



MICROLINK SOLUTIONS BERHAD

Company no. 620782P
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 2016

(The figures have not been audited)

	Note	Individual		Cumulative	
		3 months ended 31 December 2016 RM'000	3 months ended 31 December 2015 RM'000	9 months ended 31 December 2016 RM'000	9 months ended 31 December 2015 RM'000
Revenue	B1	81,612	67,639	200,245	174,134
Cost of sales	B1	(70,940)	(57,087)	(169,675)	(145,023)
Gross profit		10,672	10,552	30,570	29,111
Other operating income		116	167	406	524
Selling and distribution expenses		(172)	(122)	(649)	(534)
Administrative expenses		(7,179)	(7,647)	(22,923)	(22,411)
Finance costs		(696)	(484)	(1,755)	(1,299)
Other operating expenses		(734)	(917)	(7,037)	(2,790)
Profit / (Loss) before taxation	B1	2,007	1,549	(1,388)	2,601
Income tax expense	B4	(1,949)	(719)	(2,649)	(2,098)
Profit / (Loss) for the period		58	830	(4,037)	503
Other comprehensive income					
Exchange differences on translation of foreign operations		(10)	(17)	(8)	(55)
Other comprehensive income net of tax		(10)	(17)	(8)	(55)
Total comprehensive income for the period		48	813	(4,045)	448
Profit / (Loss) attributable to :					
Owners of the Parent		137	881	(3,948)	577
Non-Controlling Interests		(79)	(51)	(89)	(74)
		58	830	(4,037)	503
Total comprehensive income/ (loss) attributable to :					
Owners of the Parent		127	864	(3,956)	522
Non-Controlling Interests		(79)	(51)	(89)	(74)
		48	813	(4,045)	448
Earnings / (Loss) per share (sen):					
Basic	B13	0.08	0.58	(2.36)	0.38
Diluted	B13	0.08	0.58	(2.36)	0.38

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 31 December 2016

	Unaudited As At 31 December 2016 RM'000	Audited As At 31 March 2016 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,228	1,800
Software development expenditure	43,791	10,498
Other investments	105	105
Goodwill on consolidation	18,473	18,473
Deferred tax assets	838	956
Total non-current assets	<u>64,435</u>	<u>31,832</u>
CURRENT ASSETS		
Inventories	7,042	6,818
Trade and other receivables	83,555	101,167
Current tax assets	3,426	2,241
Cash and bank balances	17,110	32,185
Total current assets	<u>111,133</u>	<u>142,411</u>
TOTAL ASSETS	<u>175,568</u>	<u>174,243</u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued capital	16,737	15,215
Reserves	57,911	41,338
Shareholders' equity	<u>74,648</u>	<u>56,553</u>
Non-controlling interests	17	106
	<u>74,665</u>	<u>56,659</u>
NON CURRENT LIABILITIES		
Borrowings	19	33
Provision for gratuity obligations	1,184	1,184
Redeemable preference shares	27,193	27,193
Deferred tax liabilities	910	898
	<u>29,306</u>	<u>29,308</u>
CURRENT LIABILITIES		
Trade and other payables	54,454	76,102
Borrowings	16,461	12,045
Current tax liabilities	682	129
	<u>71,597</u>	<u>88,276</u>
Total liabilities	100,903	117,584
TOTAL EQUITY AND LIABILITIES	<u>175,568</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 31 December 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				
9 months ended 31 December 2015										
At 1 April 2015 (audited)	13,835	31,548	5,056	-	-	(155)	50,284	(1,389)	48,895	
Other comprehensive loss	-	-	-	-	-	(55)	(55)	-	(55)	
Profit for the period	-	577	-	-	-	-	577	(74)	503	
Total comprehensive profit for the period	-	577	-	-	-	(55)	522	(74)	448	
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 31 December 2015	15,215	30,201	10,576	-	-	(210)	55,782	107	55,889	
9 months ended 31 December 2016										
At 1 April 2016 (audited)	15,215	30,890	10,576	80	-	(208)	56,553	106	56,659	
Other comprehensive loss	-	-	-	-	-	(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	
ESOS 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	

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 31 December 2016
(The figures have not been audited)

Note	Current Year 9 months ended 31 December 2016 RM'000	Preceding Period 9 months ended 31 December 2015 RM'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(1,388)	2,601
Adjustment for non-cash items:		
Amortisation of software development expenditure	2,138	1,983
Depreciation of property, plant and equipment	654	753
Equity settled share-based payment expense	50	-
Employees share option scheme expense	4,294	-
Interest expense	1,755	1,299
Interest income	(328)	(316)
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	20	(5)
Operating profit before working capital changes	<u>7,341</u>	<u>6,206</u>
Net changes in assets	17,001	(30,028)
Net changes in liabilities	(21,361)	23,602
Net cash from / (used in) operations	<u>2,981</u>	<u>(220)</u>
Tax paid	(3,159)	(2,121)
Tax refund	8	-
Net cash used in operating activities	<u>(170)</u>	<u>(2,341)</u>
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Acquisition of additional interest in subsidiary	-	(354)
Interest received	328	316
Placement of deposits pledged to licensed bank	(440)	(543)
Addition of software development expenditure	(35,431)	(807)
Proceeds from disposal of property, plant and equipment	18	5
Purchase of property, plant and equipment	(246)	(210)
Net cash used in investing activities	<u>(35,771)</u>	<u>(1,593)</u>
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Drawdown of borrowings	2,424	9,307
Interest paid	(1,755)	(1,299)
Net proceeds from issue of shares pursuant to Private Placement	17,757	6,900
Net cash from financing activities	<u>18,426</u>	<u>14,908</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(17,515)</u>	<u>10,974</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>24,740</u>	<u>23,201</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	<u>22</u>	<u>(21)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>A12 7,247</u>	<u>34,154</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	
9 months ended 31 December 2016					
External sales	22,067	168,012	10,166	-	200,245
Inter-segment sales	7,806	1,506	3,044	(12,356)	-
Total	29,873	169,518	13,210	(12,356)	200,245
Results					
Segment results	(4,764)	5,741	(1,527)	589	39
Interest expense	(6)	(931)	(832)	14	(1,755)
Interest income	121	204	17	(14)	328
Tax expense	(417)	(1,817)	(415)	-	(2,649)
(Loss) / Profit for the financial period	(5,066)	3,197	(2,757)	589	(4,037)
9 months ended 31 December 2015					
External sales	17,652	145,847	10,635	-	174,134
Inter-segment sales	10,228	1,686	1,329	(13,243)	-
Total	27,880	147,533	11,964	(13,243)	174,134
Results					
Segment results	(925)	4,392	407	(290)	3,584
Interest expense	-	(634)	(792)	127	(1,299)
Interest income	203	212	28	(127)	316
Tax expense	(850)	(1,089)	(159)	-	(2,098)
(Loss) / Profit for the financial period	(1,572)	2,881	(516)	(290)	503

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 February 2017 (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 2016 RM'000
Cash and bank balances	10,381
Short-term investments	121
Fixed deposits with licensed financial institutions	6,608
	<hr/> 17,110
Less: Fixed deposits pledged with a licensed bank	(7,886)
Bank overdraft	(1,977)
	<hr/> 7,247

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

B1 Review of performance

The Group's revenue increased by RM13.97 million in the current quarter under review as compared to the corresponding quarter of the preceding year. Its cumulative revenue also improved by RM26.11 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 31 December			9 months ended 31 December		
	2016	2015	Variance	2016	2015	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Business Performance Services	9,451	8,961	5%	29,873	27,880	7%
Distribution	70,323	58,681	20%	169,518	147,533	15%
SI	6,224	4,601	35%	13,210	11,964	10%
	85,998	72,243	19%	212,601	187,377	13%
Less : Inter Segment Revenue	(4,386)	(4,604)		(12,356)	(13,243)	
Total Group Revenue	81,612	67,639	21%	200,245	174,134	15%

Revenue was higher across all segments arising from higher order fulfillments in the current quarter and 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 31 December			9 months ended 31 December		
	2016	2015	Variance	2016	2015	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Business Performance Services	(1,016)	221	N/A	(4,649)	(722)	-544%
Distribution	2,683	936	187%	5,014	3,970	26%
SI	149	555	-73%	(2,342)	(357)	-556%
	1,816	1,712	N/A	(1,977)	2,891	N/A
Add / (Less) : Elimination	191	(163)		589	(290)	
Profit / (Loss) before taxation	2,007	1,549	30%	(1,388)	2,601	N/A

The Group recorded a higher profit before tax of RM2.01 million in the current quarter under review as compared to RM1.55 million in the corresponding quarter of the preceding financial year mainly attributable to higher revenue and gross profit recorded in Distribution segment. Both the Business Performance Service and SI segments recorded loss before taxation and lower profit before taxation despite higher revenue was due lower gross profit arising from changed in product mix.

The Group recording a loss before taxation of RM1.39 million for the cumulative period as compared to profit before taxation of RM2.60 million in the corresponding period of the preceding financial year due to provision of Employee Share Option Scheme expenses amounting to RM4.29 million and 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	81,612	65,040	25%
Profit before taxation	2,007	(3,805)	N/A

Higher order fulfillments in all the segments attributed to the increased revenue in the current quarter.

The Group recorded profit before taxation of RM2.01 million in the current quarter as compared to loss before taxation of RM3.81 million in the immediate preceding quarter mainly due to higher gross profit contributed by Distribution segment and adjustments made to provision of ESOS expenses amounting to RM1.47 million.

B2 Prospects

The outlook and sales pipeline of the Group remain encouraging and robust. The Board is cautiously optimistic that the Group will achieve a satisfactory performance in the current financial year.

B3 Profit forecast or guarantee

There were no profit forecast or profit guarantee issued by the Group and the Company.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE LISTING REQUIREMENTS (Cont'd)
B4 Income tax expense

	Current quarter 31 December 2016 RM'000	Cumulative 31 December 2016 RM'000
Taxation - current year	(784)	(1,470)
Taxation - prior year	(1,039)	(1,049)
Deferred tax	(126)	(130)
Total	<u>(1,949)</u>	<u>(2,649)</u>

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.

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 14 February 2017, 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	14,726	0
3 Expenses for the Private Placement	1 month	532	532	0
		<u>18,258</u>	<u>18,258</u>	<u>0</u>

B8 Group's borrowings and debt securities

Banking facilities totaling RM49.16 million have been granted to the Group. Unutilised secured banking facilities during the financial period under review is RM18.41 million.

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM2.64 million have been issued.

B10 Disclosure of Realised and Unrealised Profits

	Unaudited As at 31 December 2016 RM'000	Unaudited As at 30 September 2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	23,689	25,151
- Unrealised	(91)	53
	<u>23,598</u>	<u>25,204</u>
Less: Consolidation adjustments	3,344	1,601
Total group retained earnings as per statement of financial position	<u>26,942</u>	<u>26,805</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.

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/ (loss) per share

The calculation of the basic earnings/ (loss) 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 31 December 2016	Cumulative Quarter 31 December 2016
Profit/ (Loss) attributable to owners of the parent (RM)	137,000	(3,948,000)
No. of ordinary share in issue	167,368,100	167,368,100
Basic earnings/ (loss) per share (sen)	<u>0.08</u>	<u>(2.36)</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 February 2017.

MICROLINK SOLUTIONS BERHAD (620782-P)
21 February 2017