



## MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

### INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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**MICROLINK SOLUTIONS BERHAD (620782-P)**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Second Quarter Ended 30 June 2014**  
(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year 30 June 2014 RM'000	Preceding Year Corresponding 30 June 2013 RM'000	Current Year To date 30 June 2014 RM'000	Preceding Year Corresponding 30 June 2013 RM'000
Revenue	B1	8,028	13,433	18,321	25,805
Cost of sales	B1	(4,087)	(6,003)	(9,352)	(10,169)
Gross profit		3,941	7,430	8,969	15,636
Other operating income		92	281	257	461
Selling and distribution expenses		(149)	(286)	(279)	(537)
Administrative expenses		(1,701)	(4,133)	(4,209)	(7,461)
Other operating expenses		(770)	(746)	(1,502)	(1,513)
<b>Profit before taxation</b>	B1	1,413	2,546	3,236	6,586
Income tax expense	B4	(136)	-	(564)	(103)
<b>Profit for the period</b>		1,277	2,546	2,672	6,483
<b>Other comprehensive (loss) / income</b>					
Exchange differences on translation of foreign operations		(5)	(8)	(6)	(7)
<b>Other comprehensive (loss) / income net of tax</b>		(5)	(8)	(6)	(7)
<b>Total Comprehensive Income for the period</b>		1,272	2,538	2,666	6,476
<b>Profit attributable to :</b>					
Owners of the Parent		1,418	2,662	2,931	6,703
Non-Controlling Interests		(141)	(116)	(259)	(220)
		1,277	2,546	2,672	6,483
<b>Total comprehensive income attributable to :</b>					
Owners of the Parent		1,413	2,654	2,925	6,696
Non-Controlling Interests		(141)	(116)	(259)	(220)
		1,272	2,538	2,666	6,476
<b>Earnings per share (sen):</b>					
Basic	B13	1.02	1.99	2.12	5.01
Diluted	B13	N/A	1.94	N/A	4.90

**Note:**  
These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 June 2014**

	Unaudited as at 30 June 2014 RM'000	Audited as at 31 December 13 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,642	1,718
Software development expenditure	12,740	13,423
Goodwill on consolidation	2,818	2,818
Total non-current assets	<u>17,200</u>	<u>17,959</u>
<b>CURRENT ASSETS</b>		
Trade receivables	5,743	7,516
Other receivables, deposits and prepayments	7,668	1,916
Tax recoverable	1,023	915
Amount due from contract customers	2,141	2,240
Short-term investments	10,675	12,614
Fixed deposits with licensed financial institutions	4,432	4,391
Cash and bank balances	7,755	5,897
Total current assets	<u>39,437</u>	<u>35,489</u>
<b>TOTAL ASSETS</b>	<b><u>56,637</u></b>	<b><u>53,448</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		
Issued capital	13,812	13,805
Reserves	29,946	31,136
Shareholders' equity	<u>43,758</u>	<u>44,941</u>
Non-controlling interests	<u>(1,109)</u>	<u>(850)</u>
	42,649	44,091
<b>DEFERRED LIABILITY</b>		
Deferred tax liabilities	482	482
<b>CURRENT LIABILITIES</b>		
Trade payables	444	1,761
Other payables and accruals	5,423	4,758
Amount due to related company	115	19
Amount due to contract customers	1,109	55
Deferred maintenance income	6,409	2,279
Tax liabilities	6	3
	<u>13,506</u>	<u>8,875</u>
Total liabilities	13,988	9,357
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>56,637</u></b>	<b><u>53,448</u></b>
Net assets per share (RM)	<u>0.31</u>	<u>0.32</u>

**Note:**

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 Second Quarter Ended 30 June 2014**  
(The figures have not been audited)

	Attributable to Owners of the Parent							Non-controlling interests	Total
	Issued capital	Distributable reserve	Non-distributable reserves			Total	Total		
			Ordinary shares	Retained earnings	Share premium				
<b>6 months ended 30 June 2013</b>									
At 1 January 2013 (audited)	12,910	20,097	3,517	326	(137)	36,713	(345)	36,368	
Other comprehensive income	-	-	-	-	(7)	(7)	-	(7)	
Profit for the period	-	6,703	-	-	-	6,703	(220)	6,483	
Total comprehensive income for the period	-	6,703	-	-	(7)	6,696	(220)	6,476	
ESOS expenses	-	-	-	28	-	28	-	28	
Issue of shares to minority shareholder	458	-	1,093	-	-	1,551	-	1,551	
Dividend paid	-	(5,339)	-	-	-	(5,339)	-	(5,339)	
At 30 June 2013	13,368	21,461	4,610	354	(144)	39,649	(565)	39,084	
<b>6 months ended 30 June 2014</b>									
At 1 January 2014 (audited)	13,805	26,318	4,962	13	(157)	44,941	(850)	44,091	
Other comprehensive income	-	-	-	-	(6)	(6)	-	(6)	
Profit for the period	-	2,931	-	-	-	2,931	(259)	2,672	
Total comprehensive income for the period	-	2,931	-	-	(6)	2,925	(259)	2,666	
Issue of shares to minority shareholders	7	-	27	-	-	34	-	34	
Dividend paid	-	(4,142)	-	-	-	(4,142)	-	(4,142)	
At 30 June 2014	13,812	25,107	4,989	13	(163)	43,758	(1,109)	42,649	

**Note:**

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**MICROLINK SOLUTIONS BERHAD** (620782-P)  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**For The Second Quarter Ended 30 June 2014**  
(The figures have not been audited)



	<b>Current Year 6 months ended 30 June 2014</b>	<b>Preceding Year Corresponding period 30 June 2013</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		
Receipts from customers	25,189	35,650
Payment to suppliers and employees	(14,819)	(21,306)
Payment of income tax expense	(670)	(424)
Net cash from operating activities	9,700	13,920
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		
Proceeds from disposal of fixed assets	3	1
Purchase of property, plant and equipment	(191)	(256)
Software development expenditure incurred	(515)	(2,061)
Interest received	257	301
Net cash used in investing activities	(446)	(2,015)
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		
Dividend paid	(4,142)	(5,339)
Deposit paid on acquisition of companies	(5,183)	-
Proceeds from issuance of shares	34	1,551
Net cash used in financing activities	(9,291)	(3,788)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(37)	8,117
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	22,902	18,267
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT</b>	(3)	40
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	A12 22,862	26,424

**Note:**

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 ("MFRS") 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 December 2013. 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 December 2013.

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 December 2013 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 2014:

MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)

IC Int. 21, Levies

Amendments to MFRS 9 and MFRS 7, Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures

Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities

Amendments to MFRS 119, Employee Benefits (IAS 19 as amended by IASB in June 2011)

Amendments to MFRS 132, Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)

Amendments to MFRS 136, Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)

Amendments to MFRS 139, Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)

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 annual audited financial statements for the financial year ended 31 December 2013 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.

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

### A7 Segmental information

Segmental information for the Group by geographical segment is presented as follows:

	Current quarter 30 June 2014 RM'000	Cumulative 30 June 2014 RM'000
<u>Segment Revenue</u>		
Malaysia	6,044	15,931
Overseas	1,984	2,390
	<u>8,028</u>	<u>18,321</u>
 <u>Segment Gross Profit</u>		
Malaysia	2,860	7,518
Overseas	1,081	1,451
	<u>3,941</u>	<u>8,969</u>

No segmental information based on business activity is presented as the Group is principally engaged in the provision of information technology solutions to the financial services industry.

### 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

On 11 June 2014, the Company entered into a share sale agreement for the acquisition of the entire issued and paid-up share capital of CSA Servis (M) Sdn Bhd ("CSAS") comprising 500,000 ordinary shares of RM1.00 each for the purchase consideration of Ringgit Malaysia One Million Eight Hundred Twenty Nine Thousand Five Hundred Twenty One (RM1,829,521.00) only ("Proposed Acquisition").

With the completion of the Proposed Acquisition, CSAS has become a wholly owned subsidiary of the Company on 1 August 2014.

### 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 8 August 2014 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

### A12 Cash and cash equivalents

	Current year as at 30 June 2014 RM'000
Cash and bank balances	7,755
Short-term investments	10,675
Fixed deposits with licensed financial institutions	4,432
	<u>22,862</u>

\* Included in fixed deposits with licensed financial institutions is an amount of RM3.26 million pledged to a licensed bank as security for banking facilities totaling RM5.50 million granted to the Group.

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

**B1 Review of performance**

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Change	Current Year Quarter	Preceding year Corresponding Quarter	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	8,028	13,433	-40%	18,321	25,805	-29%
Profit before taxation	1,413	2,546	-45%	3,236	6,586	-51%

The Group recorded lower revenue and profit before taxation in both its current quarter and cumulative quarter in 2014 as compared to 2013 which were mainly due to lower sales volume in its banking solutions segment and fees incurred in the corporate exercises.

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

	Current Year Quarter	Immediate Preceding Quarter	Change
	RM'000	RM'000	%
Revenue	8,028	10,293	-22%
Profit before taxation	1,413	1,823	-22%

The lower profit before tax in the current quarter was mainly due to lower sales volume.

**B2 Prospects**

With the completion of the acquisition of CSA Servis (M) Sdn Bhd ("CSAS") which has long history of providing services to major organisations in the public sector, the Group wishes to leverage on CSAS' experience to expand the services business in conjunction with its proposed acquisition of distribution and system integration businesses announced on 3 April 2014 and 12 June 2014 as set out in note B7 below.

**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 2014 RM'000	Cumulative 30 June 2014 RM'000
Malaysia Income Tax	(136)	(564)
	<u>(136)</u>	<u>(564)</u>

The effective tax rate for the period under review is lower than the statutory income tax rate due to tax exempt income of the Company arising from its pioneer status granted under the Promotion of Investments Act, 1986 (Amendments) pursuant to its MSC status entitlement under the MSC Bill of Guarantees effective from 1 September 2004 to 31 August 2009. The Ministry of International Trade and Industry had, vide letter dated 29 October 2009, granted the Company with additional five years of Pioneer Status for MSC status company commencing from 1 September 2009 until 31 August 2014.

**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.



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

### B7 Corporate exercises

#### Proposed Acquisition

The Company had on 3 April 2014 entered into a conditional heads of agreement and subsequently entered into a conditional share sale agreement on 12 June 2014 with Formis Resources Berhad, Formis Holdings Berhad and Man Yau Holdings Berhad (collectively referred to as the "Vendors") expressing its intention to acquire five subsidiaries of the Vendors, namely Applied Business Systems Sdn Bhd, Formis Systems & Technology Sdn Bhd, Formis Computer Services Sdn Bhd, First Solution Sdn Bhd and Formis Advanced Systems Sdn Bhd for an indicative aggregate purchase consideration of RM50.0 million ("Proposed Acquisition").

#### Proposed Placement

The Company had on 3 April 2014 announced the proposal to undertake a placement of up to ten percent (10%) of the existing issued and paid-up share capital of Microlink ("Proposed Placement"). Based on the Register of Depositors as at 31 March 2014, the issued and paid-up share capital of Microlink stood at RM13,808,590, comprising 138,085,900 ordinary shares of RM0.10 each. Bursa Malaysia Securities Berhad had, vide its letter dated 6 May 2014 approved the listing and quotation of up to 13,808,590 placement shares to be issued pursuant to the Proposed Placement. The progress of the Proposed Placement were subsequently announced on 8 April 2014, 25 April 2014 and 7 May 2014.

#### Proposed Employee's Share Option Scheme ("ESOS") Termination and Proposed Long Term Incentive Plan ("LTIP")

On 4 July 2014, the Company proposed to terminate its existing Employee's Share Option Scheme ("Proposed ESOS Termination") and establish and implement a Long Term Incentive Plan of up to 20% of the Company's total issued and paid-up share capital (excluding treasury shares) at any one time during the duration of the scheme for the eligible Directors and employees ("Proposed LTIP"). The Memorandum of Association of the Company was also proposed to amend in order to facilitate the Proposed LTIP (Collectively, referred to as the "Proposals"). The progress of the Proposals were subsequently announced on 18 July 2014 and 25 July 2014.

The above corporate exercises are on-going and the Company will release announcement on the progress in due course.

### B8 Group's borrowings and debt securities

The Group had issued bank guarantees amounting to RM0.15 million. Unutilised secured banking facilities during the financial period under review is RM5.35 million.

### B9 Off balance sheet financial instruments

Bank guarantees amounting to RM0.15 million have been issued.

### B10 Disclosure of Realised and Unrealised Profits

	Unaudited As at 30 June 2014 RM'000	Unaudited As at 31 March 2014 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	23,666	23,043
- Unrealised	(511)	(480)
	<u>23,155</u>	<u>22,563</u>
Less: Consolidation adjustments	1,952	1,126
Total group retained earnings as per statement of financial position	<u>25,107</u>	<u>23,689</u>

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

**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.

**B13 Earnings per share**

**Basic profit per share**

The calculation of the basic profit 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.

	<b>Individual Quarter 30 June 2014</b>	<b>Cumulative Quarter 30 June 2014</b>
Profit attributable to owners of the parent (RM)	1,418,000	2,931,000
No. of ordinary share in issue	138,121,700	138,121,700
<b>Basic profit per share (sen)</b>	<b><u>1.02</u></b>	<b><u>2.12</u></b>

**B14 Authorisation for issue**

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the directors dated 15 August 2014.

**MICROLINK SOLUTIONS BERHAD (620782-P)  
15 August 2014**