



MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2014

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MICROLINK SOLUTIONS BERHAD (620782-P)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Quarter Ended 31 December 2014
(The figures have not been audited)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31 December 2014 Note	31 December 2013 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
Revenue	B1	50,935	15,606	75,717	52,180
Cost of sales	B1	(42,114)	(5,064)	(56,206)	(20,229)
Gross profit		8,821	10,542	19,511	31,951
Other operating income		426	209	858	1,144
Selling and distribution expenses		(278)	(204)	(726)	(909)
Administrative expenses		(6,585)	(2,811)	(15,489)	(13,799)
Finance costs		(139)	-	(139)	-
Other operating expenses		(744)	(963)	(3,052)	(3,257)
Profit before taxation	B1	1,501	6,773	963	15,130
Income tax expense	B4	(548)	(265)	(1,253)	(352)
Profit / (Loss) for the period		953	6,508	(290)	14,778
Other comprehensive loss					
Exchange differences on translation of foreign operations		(2)	(5)	(13)	(20)
Other comprehensive loss net of tax		(2)	(5)	(13)	(20)
Total comprehensive income / (loss) for the period		951	6,503	(303)	14,758
Profit / (Loss) attributable to :					
Owners of the Parent		1,073	6,640	148	15,283
Non-Controlling Interests		(120)	(132)	(438)	(505)
		953	6,508	(290)	14,778
Total comprehensive income / (loss) attributable to :					
Owners of the Parent		1,071	6,635	135	15,263
Non-Controlling Interests		(120)	(132)	(438)	(505)
		951	6,503	(303)	14,758
Earnings per share (sen):					
Basic	B13	0.79	4.81	0.11	11.07
Diluted	B13	N/A	N/A	N/A	11.06

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 31 December 2014

	Unaudited as at 31 December 2014 RM'000	Audited as at 31 December 13 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	2,685	1,718
Software development expenditure	12,732	13,423
Other investments	105	-
Goodwill on consolidation	18,473	2,818
Deferred tax assets	60	-
Total non-current assets	<u>34,055</u>	<u>17,959</u>
CURRENT ASSETS		
Inventories	7,870	-
Trade receivables	43,088	7,516
Other receivables, deposits and prepayments	7,584	4,156
Amount due from ultimate holding companies	6	-
Amount due from related companies	11,983	-
Amount due from associates	546	-
Current tax assets	1,453	915
Short-term investments	3,933	12,614
Fixed deposits with licensed financial institutions	23,446	4,391
Cash and bank balances	15,829	5,897
Total current assets	<u>115,738</u>	<u>35,489</u>
TOTAL ASSETS	<u>149,793</u>	<u>53,448</u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued capital	13,835	13,805
Reserves	27,223	31,136
Shareholders' equity	<u>41,058</u>	<u>44,941</u>
Non-controlling interests	(1,288)	(850)
	<u>39,770</u>	<u>44,091</u>
NON CURRENT LIABILITIES		
Borrowings	122	-
Provision for post employment benefits	1,490	-
Deferred tax liabilities	824	482
Redeemable preference shares	35,193	-
	<u>37,629</u>	<u>482</u>
CURRENT LIABILITIES		
Trade payables	27,635	1,761
Other payables and accruals	30,098	7,092
Amount due to ultimate holding companies	1,011	-
Amount due to related companies	214	19
Borrowings	13,173	-
Current tax payable	263	3
	<u>72,394</u>	<u>8,875</u>
Total liabilities	110,023	9,357
TOTAL EQUITY AND LIABILITIES	<u>149,793</u>	<u>53,448</u>
Net assets per share (RM)	<u>0.29</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 31 December 2014

(The figures have not been audited)

	Attributable to Owners of the Parent							Total
	Issued capital	Distributable reserve	Non-distributable reserves			Non-controlling interests	Total	
			Ordinary shares	Retained earnings	Share premium			
12 months ended 31 December 2013								
At 1 January 2013 (audited)	12,910	20,097	3,517	326	(137)	36,713	(345)	36,368
Other comprehensive loss	-	-	-	-	(20)	(20)	-	(20)
Profit for the period	-	15,283	-	-	-	15,283	(505)	14,778
Total comprehensive income for the period	-	15,283	-	-	(20)	15,263	(505)	14,758
ESOS expenses	-	-	-	103	-	103	-	103
Issue of shares to minority shareholder	895	-	1,445	-	-	2,340	-	2,340
Dividend paid	-	(9,478)	-	-	-	(9,478)	-	(9,478)
Transfer to retained earnings on share options exercised	-	416	-	(416)	-	-	-	-
At 31 December 2013	13,805	26,318	4,962	13	(157)	44,941	(850)	44,091
12 months ended 31 December 2014								
At 1 January 2014 (audited)	13,805	26,318	4,962	13	(157)	44,941	(850)	44,091
Other comprehensive loss	-	-	-	-	(13)	(13)	-	(13)
Profit / (Loss) for the period	-	148	-	-	-	148	(438)	(290)
Total comprehensive income / (loss) for the period	-	148	-	-	(13)	135	(438)	(303)
ESOS expenses	-	-	-	-	-	-	-	-
Issue of shares to minority shareholders	30	-	94	-	-	124	-	124
Dividend paid	-	(4,142)	-	-	-	(4,142)	-	(4,142)
At 31 December 2014	13,835	22,324	5,056	13	(170)	41,058	(1,288)	39,770

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 31 December 2014
(The figures have not been audited)



	Current Year 12 months ended 31 December 2014	Preceding Year Corresponding period 31 December 2013
Note	RM'000	RM'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Profit before taxation	963	15,130
Adjustment for non-cash items:		
Depreciation	646	581
Amortisation of software development	2,437	2,447
(Gain) / Loss on disposal of property, plant and equipment	13	(3)
Unrealised gain on foreign currency	(64)	(81)
Interest expense	139	-
Interest income	(550)	(531)
ESOS	-	104
Property, plant and equipment written off	-	9
Allowance for doubtful debts	4	(115)
Operating profit before working capital changes	3,588	17,541
Net changes in assets	27,254	11,871
Net changes in liabilities	(13,061)	(13,954)
Net cash from operations	17,781	15,458
Tax paid	(1,032)	(1,105)
Net cash from operating activities	16,749	14,353
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	8,651	-
Interest received	550	531
Proceeds from disposal of property, plant and equipment	7	3
Purchase of property, plant and equipment	(222)	(339)
Software development expenditure incurred	(892)	(2,851)
Fixed deposits pledged with licensed banks	(3,912)	(1,080)
Net cash from / (used in) investing activities	4,182	(3,736)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Net drawdown / (repayment) of borrowings	(254)	-
Dividend paid	(4,142)	(9,478)
Issuance of shares pursuant to ESOS	124	2,340
Interest paid	(139)	-
Net cash used in financing activities	(4,411)	(7,138)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,520	3,479
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	19,708	16,153
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(127)	76
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	A12 36,101	19,708

* 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 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	Cumulative
	31 December 2014	31 December 2014
	RM'000	RM'000
<u>Segment Revenue</u>		
Malaysia	50,304	69,768
Overseas	631	5,949
	<u>50,935</u>	<u>75,717</u>
 <u>Segment Gross Profit</u>		
Malaysia	8,566	16,507
Overseas	255	3,004
	<u>8,821</u>	<u>19,511</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

There have been no material events subsequent to the end of the quarter.

A10 Changes in the composition of the Group

During the quarter, Applied Business Systems Sdn Bhd, Formis Systems & Technology Sdn Bhd, Formis Computer Services Sdn Bhd and First Solution Sdn Bhd became indirect wholly-owned subsidiaries of the Company whilst Formis Advanced Systems Sdn Bhd became an indirect 60%-owned subsidiary.

The Company had on 3 December 2014 entered into a shares sale agreement with Formis Holdings Bhd ("FHB"), the immediate holding company of the Company, for the acquisition of 1,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Omesti Innovation Lab (Malaysia) Sdn Bhd (formerly known as Formis Software Dynamics Sdn Bhd) ("OIL") from FHB for a total cash consideration of Ringgit Malaysia One. Accordingly, OIL became a direct wholly-owned subsidiary of MSB.

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 18 February 2015 (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
	31 December 2014
	RM'000
Cash and bank balances	15,829
Short-term investments	3,933
Fixed deposits with licensed financial institutions	<u>23,446</u>
	43,208
Less: Fixed deposits pledged with a licensed bank	<u>(7,107)</u>
	<u>36,101</u>

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	50,935	15,606	226%	75,717	52,180	45%
Profit before taxation	1,501	6,773	-78%	963	15,130	-94%

The Group recorded higher revenue in both its current and cumulative quarters in 2014 as compared to 2013 which were due to the consolidation of financial results of the newly acquired entities as set out in Note B7 below.

However, the profit before tax were lower despite higher revenue recorded mainly due to high direct costs in distribution businesses and lower sales volume recorded in the financial services group.

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	50,935	6,461	688%
Profit / (Loss) before taxation	1,501	(3,774)	n.a.

The variance in profit before taxation was mainly due to the consolidation of financial results of the newly acquired entities and significant corporate exercise costs which were incurred in the preceding quarter.

B2 Prospects

Following the completion of recent acquisitions as set out in Note B7, the Company has commenced its operational restructuring to create synergistic benefits in the form of greater economies of scale and enhance productivity efficiencies derived from cost savings, optimisation of resources and a larger distribution network, collaborative marketing strategies to a wider client base, complementary set of products and services, as well as an innovative and competitive range of solution offerings.

With the above initiatives, the Board anticipates that the Group will achieve satisfactory results for the remainder of the 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 31 December 2014 RM'000	Cumulative 31 December 2014 RM'000
Malaysia Income Tax	(548)	(1,253)
	<u>(548)</u>	<u>(1,253)</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. The Pioneer Status for MSC status company had expired on 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 Acquisitions

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") 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 Acquisitions").

The Proposed Acquisitions was approved by shareholders on 17 October 2014 and the final purchase consideration for the Proposed Acquisitions was adjusted from RM50.0 million to RM43.193 million on completion in accordance with the terms and conditions of the share sale agreement.

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 ("Bursa Securities") 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 20 November 2014 obtained approval from Bursa Securities for an extension of time of six (6) months from 6 November 2014 until 5 May 2015 to complete the implementation of the Private Placement.

B8 Group's borrowings and debt securities

Banking facilities totaling RM37.25 million have been granted to the Group. Unutilised secured banking facilities during the financial period under review is RM28.52 million.

B9 Off balance sheet financial instruments

Bank guarantees amounting to RM0.82 million have been issued.

B10 Disclosure of Realised and Unrealised Profits

	Unaudited As at 31 December 2014 RM'000	Unaudited As at 30 September 2014 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	16,417	19,751
- Unrealised	(708)	(493)
	<u>15,709</u>	<u>19,258</u>
Less: Consolidation adjustments	6,615	1,993
Total group retained earnings as per statement of financial position	<u>22,324</u>	<u>21,251</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 earnings per share

The calculation of the basic earnings 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.

	Individual Quarter 31 December 2014	Cumulative Quarter 31 December 2014
Profit attributable to owners of the parent (RM)	1,073,000	148,000
No. of ordinary share in issue	138,352,900	138,352,900
Basic earnings per share (sen)	<u>0.79</u>	<u>0.11</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 25 February 2015.

MICROLINK SOLUTIONS BERHAD (620782-P)
25 February 2015