



MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 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 FIRST QUARTER ENDED 30 JUNE 2017**

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 JUNE		CUMULATIVE PERIOD THREE MONTHS ENDED 30 JUNE	
	2017 RM'000 Unaudited	2016 RM'000 Unaudited	2017 RM'000 Unaudited	2016 RM'000 Unaudited
Revenue	58,024	53,593	58,024	53,593
Cost of sales	(42,543)	(43,973)	(42,543)	(43,973)
Gross profit	15,481	9,620	15,481	9,620
Other operating income	86	182	86	182
Selling and distribution expenses	(196)	(210)	(196)	(210)
Administrative expenses	(7,307)	(7,726)	(7,307)	(7,726)
Finance costs	(784)	(472)	(784)	(472)
Other operating expenses	(834)	(984)	(834)	(984)
Profit before taxation	6,446	410	6,446	410
Tax expense	(1,617)	(246)	(1,617)	(246)
Profit for the period	4,829	164	4,829	164
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	4	(1)	4	(1)
Other comprehensive income / (loss) for the period, net of tax	4	(1)	4	(1)
Total comprehensive income for the period	4,833	163	4,833	163
Profit attributable to :				
Owners of the Parent	4,791	142	4,791	142
Non-Controlling Interests	38	22	38	22
	4,829	164	4,829	164
Total comprehensive income attributable to :				
Owners of the Parent	4,795	141	4,795	141
Non-Controlling Interests	38	22	38	22
	4,833	163	4,833	163
Earnings per share (sen):				
Basic	2.86	0.09	2.86	0.09
Diluted	2.86	0.09	2.86	0.09

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 30 JUNE 2017

	As At 30 June 2017 RM'000 Unaudited	As At 31 March 2017 RM'000 Audited
ASSETS		
Non-Current Assets		
Goodwill	18,409	18,409
Software development expenditure	46,166	46,735
Other investment	105	105
Deferred tax assets	2,768	2,768
Property, plant and equipment	988	1,123
	<u>68,436</u>	<u>69,140</u>
Current Assets		
Inventories	7,404	13,138
Other investments	120	120
Trade receivables	59,267	48,135
Other receivables, deposits and prepayments	28,721	27,883
Amount owing by ultimate holding company	1,081	551
Amount owing by immediate holding company	289	222
Current tax assets	2,929	2,902
Cash and bank balances	19,324	24,983
	<u>119,135</u>	<u>117,934</u>
TOTAL ASSETS	<u>187,571</u>	<u>187,074</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	43,628	43,628
Reserves	4,591	4,131
Retained earnings	36,461	31,670
	<u>84,680</u>	<u>79,429</u>
Non-controlling interests	136	98
TOTAL EQUITY	<u>84,816</u>	<u>79,527</u>
Non-Current Liabilities		
Borrowings	9	14
Provision for gratuity obligations	1,429	1,429
Redeemable preference shares	27,193	27,193
	<u>28,631</u>	<u>28,636</u>
Current Liabilities		
Trade payables	13,813	19,608
Other payables and accruals	33,767	39,646
Amount owing to ultimate holding company	2,206	1,709
Amount owing to immediate holding company	96	96
Amount owing to related companies	357	454
Borrowings	22,746	17,099
Current tax liabilities	1,139	299
	<u>74,124</u>	<u>78,911</u>
TOTAL LIABILITIES	<u>102,755</u>	<u>107,547</u>
TOTAL EQUITY AND LIABILITIES	<u>187,571</u>	<u>187,074</u>
Net assets per share (RM)	<u>0.51</u>	<u>0.48</u>

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 CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 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									
3 months ended 30 June 2016									
At 1 April 2016 (audited)	15,215	30,890	10,576	80	-	(208)	56,553	106	56,659
Other comprehensive loss	-	-	-	-	-	(1)	(1)	-	(1)
Profit for the period	-	142	-	-	-	-	142	22	164
Total comprehensive profit for the period	-	142	-	-	-	(1)	141	22	163
At 30 June 2016	15,215	31,032	10,576	80	-	(209)	56,694	128	56,822
Unaudited									
3 months ended 30 June 2017									
At 1 April 2017 (audited)	43,628	31,670	-	-	4,348	(217)	79,429	98	79,527
Other comprehensive profit	-	-	-	-	-	4	4	-	4
Profit for the period	-	4,791	-	-	456	-	5,247	38	5,285
Total comprehensive profit for the period	-	4,791	-	-	456	4	5,251	38	5,289
At 30 June 2017	43,628	36,461	-	-	4,804	(213)	84,680	136	84,816

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 FIRST QUARTER ENDED 30 JUNE 2017**

	Current Year 3 months ended 30 June 2017 RM'000 Unaudited	Preceding Year 3 months ended 30 June 2016 RM'000 Unaudited
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Profit before taxation	6,446	410
Adjustment for non-cash items:		
Amortisation of software development expenditure	623	746
Bad debts written off	23	-
Depreciation of property, plant and equipment	175	229
Equity settled share-based payment expense	-	50
Employees share option scheme expense	456	-
Interest expense	784	472
Interest income	(77)	(161)
Net unrealised loss on foreign exchange	7	16
Operating profit before working capital changes	<u>8,437</u>	<u>1,762</u>
Net changes in assets	(6,645)	18,854
Net changes in liabilities	(11,440)	(4,847)
Net cash (used in) / from operations	<u>(9,648)</u>	<u>15,769</u>
Tax paid	(861)	(912)
Tax refund	57	8
Net cash (used in) / from operating activities	<u>(10,452)</u>	<u>14,865</u>
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Addition of software development expenditure	(54)	(19,190)
Interest received	77	161
Placement / (Withdrawal) of deposits pledged to licensed bank	(143)	13
Purchase of property, plant and equipment	(40)	(144)
Net cash used in investing activities	<u>(160)</u>	<u>(19,160)</u>
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Interest paid	(784)	(472)
Drawdown / (Repayments) of borrowings	4,446	(585)
Net cash from / (used in) financing activities	<u>3,662</u>	<u>(1,057)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,950)	(5,352)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	16,836	24,740
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(48)	(148)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>9,838</u>	<u>19,240</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 FIRST QUARTER ENDED 30 JUNE 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 112 Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107 Disclosure Initiative
Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 - 2016 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 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 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	Enterprise Solutions RM'000	Distribution Services RM'000	Solution Delivery RM'000	Elimination RM'000	Consolidation RM'000
3 months ended 30 June 2017						
External sales	13,207	4,286	38,498	2,033	-	58,024
Inter-segment sales	9,019	122	676	78	(9,895)	-
Total	<u>22,226</u>	<u>4,408</u>	<u>39,174</u>	<u>2,111</u>	<u>(9,895)</u>	<u>58,024</u>
Results						
Segment results	7,452	(222)	(142)	(399)	464	7,153
Interest expense	(9)	-	(774)	(1)	-	(784)
Interest income	8	8	61	-	-	77
Tax expense	(1,600)	-	(17)	-	-	(1,617)
Profit / (Loss) for the financial period	<u>5,851</u>	<u>(214)</u>	<u>(872)</u>	<u>(400)</u>	<u>464</u>	<u>4,829</u>
3 months ended 30 June 2016						
External sales	5,235	3,801	42,390	2,167	-	53,593
Inter-segment sales	2,405	504	704	103	(3,716)	-
Total	<u>7,640</u>	<u>4,305</u>	<u>43,094</u>	<u>2,270</u>	<u>(3,716)</u>	<u>53,593</u>
Results						
Segment results	(1,041)	(686)	1,259	996	193	721
Interest expense	-	-	(471)	(1)	-	(472)
Interest income	87	6	68	-	-	161
Tax expense	(4)	-	(242)	-	-	(246)
(Loss) / Profit for the financial period	<u>(958)</u>	<u>(680)</u>	<u>614</u>	<u>995</u>	<u>193</u>	<u>164</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

On 12 July 2017, the Company announced that the Company redeemed 2,000,000 redeemable preference shares for the total redemption sum of RM2.0 million at the issue price of RM1.00 each in accordance with the provision of Article 4A of the Company's Articles of Association.

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 15 August 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 30 June 2017 RM'000
Cash and bank balances	7,509
Fixed deposits with licensed financial institutions	<u>11,815</u>
	19,324
Less: Fixed deposits pledged with a licensed bank	(8,290)
Bank overdraft	<u>(1,196)</u>
	<u>9,838</u>

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

B1 Review of performance

The Group's revenue increased by RM4.43 million in the current quarter under review as compared to the corresponding quarter of the proceeding year.

The detailed breakdown of revenue by business segments of the Group is as follows:-

	Individual Quarter 3 months ended 30 June			Cumulative Period 3 months ended 30 June		
	2017	2016	Variance %	2017	2016	Variance %
	RM'000	RM'000		RM'000	RM'000	
Financial Services	22,226	7,640	191%	22,226	7,640	191%
Enterprise Solutions	4,408	4,305	2%	4,408	4,305	2%
Distribution Services	39,174	43,094	-9%	39,174	43,094	-9%
Solution Delivery	2,111	2,270	-7%	2,111	2,270	-7%
	<u>67,919</u>	<u>57,309</u>	19%	<u>67,919</u>	<u>57,309</u>	19%
Less : Inter Segment Revenue	(9,895)	(3,716)		(9,895)	(3,716)	
Total Group Revenue	<u>58,024</u>	<u>53,593</u>	8%	<u>58,024</u>	<u>53,593</u>	8%

The Finance Services segment recorded an increase in revenue by RM14.59 million for the current quarter under review compared to the corresponding quarter of the immediate preceding year. This was mainly attributable to higher revenue recognition from new projects secured in current quarter under review.

The Distribution Services and Solution Delivery segments recorded a decline in revenue by RM3.92 million and RM0.16 million for the current quarter under review compared to the corresponding quarter of the immediate preceding year mainly attributable to lower order fulfillments and progress billings.

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

	Individual Quarter 3 months ended 30 June			Cumulative Period 3 months ended 30 June		
	2017	2016	Variance %	2017	2016	Variance %
	RM'000	RM'000		RM'000	RM'000	
Financial Services	7,451	(954)	N/A	7,451	(954)	N/A
Enterprise Solutions	(214)	(680)	69%	(214)	(680)	69%
Distribution Services	(855)	856	N/A	(855)	856	N/A
Solution Delivery	(400)	995	N/A	(400)	995	N/A
	<u>5,982</u>	<u>217</u>	2657%	<u>5,982</u>	<u>217</u>	2657%
Add / (Less) : Elimination	464	193		464	193	
Profit ("PBT") / Loss ("LBT") before taxation	<u>6,446</u>	<u>410</u>	1472%	<u>6,446</u>	<u>410</u>	1472%

The Group recorded a higher PBT of RM6.45 million in the current quarter under review compared to RM0.41 million in the corresponding quarter of the immediate preceding year.

The Financial Services segment recorded a PBT of RM7.45 million which was mainly attributable to higher revenue and improved gross profit margin recorded in the current quarter under review compared to LBT of RM0.95 million in the corresponding quarter of the immediate preceding year which also accounted for staff restructuring cost of RM0.93 million.

The Enterprise Solutions segment recorded lower losses in the current quarter under review by RM0.47 million compared to the corresponding quarter of the immediate preceding year, which included staff restructuring cost of RM0.25 million.

During the quarter under review, the Distribution Services segment recorded losses due to lower revenue and gross profit margin from less favorable product mix. Increase in staff cost of RM0.45 million and finance cost of RM0.31 million further weighed on this segment's performance during the quarter under review.

The loss of RM0.40 million recorded by Solution Delivery segment in the current quarter under review was mainly attributable to lower gross profit margin as compared to the corresponding quarter of the preceding financial year.

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

	Current Year Quarter RM'000	Immediate Preceding Quarter RM'000	Change %
Revenue	58,024	51,964	12%
Profit before taxation	6,446	3,910	65%

The Group recorded an increase in revenue by RM6.06 million and profit before taxation by RM2.54 million in the current quarter as compared to the immediate preceding quarter mainly attributable to higher revenue contributed by the Financial Services segment.

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

B2 Prospects

Although the Group's sale pipeline remains robust and encouraging, the Board is nevertheless mindful of the challenging business environment and is cautiously optimistic of the Group's financial performance for the current financial year.

The Company had on 15 July 2016 received a Letter of Intent ("LOI") dated 14 July 2016 from Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat") on its decision to improve/enhance its existing Core Banking System ("Project") and invited the Company for a detailed discussion to finalise the Project cost, scope of work and timeline.

The LOI received did not specify the project value and period. In addition, the LOI also clearly states that the LOI is non-binding in nature and not construed as an offer made by or from Bank Rakyat. Teams from both organisations are currently engaged in detailing the enhancements to the platform, designed to equip Bank Rakyat and its customers with the tools required for banking of the future.

The LOI is still at the stage of discussion and there has been no material development from the status update announcement released on 1 June 2017.

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 June 2017 RM'000	Cumulative 30 June 2017 RM'000
Taxation - current year	(1,617)	(1,617)
Taxation - prior year	-	-
Deferred tax	-	-
Total	<u>(1,617)</u>	<u>(1,617)</u>

The effective tax rates for the period under review is higher than statutory tax 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

Banking facilities totaling RM49.16 million have been granted to the Group. Unutilised secured banking facilities during the financial period under review was RM24.31 million.

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM2.26 million have been issued.

B10 Disclosure of Realised and Unrealised Profits

	Unaudited As at 30 June 2017 RM'000	Audited As at 31 March 2017 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	31,107	26,434
- Unrealised	<u>2,760</u>	<u>2,756</u>
	33,867	29,190
Less: Consolidation adjustments	<u>2,594</u>	<u>2,480</u>
Total group retained earnings as per statement of financial position	<u>36,461</u>	<u>31,670</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

Pursuant to the Share Sale Agreement entered between the Company and Omesti Berhad, Omesti Holdings Berhad and Man Yau Holdings Berhad on 12 June 2014, the Board of Directors had on 11 July 2017 declared a final cumulative dividend of 4% (based on the issue price of RM1.00) per redeemable preference shares ("RPS") for the period from and including 29 March 2016 up to and including 23 December 2016. The payment date for this dividend was on 11 July 2017.

In conjunction with the partial redemption of 2,000,000 RPS on 12 July 2017, the Board of Directors had on 12 July 2017 declared a interim cumulative dividend of 6.5% (based on the issue price of RM1.00) per RPS for the period from and including 24 December 2016 up to and including 11 July 2017. The payment date for this dividend was on 12 July 2017.

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 of RM0.10 in issue.

	Individual Quarter 30 June 2017	Cumulative Quarter 30 June 2017
Profit attributable to owners of the parent (RM)	4,791,000	4,791,000
No. of ordinary share in issue	167,368,100	167,368,100
Basic earnings per share (sen)	<u>2.86</u>	<u>2.86</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 22 August 2017.

**MICROLINK SOLUTIONS BERHAD (620782-P)
22 August 2017**