



MICROLINK SOLUTIONS BERHAD

Company no. 620782P
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2016

<u>Table of contents</u>	<u>Page</u>
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	1
Condensed Consolidated Statement of Financial Position	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flow	4
Notes to the Interim Financial Report	5 - 6
Explanatory notes pursuant to Appendix 9B of the ACE Market Listing Requirements	7 - 9

MICROLINK SOLUTIONS BERHAD (620782-P)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For The Quarter Ended 30 September 2016

(The figures have not been audited)

	Note	Individual		Cumulative	
		3 months ended 30 September 2016 RM'000	3 months ended 30 September 2015 RM'000	6 months ended 30 September 2016 RM'000	6 months ended 30 September 2015 RM'000
Revenue	B1	65,040	69,560	118,633	106,495
Cost of sales	B1	(54,762)	(59,051)	(98,735)	(87,936)
Gross profit		10,278	10,509	19,898	18,559
Other operating income		108	99	290	357
Selling and distribution expenses		(267)	(179)	(477)	(412)
Administrative expenses		(8,018)	(7,462)	(15,744)	(14,764)
Finance costs		(587)	(462)	(1,059)	(815)
Other operating expenses		(5,319)	(993)	(6,303)	(1,873)
Profit / (Loss) before taxation	B1	(3,805)	1,512	(3,395)	1,052
Income tax expense	B4	(454)	(996)	(700)	(1,379)
Profit / (Loss) for the period		(4,259)	516	(4,095)	(327)
Other comprehensive income					
Exchange differences on translation of foreign operations		3	(5)	2	(38)
Other comprehensive income net of tax		3	(5)	2	(38)
Total comprehensive income for the period		(4,256)	511	(4,093)	(365)
Profit / (Loss) attributable to :					
Owners of the Parent		(4,227)	419	(4,085)	(304)
Non-Controlling Interests		(32)	97	(10)	(23)
		(4,259)	516	(4,095)	(327)
Total comprehensive income/ (loss) attributable to :					
Owners of the Parent		(4,224)	414	(4,083)	(342)
Non-Controlling Interests		(32)	97	(10)	(23)
		(4,256)	511	(4,093)	(365)
Earnings / (Loss) per share (sen):					
Basic	B13	(2.53)	0.28	(2.44)	(0.20)
Diluted	B13	(2.53)	0.28	(2.44)	(0.20)

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2016 and the accompanying explanatory notes attached to the interim financial statements.

MICROLINK SOLUTIONS BERHAD (620782-P)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 September 2016

	Unaudited As At 30 September 2016 RM'000	Audited As At 31 March 2016 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,365	1,800
Software development expenditure	42,060	10,498
Other investments	105	105
Goodwill on consolidation	18,473	18,473
Deferred tax assets	952	956
Total non-current assets	<u>62,955</u>	<u>31,832</u>
CURRENT ASSETS		
Inventories	16,657	6,818
Trade and other receivables	81,527	101,167
Current tax assets	3,359	2,241
Cash and bank balances	23,023	32,185
Total current assets	<u>124,566</u>	<u>142,411</u>
TOTAL ASSETS	<u>187,521</u>	<u>174,243</u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued capital	16,737	15,215
Reserves	57,870	41,338
Shareholders' equity	<u>74,607</u>	<u>56,553</u>
Non-controlling interests	96	106
	<u>74,703</u>	<u>56,659</u>
NON CURRENT LIABILITIES		
Borrowings	22	33
Provision for gratuity obligations	1,184	1,184
Redeemable preference shares	27,193	27,193
Deferred tax liabilities	898	898
	<u>29,297</u>	<u>29,308</u>
CURRENT LIABILITIES		
Trade and other payables	57,380	76,102
Borrowings	25,813	12,045
Current tax liabilities	328	129
	<u>83,521</u>	<u>88,276</u>
Total liabilities	112,818	117,584
TOTAL EQUITY AND LIABILITIES	<u>187,521</u>	<u>174,243</u>
Net assets per share (RM)	<u>0.45</u>	<u>0.37</u>

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2016 and the accompanying explanatory notes attached to the interim financial statements.

MICROLINK SOLUTIONS BERHAD (620782-P)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Quarter Ended 30 September 2016
(The figures have not been audited)

	Attributable to Owners of the Parent								
	Issued capital	Distributable reserve	Non-distributable reserves				Total	Non-controlling interests	Total
	Ordinary shares	Retained earnings	Share premium	Capital redemption reserve	Equity compensation reserve	Currencies translation reserve			
6 months ended 30 September 2015									
At 1 April 2015 (audited)	13,835	31,548	5,056	-	-	(155)	50,284	(1,389)	48,895
Other comprehensive loss	-	-	-	-	-	(38)	(38)	-	(38)
Loss for the period	-	(304)	-	-	-	-	(304)	(23)	(327)
Total comprehensive loss for the period	-	(304)	-	-	-	(38)	(342)	(23)	(365)
Ordinary shares issued pursuant to Private Placement	1,380	-	5,520	-	-	-	6,900	-	6,900
Arising from accretion of equity interests in subsidiaries	-	(1,924)	-	-	-	-	(1,924)	1,570	(354)
At 30 September 2015	15,215	29,320	10,576	-	-	(193)	54,918	158	55,076
6 months ended 30 September 2016									
At 1 April 2016 (audited)	15,215	30,890	10,576	80	-	(208)	56,553	106	56,659
Other comprehensive gain	-	-	-	-	-	2	2	-	2
Loss for the period	-	(4,085)	-	-	-	-	(4,085)	(10)	(4,095)
Total comprehensive loss for the period	-	(4,085)	-	-	-	2	(4,083)	(10)	(4,093)
Ordinary shares issued pursuant to Private Placement	1,522	-	16,235	-	-	-	17,757	-	17,757
ESOS expenses	-	-	-	-	4,380	-	4,380	-	4,380
At 30 September 2016	16,737	26,805	26,811	80	4,380	(206)	74,607	96	74,703

Note:

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2016 and the accompanying explanatory notes attached to the interim financial statements.

MICROLINK SOLUTIONS BERHAD (620782-P)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For The Quarter Ended 30 September 2016
(The figures have not been audited)

Note	Current Year 6 months ended 30 September 2016 RM'000	Preceding Period 6 months ended 30 September 2015 RM'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(3,395)	1,052
Adjustment for non-cash items:		
Amortisation of software development expenditure	1,487	1,333
Depreciation of property, plant and equipment	451	503
Equity settled share-based payment expense	50	-
Employees share option scheme expense	4,380	-
Interest expense	1,059	815
Interest income	(238)	(182)
Loss on disposal property, plant and equipment	2	-
Property, plant and equipment written off	144	-
Provision for post-employment benefits	-	(109)
Net unrealised loss on foreign exchange	19	2
Operating profit before working capital changes	<u>3,959</u>	<u>3,414</u>
Net changes in assets	9,415	(35,813)
Net changes in liabilities	(18,343)	33,718
Net cash (used in) / from operations	<u>(4,969)</u>	<u>1,319</u>
Tax paid	(1,623)	(997)
Tax refund	8	-
Net cash (used in) / from operating activities	<u>(6,584)</u>	<u>322</u>
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Acquisition of additional interest in subsidiary	-	(354)
Interest received	238	182
Placement of deposits pledged to licensed bank	(727)	-
Addition of software development expenditure	(33,049)	(512)
Proceeds from disposal of property, plant and equipment	18	4
Purchase of property, plant and equipment	(181)	(88)
Net cash used in investing activities	<u>(33,701)</u>	<u>(768)</u>
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Drawdown / (Repayment) of borrowings	13,756	(7,990)
Interest paid	(1,059)	(815)
Net proceeds from issue of shares pursuant to Private Placement	17,757	6,900
Net cash from / (used in) financing activities	<u>30,454</u>	<u>(1,905)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,831)	(2,351)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	24,740	23,201
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(59)	(42)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	A12 <u>14,850</u>	<u>20,808</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 2016 and the accompanying explanatory notes attached to the interim financial statements.

A NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards ("MFRSs") No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), and Paragraph 9.22 of the Bursa Malaysia Securities Berhad 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 2016. 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 2016.

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 2016 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 2016:

MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101 Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 127 Equity Method in Separate Financial Statements
Amendments to MFRSs Annual Improvements to 2012-2014 Cycle

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 2016 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) Business Performance Services - Provision of business performance improvement related services
- (ii) Distribution - Distribution and maintenance of computer equipment and software
- (iii) Services and System Integration ("SI") - Provision of computer technology and the maintenance of computer hardware and software

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A7 Segmental information (Cont'd)

Business Segments	Business Performance				Consolidation RM'000
	Services RM'000	Distribution RM'000	SI RM'000	Elimination RM'000	
6 months ended 30 September 2016					
External sales	15,019	98,619	4,995	-	118,633
Inter-segment sales	5,403	576	1,991	(7,970)	-
Total	20,422	99,195	6,986	(7,970)	118,633
Results					
Segment results	(3,743)	2,732	(1,961)	398	(2,574)
Interest expense	(3)	(526)	(544)	14	(1,059)
Interest income	113	125	14	(14)	238
Tax expense	(9)	(679)	(12)	-	(700)
Profit for the financial period	(3,642)	1,652	(2,503)	398	(4,095)
6 months ended 30 September 2015					
External sales	11,362	87,986	7,147	-	106,495
Inter-segment sales	7,557	866	216	(8,639)	-
Total	18,919	88,852	7,363	(8,639)	106,495
Results					
Segment results	(978)	3,196	(406)	(127)	1,685
Interest expense	-	(287)	(528)	-	(815)
Interest income	35	125	22	-	182
Tax expense	(588)	(765)	(26)	-	(1,379)
Profit for the financial period	(1,531)	2,269	(938)	(127)	(327)

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 have been no material events subsequent to the end of the quarter.

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 14 November 2016 (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 2016 RM'000
Cash and bank balances	11,548
Short-term investments	128
Fixed deposits with licensed financial institutions	11,347
	<u>23,023</u>
Less: Fixed deposits pledged with a licensed bank	(8,173)
	<u>14,850</u>

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE LISTING REQUIREMENTS

B1 Review of performance

The Group's revenue decreased by RM4.52 million in the current quarter under review as compared to the corresponding quarter of the preceding year. However, its cumulative revenue improved by RM12.14 million in the period under review as compared to the corresponding period of the preceding year.

The detailed 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
	2016	2015		2016	2015	
	RM'000	RM'000	%	RM'000	RM'000	%
Business Performance Services	10,512	11,698	-10%	20,422	18,919	8%
Distribution	55,591	61,023	-9%	99,195	88,852	12%
SI	3,192	3,333	-4%	6,986	7,363	-5%
	69,295	76,054	-9%	126,603	115,134	10%
Less : Inter Segment Revenue	(4,255)	(6,494)		(7,970)	(8,639)	
Total Group Revenue	65,040	69,560	-6%	118,633	106,495	11%

Revenue was lower across all segments arising from lower order fulfilments during the quarter under review. Nevertheless, save for SI, both Business Performance Services and Distribution segments recorded higher revenue in the cumulative period under review.

The detailed breakdown of (loss) / profit 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
	2016	2015		2016	2015	
	RM'000	RM'000	%	RM'000	RM'000	%
Business Performance Services	(3,674)	(967)	280%	(3,633)	(943)	285%
Distribution	1,379	3,371	-59%	2,331	3,034	-23%
SI	(1,716)	(686)	150%	(2,491)	(912)	173%
	(4,011)	1,718	N/A	(3,793)	1,179	N/A
Add / (Less) : Elimination	206	(206)		398	(127)	
(Loss) / Profit before taxation	(3,805)	1,512	N/A	(3,395)	1,052	N/A

The Group's loss before taxation recorded during the quarter under review was mainly attributable to the provision of Employee Share Option Scheme ("ESOS") expenses amounting to RM4.38 million. Consequently, this contributed to the Group recording a loss before taxation for the financial period to-date, which also includes costs associated with staff force restructuring amounting to RM1.41 million

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	65,040	53,593	21%
Profit before taxation	(3,805)	410	-1028%

Higher order fulfilments in the Business Performance Services and Distribution segments attributed to the increased revenue in the current quarter.

Arising from the Group's ESOS offered and accepted by eligible employees in August 2016, the provision of ESOS expenses explained above has impacted the profitability of the Group in the quarter under review.

B2 Prospects

As traction increases on the Group's expansion into Cloud offerings, the Board is optimistic that these initiatives will provide the platform for improving the Group's earnings in the medium to long term.

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	Cumulative 30 September
	2016	2016
	RM'000	RM'000
Malaysia Income Tax	(454)	(700)
	(454)	(700)

The effective tax rates for the period under review is higher than statutory tax rate of 24% principally due to the losses incurred by the Company's business performance services subsidiaries in which no tax credit is being recognised to offset the tax expenses of profitable subsidiaries.

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

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

The Company had on 2 June 2016 announced the proposal to implement a placement of up to 15,215,200 new ordinary shares of RM0.10 each in Microlink, to independent third party investor(s) to be identified ("Proposed Private Placement").

The listing application for the Placement Shares to be issued to the Proposed Private Placement was approved by Bursa Malaysia Securities Berhad on 24 June 2016.

On 28 June 2016, the Company announced that the issue price for up to 15,215,200 Placement Shares is fixed at RM1.20 per Placement Share. Following the listing and quotation for 15,215,200 new ordinary shares at an issue price of RM1.20 on 11 July 2016, total cash proceeds of RM18,258,240 were raised.

On 25 August 2016, the Company announced a variation of utilisation of proceeds raised from the Private Placement. As at 18 November 2016, the status of utilisation of proceeds is as follows:-

	Intended timeframe	Proposed utilisation RM'000	Actual utilisation RM'000	Balance RM'000
1 Repayment of bank borrowings	6 months	3,000	3,000	0
2 Working capital for general business purposes	12 months	14,726	10,792	3,934
3 Expenses for the Private Placement	1 month	532	532	0
		18,258	14,324	3,934

B8 Group's borrowings and debt securities

Banking facilities totaling RM50.18 million have been granted to the Group. Unutilised secured banking facilities during the financial period under review is RM26.28 million.

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM1.98 million have been issued.

B10 Disclosure of Realised and Unrealised Profits

	Unaudited As at 30 September 2016 RM'000	Unaudited As at 30 June 2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	25,151	29,611
- Unrealised	53	57
	25,204	29,668
Less: Consolidation adjustments	1,601	1,364
Total group retained earnings as per statement of financial position	26,805	31,032

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.

B12 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)

B13 Earnings per share

Basic earnings per share

The calculation of the basic earnings per share is based on the net profit for the financial quarter and period under review divided by the weighted average number of ordinary shares of RM0.10 in issue.

	Individual Quarter 30 September 2016	Cumulative Quarter 30 September 2016
Profit attributable to owners of the parent (RM)	(4,227,000)	(4,085,000)
No. of ordinary share in issue	167,368,100	167,368,100
Basic earnings per share (sen)	<u>(2.53)</u>	<u>(2.44)</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 21 November 2016.

MICROLINK SOLUTIONS BERHAD (620782-P)
21 November 2016