



## MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

### INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2014

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

|  |                   | INDIVIDUAL QUARTER |                       | CUMULATIVE QUARTER |                      |
|--|-------------------|--------------------|-----------------------|--------------------|----------------------|
|  |                   | Current Year       | Preceding Year        | Current Year       | Preceding Year       |
|  |                   | Quarter            | Corresponding Quarter | To date            | Corresponding Period |
|  | 30 September 2014 | 30 September 2013  | 30 September 2014     | 30 September 2013  |                      |
|  | Note              | RM'000             | RM'000                | RM'000             | RM'000               |
| Revenue  | B1                | 6,461              | 10,769                | 24,782             | 36,574               |
| Cost of sales  | B1                | (4,740)            | (4,996)               | (14,092)           | (15,165)             |
| Gross profit   |                   | 1,721              | 5,773                 | 10,690             | 21,409               |
| Other operating income                                       |                   | 175                | 474                   | 432                | 935                  |
| Selling and distribution expenses                            |                   | (169)              | (168)                 | (448)              | (705)                |
| Administrative expenses                                      |                   | (4,695)            | (3,527)               | (8,904)            | (10,988)             |
| Other operating expenses                                     |                   | (806)              | (781)                 | (2,308)            | (2,294)              |
| <b>(Loss) / Profit before taxation</b>                       | B1                | (3,774)            | 1,771                 | (538)              | 8,357                |
| Income tax expense   | B4                | (141)              | 16                    | (705)              | (87)                 |
| <b>(Loss) / Profit for the period</b>                        |                   | (3,915)            | 1,787                 | (1,243)            | 8,270                |
| <b>Other comprehensive loss</b>                              |                   |                    |                       |                    |                      |
| Exchange differences on translation of foreign operations    |                   | (5)                | (8)                   | (11)               | (15)                 |
| <b>Other comprehensive loss net of tax</b>                   |                   | (5)                | (8)                   | (11)               | (15)                 |
| <b>Total comprehensive (loss) / income for the period</b>    |                   | (3,920)            | 1,779                 | (1,254)            | 8,255                |
| <b>(Loss) / Profit attributable to :</b>                     |                   |                    |                       |                    |                      |
| Owners of the Parent   |                   | (3,856)            | 1,940                 | (925)              | 8,643                |
| Non-Controlling Interests                                    |                   | (59)               | (153)                 | (318)              | (373)                |
|  |                   | (3,915)            | 1,787                 | (1,243)            | 8,270                |
| <b>Total comprehensive (loss) / income attributable to :</b> |                   |                    |                       |                    |                      |
| Owners of the Parent   |                   | (3,861)            | 1,932                 | (936)              | 8,628                |
| Non-Controlling Interests                                    |                   | (59)               | (153)                 | (318)              | (373)                |
|  |                   | (3,920)            | 1,779                 | (1,254)            | 8,255                |
| <b>(Loss) / Earnings per share (sen):</b>                    |                   |                    |                       |                    |                      |
| Basic  | B13               | (2.78)             | 1.41                  | (0.67)             | 6.27                 |
| Diluted  | B13               | N/A                | 1.41                  | N/A                | 6.26                 |

**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 September 2014**

|   | <b>Unaudited<br/>as at<br/>30 September 2014<br/>RM'000</b> | <b>Audited<br/>as at<br/>31 December 13<br/>RM'000</b> |
|---|---|--|
| <b>ASSETS</b>                                       |   |  |
| <b>NON-CURRENT ASSETS</b>                           |   |  |
| Property, plant and equipment                       | 1,513   | 1,718  |
| Software development expenditure                    | 12,295  | 13,423   |
| Goodwill on consolidation                           | 4,004   | 2,818  |
| Total non-current assets                            | <u>17,812</u>   | <u>17,959</u>  |
| <b>CURRENT ASSETS</b>                               |   |  |
| Trade receivables                                   | 5,849   | 7,516  |
| Other receivables, deposits and prepayments         | 7,175   | 1,916  |
| Tax recoverable                                     | 986   | 915  |
| Amount due from contract customers                  | 1,542   | 2,240  |
| Short-term investments                              | 11,546  | 12,614   |
| Fixed deposits with licensed financial institutions | 4,746   | 4,391  |
| Cash and bank balances                              | 1,778   | 5,897  |
| Total current assets                                | <u>33,622</u>   | <u>35,489</u>  |
| <b>TOTAL ASSETS</b>                                 | <b><u>51,434</u></b>  | <b><u>53,448</u></b>                                   |
| <b>EQUITY AND LIABILITIES</b>                       |   |  |
| <b>CAPITAL AND RESERVES</b>                         |   |  |
| Issued capital                                      | 13,835  | 13,805   |
| Reserves  | <u>26,152</u>   | <u>31,136</u>  |
| Shareholders' equity                                | 39,987  | 44,941   |
| Non-controlling interests                           | <u>(1,168)</u>  | <u>(850)</u>   |
|   | 38,819  | 44,091   |
| <b>DEFERRED LIABILITY</b>                           |   |  |
| Deferred tax liabilities                            | 482   | 482  |
| <b>CURRENT LIABILITIES</b>                          |   |  |
| Trade payables                                      | 667   | 1,761  |
| Other payables and accruals                         | 3,625   | 4,758  |
| Amount due to related company                       | 1,834   | 19   |
| Amount due to contract customers                    | 20  | 55   |
| Deferred maintenance income                         | 5,987   | 2,279  |
| Tax liabilities                                     | -   | 3  |
|   | <u>12,133</u>   | <u>8,875</u>   |
| Total liabilities                                   | 12,615  | 9,357  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 | <b><u>51,434</u></b>  | <b><u>53,448</u></b>                                   |
| Net assets per share (RM)                           | <u>0.28</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 Quarter Ended 30 September 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>9 months ended 30 September 2013</b>   |                                      |                       |                            |                   |               |         |         |                           |       |
| At 1 January 2013 (audited)               | 12,910                               | 20,097                | 3,517                      | 326               | (137)         | 36,713  | (345)   | 36,368                    |       |
| Other comprehensive loss                  | -                                    | -                     | -                          | -                 | (15)          | (15)    | -       | (15)                      |       |
| Profit for the period                     | -                                    | 8,643                 | -                          | -                 | -             | 8,643   | (373)   | 8,270                     |       |
| Total comprehensive income for the period | -                                    | 8,643                 | -                          | -                 | (15)          | 8,628   | (373)   | 8,255                     |       |
| ESOS expenses                             | -                                    | -                     | -                          | 45                | -             | 45      | -       | 45                        |       |
| Issue of shares to minority shareholder   | 877                                  | -                     | 1,388                      | -                 | -             | 2,265   | -       | 2,265                     |       |
| Dividend paid                             | -                                    | (5,339)               | -                          | -                 | -             | (5,339) | -       | (5,339)                   |       |
| At 30 September 2013                      | 13,787                               | 23,401                | 4,905                      | 371               | (152)         | 42,312  | (718)   | 41,594                    |       |
| <b>9 months ended 30 September 2014</b>   |                                      |                       |                            |                   |               |         |         |                           |       |
| At 1 January 2014 (audited)               | 13,805                               | 26,318                | 4,962                      | 13                | (157)         | 44,941  | (850)   | 44,091                    |       |
| Other comprehensive loss                  | -                                    | -                     | -                          | -                 | (11)          | (11)    | -       | (11)                      |       |
| Loss for the period                       | -                                    | (925)                 | -                          | -                 | -             | (925)   | (318)   | (1,243)                   |       |
| Total comprehensive loss for the period   | -                                    | (925)                 | -                          | -                 | (11)          | (936)   | (318)   | (1,254)                   |       |
| Issue of shares to minority shareholders  | 30                                   | -                     | 94                         | -                 | -             | 124     | -       | 124                       |       |
| Dividend paid                             | -                                    | (4,142)               | -                          | -                 | -             | (4,142) | -       | (4,142)                   |       |
| At 30 September 2014                      | 13,835                               | 21,251                | 5,056                      | 13                | (168)         | 39,987  | (1,168) | 38,819                    |       |

**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 Quarter Ended 30 September 2014**  
(The figures have not been audited)



|   | <b>Current<br/>Year<br/>9 months ended<br/>30 September 2014<br/>Note</b> | <b>Preceding<br/>Year<br/>Corresponding period<br/>30 September 2013<br/>RM'000</b> |
|---|---|---|
| <b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>             |   |   |
| Receipts from customers   | 31,106  | 41,758  |
| Payment to suppliers and employees                                  | (24,646)  | (28,067)  |
| Payment of income tax expense                                       | (777)   | (597)   |
| Net cash from operating activities                                  | 5,683   | 13,094  |
| <b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>             |   |   |
| Proceeds from disposal of fixed assets                              | 3   | 3   |
| Purchase of property, plant and equipment                           | (191)   | (315)   |
| Software development expenditure incurred                           | (700)   | (2,651)   |
| Interest received   | 374   | 421   |
| Net cash used in investing activities                               | (514)   | (2,542)   |
| <b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>             |   |   |
| Dividend paid   | (4,142)   | (5,339)   |
| Acquisition of subsidiary, net of cash acquired                     | (978)   | -   |
| Deposit paid on acquisition of companies                            | (5,000)   | -   |
| Proceeds from issuance of shares                                    | 124   | 2,265   |
| Net cash used in financing activities                               | (9,996)   | (3,074)   |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>       | (4,827)   | 7,478   |
| <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> | (5)   | 52  |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>               | A12 18,070  | 25,797  |

**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:

|                                 | <b>Current quarter</b>   | <b>Cumulative</b>        |
|---------------------------------|--------------------------|--------------------------|
|                                 | <b>30 September 2014</b> | <b>30 September 2014</b> |
|                                 | <b>RM'000</b>            | <b>RM'000</b>            |
| <u>Segment Revenue</u>          |                          |                          |
| Malaysia                        | 3,533                    | 19,464                   |
| Overseas                        | 2,928                    | 5,318                    |
|                                 | <u>6,461</u>             | <u>24,782</u>            |
| <br><u>Segment Gross Profit</u> |                          |                          |
| Malaysia                        | 423                      | 7,941                    |
| Overseas                        | 1,298                    | 2,749                    |
|                                 | <u>1,721</u>             | <u>10,690</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**

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 6 November 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**

|   | <b>Current year</b>      |
|---|--------------------------|
|   | <b>as at</b>             |
|   | <b>30 September 2014</b> |
|   | <b>RM'000</b>            |
| Cash and bank balances                              | 1,778                    |
| Short-term investments                              | 11,546                   |
| Fixed deposits with licensed financial institutions | 4,746                    |
|   | <u>18,070</u>            |

\* Included in fixed deposits with licensed financial institutions is an amount of RM3.55 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 Cumulative Quarter | Preceding year Corresponding Cumulative Quarter | Change |
|                               | RM'000               | RM'000                               | %      | RM'000                          | RM'000  | %      |
| Revenue                       | 6,461                | 10,769                               | -40%   | 24,782                          | 36,574  | -32%   |
| (Loss)/Profit before taxation | (3,774)              | 1,771                                | -313%  | (538)                           | 8,357   | -106%  |

The Group recorded lower revenue in both its current quarter and cumulative quarter in 2014 as compared to 2013 mainly due to the lower sales volume in banking solutions.

Corresponding, the Group made record of loss before taxation in current quarter and cumulative quarter in 2014 mainly due to lower revenue and fees incurred for 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                       | 6,461                | 8,028                       | -20%   |
| (Loss)/Profit before taxation | (3,774)              | 1,413                       | -367%  |

The Group recorded a loss before taxation in the current quarter mainly due to lower sales volume and fees incurred for corporate exercises.

### B2 Prospects

With the imminent completion of the Proposed Acquisition as set out in note B7 below, the Group is expected to expand the revenue of distribution and system integration businesses.

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

### 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<br>30 September 2014<br>RM'000 | Cumulative<br>30 September 2014<br>RM'000 |
|---------------------|--|---|
| Malaysia Income Tax | (141)  | (705)                                     |
|                     | <u>(141)</u>                                   | <u>(705)</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.



**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 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").

The shareholders of Microlink had approved the Proposed Acquisition at EGM held on 17 October 2014.

**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.

The Company had on 9 October 2014 applied for a further extension time for six months from 5 November 2014 for the completion of Proposed Placement.

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 RM0.29 million. Unutilised secured banking facilities during the financial period under review is RM5.34 million.

**B9 Off balance sheet financial instruments**

Bank guarantees amounting to RM0.29 million have been issued.

**B10 Disclosure of Realised and Unrealised Profits**

|  | <b>Unaudited<br/>As at<br/>30 September 2014<br/>RM'000</b> | <b>Unaudited<br/>As at<br/>30 June 2014<br/>RM'000</b> |
|--|---|--|
| Total retained earnings of the Company and its subsidiaries          |   |  |
| - Realised   | 19,751  | 23,666   |
| - Unrealised   | (493)   | (511)  |
|  | <u>19,258</u>   | <u>23,155</u>  |
| Less: Consolidation adjustments                                      | 1,993   | 1,952  |
| Total group retained earnings as per statement of financial position | <u>21,251</u>   | <u>25,107</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 Loss per share**

**Basic loss per share**

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

|  | <b>Individual<br/>Quarter<br/>30 September 2014</b> | <b>Cumulative<br/>Quarter<br/>30 September 2014</b> |
|--|---|---|
| Loss attributable to owners of the parent (RM) | (3,856,000)   | (925,000)   |
| No. of ordinary share in issue                 | 138,352,900   | 138,352,900   |
| <b>Basic loss per share (sen)</b>              | <b><u>(2.78)</u></b>                                | <b><u>(0.67)</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 13 November 2014.

**MICROLINK SOLUTIONS BERHAD (620782-P)**

**13 November 2014**