>	<u>3,601</u>	<u>NA</u>

The Group recorded a LBT of RM1.40 million in the current quarter under review as compared to a loss of RM2.86 million in the corresponding quarter of preceding year. The decrease was mainly attributable to lower employees costs as compared to the corresponding quarter last year.

Material change in (loss) / 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	45,235	51,527	-12%
(Loss) / Profit before taxation	(1,404)	769	N/A

The Group recorded a decrease in revenue by RM6.29 million in the current quarter as compared to the immediate preceding quarter mainly attributable to lower order fulfilments.

The loss before taxation of RM1.40 million in the current quarter was mainly attributable to 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

The challenges posed by both micro and macro-economic uncertainties continue to have an impact on the Group's business and it is likely that these conditions will continue through to the fourth quarter FY19. Nevertheless, the Board is taking active steps to ensure the pursuit and delivery of new business that will deliver sustainable and recurring revenue. These measures, together with streamlining of operational efficiencies will help to improve the prospects and ultimately profitability for the Group. With the current pipeline that the Group has identified and continues to build, the Board expects to see an improved financial year ending 31 March 2020.

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 2018 RM'000	Cumulative 31 December 2018 RM'000
Taxation - current year	(7)	(322)
Taxation - prior year	721	721
Deferred tax	42	(61)
Total	756	338

The Group incurred an income tax expense despite recording a loss before tax for the current quarter under review as profits of certain subsidiaries cannot be set-off against losses of other subsidiaries for tax purposes as these subsidiaries are not able to satisfy the conditions for group relief and certain expenses were disallowed for tax deductions.

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 31 December 2018 RM'000	As at 31 December 2017 RM'000
Short term bank borrowings - secured	12,144	26,292
Long term bank borrowings - secured	3,431	293
Total borrowings	15,575	26,585

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM2.31 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 (loss) / earning 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 2018	Cumulative Quarter 31 December 2018
Loss attributable to owners of the parent (RM)	(629,000)	(1,102,000)
No. of ordinary share in issue	167,368,100	167,368,100
Basic loss per share (sen)	<u>(0.38)</u>	<u>(0.66)</u>

B13 Authorisation for issue

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the directors dated 27 February 2019.

MICROLINK SOLUTIONS BERHAD (620782-P)

27 February 2019