



MICROLINK SOLUTIONS BERHAD

Company no. 620782P
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 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 SECOND QUARTER ENDED 30 SEPTEMBER 2017**

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 SEPTEMBER		CUMULATIVE PERIOD SIX MONTHS ENDED 30 SEPTEMBER	
	2017 RM'000 Unaudited	2016 RM'000 Unaudited	2017 RM'000 Unaudited	2016 RM'000 Unaudited
Revenue	45,304	65,040	103,328	118,633
Cost of sales	(35,251)	(54,762)	(77,794)	(98,735)
Gross profit	10,053	10,278	25,534	19,898
Other operating income	109	108	195	290
Selling and distribution expenses	(209)	(267)	(405)	(477)
Administrative expenses	(8,498)	(8,018)	(15,805)	(15,744)
Finance costs	(715)	(587)	(1,499)	(1,059)
Other operating expenses	(730)	(5,319)	(1,564)	(6,303)
Profit / (Loss) before taxation	10	(3,805)	6,456	(3,395)
Tax expense	382	(454)	(1,235)	(700)
Profit / (Loss) for the period	392	(4,259)	5,221	(4,095)
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	(14)	3	(10)	2
Other comprehensive (loss) / income for the period, net of tax	(14)	3	(10)	2
Total comprehensive income / (loss) for the period	378	(4,256)	5,211	(4,093)
Profit / (Loss) attributable to :				
Owners of the Parent	155	(4,227)	4,946	(4,085)
Non-Controlling Interests	237	(32)	275	(10)
	392	(4,259)	5,221	(4,095)
Total comprehensive income / (loss) attributable to :				
Owners of the Parent	141	(4,224)	4,936	(4,083)
Non-Controlling Interests	237	(32)	275	(10)
	378	(4,256)	5,211	(4,093)
Earnings / (Loss) per share (sen):				
Basic	0.09	(2.53)	2.96	(2.44)
Diluted	0.09	(2.53)	2.96	(2.44)

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 SEPTEMBER 2017**

	As At 30 September 2017 RM'000 Unaudited	As At 31 March 2017 RM'000 Audited
ASSETS		
Non-Current Assets		
Goodwill	18,409	18,409
Software development expenditure	45,652	46,735
Other investment	105	105
Deferred tax assets	2,768	2,768
Property, plant and equipment	<u>1,323</u>	<u>1,123</u>
	68,257	69,140
Current Assets		
Inventories	15,995	13,138
Other investments	121	120
Trade receivables	56,329	48,135
Other receivables, deposits and prepayments	30,426	27,883
Amount owing by ultimate holding company	602	551
Amount owing by immediate holding company	282	222
Current tax assets	3,520	2,902
Cash and bank balances	<u>19,627</u>	<u>24,983</u>
	126,902	117,934
TOTAL ASSETS	<u>195,159</u>	<u>187,074</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	43,648	43,628
Reserves	5,033	4,131
Retained earnings	<u>36,596</u>	<u>31,670</u>
	85,277	79,429
Non-controlling interests	748	98
TOTAL EQUITY	<u>86,025</u>	<u>79,527</u>
Non-Current Liabilities		
Borrowings	315	14
Provision for gratuity obligations	1,429	1,429
Redeemable preference shares	<u>25,193</u>	<u>27,193</u>
	26,937	28,636
Current Liabilities		
Trade payables	20,403	19,608
Other payables and accruals	33,957	39,646
Amount owing to ultimate holding company	1,470	1,709
Amount owing to immediate holding company	-	96
Amount owing to related companies	409	454
Borrowings	25,212	17,099
Current tax liabilities	<u>746</u>	<u>299</u>
	82,197	78,911
TOTAL LIABILITIES	<u>109,134</u>	<u>107,547</u>
TOTAL EQUITY AND LIABILITIES	<u>195,159</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 SECOND QUARTER ENDED 30 SEPTEMBER 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									
<u>6 months ended 30 September 2016</u>									
At 1 April 2016 (audited)	15,215	30,890	10,576	80	-	(208)	56,553	106	56,659
Other comprehensive income	-	-	-	-	-	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
Employee share option scheme 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
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
Other comprehensive loss	-	-	-	-	-	(10)	(10)	-	(10)
Profit for the period	-	4,946	-	-	-	-	4,946	275	5,221
Total comprehensive profit for the period	-	4,946	-	-	-	(10)	4,936	275	5,211
Employee share option scheme expenses	-	-	-	-	912	-	912	-	912
Arising from accretion of equity interests in a subsidiary	-	-	-	-	-	-	-	375	375
Redemption of redeemable preference shares	20	(20)	-	-	-	-	-	-	-
At 30 September 2017	43,648	36,596	-	-	5,260	(227)	85,277	748	86,025

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 SECOND QUARTER ENDED 30 SEPTEMBER 2017

	Current Year 6 months ended 30 September 2017 RM'000 Unaudited	Preceding Year 6 months ended 30 September 2016 RM'000 Unaudited
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Profit / (Loss) before taxation	6,456	(3,395)
Adjustment for non-cash items:		
Amortisation of software development expenditure	1,182	1,487
Bad debts written off	23	-
Depreciation of property, plant and equipment	356	451
Equity settled share-based payment expense	-	50
Employee share option scheme expenses	912	4,380
Interest expense	1,499	1,059
Interest income	(186)	(238)
Loss on disposal property, plant and equipment	-	2
Property, plant and equipment written off	-	144
Net unrealised loss on foreign exchange	8	19
Operating profit before working capital changes	<u>10,250</u>	<u>3,959</u>
Net changes in assets	(13,517)	9,415
Net changes in liabilities	(4,705)	(18,343)
Net cash used in operations	<u>(7,972)</u>	<u>(4,969)</u>
Tax paid	(1,649)	(1,623)
Tax refund	243	8
Net cash used in operating activities	<u>(9,378)</u>	<u>(6,584)</u>
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	(67)	-
Addition of software development expenditure	(99)	(33,049)
Interest received	186	238
Placement of deposits pledged to licensed bank	(195)	(727)
Proceeds from disposal of property, plant and equipment	-	18
Purchase of property, plant and equipment	(165)	(181)
Purchase of other investment	(1)	-
Net cash from / (used in) investing activities	<u>(341)</u>	<u>(33,701)</u>
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Interest paid	(1,499)	(1,059)
Drawdown of borrowings	6,178	13,756
Net proceeds from issue of shares pursuant to Private Placement	-	17,757
Redemption of redeemable preference shares	(2,000)	-
Net cash from financing activities	<u>2,679</u>	<u>30,454</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,040)	(9,831)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	16,836	24,740
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(355)	(59)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>9,441</u>	<u>14,850</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 SECOND QUARTER ENDED 30 SEPTEMBER 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 12 Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 107 Disclosure Initiative
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

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 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt securities of the Group and equity securities of the Company during the current financial period under review.

A7 Dividend paid

No dividend has been paid in the current quarter under review.

A8 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)
A8 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
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>
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
Profit / (Loss) before tax	<u>5,816</u>	<u>(782)</u>	<u>(1,900)</u>	<u>2,762</u>	<u>560</u>	<u>6,456</u>
Segment assets	<u>197,353</u>	<u>20,971</u>	<u>126,612</u>	<u>11,473</u>	<u>(161,250)</u>	<u>195,159</u>
6 months ended 30 September 2016						
External sales	10,639	7,302	96,312	4,380	-	118,633
Inter-segment sales	5,180	846	1,721	223	(7,970)	-
Total	<u>15,819</u>	<u>8,148</u>	<u>98,033</u>	<u>4,603</u>	<u>(7,970)</u>	<u>118,633</u>
Segment results	(4,394)	(1,857)	2,628	651	398	(2,574)
Interest expense	-	-	(1,070)	(3)	14	(1,059)
Interest income	113	15	124	-	(14)	238
(Loss) / Profit before tax	<u>(4,281)</u>	<u>(1,842)</u>	<u>1,682</u>	<u>648</u>	<u>398</u>	<u>(3,395)</u>
Segment assets	<u>167,210</u>	<u>18,660</u>	<u>122,802</u>	<u>5,491</u>	<u>(126,642)</u>	<u>187,521</u>

A9 Valuation of property, plant and equipment

The Group did not carry out any valuation of its property, plant and equipment.

A10 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.

A11 Changes in the composition of the Group

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

A12 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 November 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A13 Cash and bank balances

	Current year as at 30 September 2017 RM'000
Cash and bank balances	4,133
Fixed deposits with licensed financial institutions	<u>15,494</u>
	19,627
Less: Fixed deposits pledged with a licensed bank	(8,342)
Bank overdraft	<u>(1,844)</u>
	<u>9,441</u>

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			6 months ended 30 September		
	2017	2016	Variance	2017	2016	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	9,646	8,180	18%	31,872	15,819	101%
Enterprise Solutions	3,090	3,843	-20%	7,498	8,148	-8%
Distribution Services	31,367	54,939	-43%	70,541	98,033	-28%
Solution Delivery	5,696	2,333	144%	7,807	4,603	70%
	49,799	69,295	-28%	117,718	126,603	-7%
Less : Inter Segment Revenue	(4,495)	(4,255)		(14,390)	(7,970)	
Total Group Revenue	45,304	65,040	-30%	103,328	118,633	-13%

The Group recorded revenue of RM45.30 million for the quarter ended 30 September 2017, a decrease of 30% against revenue achieved in the previous corresponding quarter. The lower revenue was attributable to lower 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			6 months ended 30 September		
	2017	2016	Variance	2017	2016	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Financial Services	(1,635)	(3,328)	51%	5,816	(4,281)	236%
Enterprise Solutions	(568)	(1,162)	51%	(782)	(1,842)	58%
Distribution Services	(1,045)	826	-227%	(1,900)	1,682	-213%
Solution Delivery	3,162	(347)	1011%	2,762	648	326%
	(86)	(4,011)	98%	5,896	(3,793)	255%
Add / (Less) : Elimination	96	206		560	398	
Profit ("PBT") / Loss ("LBT") before taxation	10	(3,805)	100%	6,456	(3,395)	290%

The Group posted a marginal PBT of RM0.01 million for the quarter ended 30 September 2017 as compared to LBT of RM3.81 million recorded in the previous corresponding quarter. There was a significant reduction in the provision of employee share option scheme ("ESOS") charges amounting to RM0.47 million in the current quarter under review as compared to RM4.38 million being charged against the corresponding period last year.

Material change in 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	45,304	58,024	-22%
Profit before taxation	10	6,446	-100%

The Group recorded an decrease in revenue by RM12.70 million and profit before taxation by RM6.44 million in the current quarter as compared to the immediate preceding quarter mainly attributable to lower order fulfilments.

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

B2 Prospects

Notwithstanding the global and domestic economic uncertainties that continue to cloud the prospects in the coming quarters, the Board remains optimistic that the financial performance for the year will remain positive.

The Group 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 and enhance its existing Core Banking System ("Project"). To-date, the Project is still in the stage of discussion and there is 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 September 2017 RM'000	Cumulative 30 September 2017 RM'000
Taxation - current year	382	(1,235)
Taxation - prior year	-	-
Deferred tax	-	-
Total	<u>382</u>	<u>(1,235)</u>

The effective tax rates for the period under review is lower than statutory tax rate of 24% as certain segment of the revenue recognised in current financial year had been taxed in previous financial year based on receipt basis.

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 Borrowings and debt securities

The Group's bank borrowings are as follows:

	As at 30 September 2017 RM'000	As at 30 September 2016 RM'000
Short term bank borrowings - secured	25,212	25,813
Long term bank borrowings - secured	315	22
Total borrowings	<u>25,527</u>	<u>25,835</u>

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM1.73 million have been issued as at 30 September 2017.

B10 Disclosure of Realised and Unrealised Profits

	Unaudited As at 30 September 2017 RM'000	Unaudited As at 30 June 2017 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	31,385	31,107
- Unrealised	<u>2,760</u>	<u>2,760</u>
	34,145	33,867
Less: Consolidation adjustments	<u>2,451</u>	<u>2,594</u>
Total group retained earnings as per statement of financial position	<u>36,596</u>	<u>36,461</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 in issue during the quarter.

	Individual Quarter 30 September 2017	Cumulative Quarter 30 September 2017
Profit attributable to owners of the parent (RM)	155,000	4,946,000
No. of ordinary share in issue	167,368,100	167,368,100
Basic earnings per share (sen)	0.09	2.96

B14 Authorisation for issue

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the directors dated 27 November 2017.

**MICROLINK SOLUTIONS BERHAD (620782-P)
27 November 2017**