



MICROLINK SOLUTIONS BERHAD

Company no. 620782P

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
		31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Revenue	B1	10,293	12,372	10,293	12,372
Cost of sales	B1	(5,265)	(4,166)	(5,265)	(4,166)
Gross profit		5,028	8,206	5,028	8,206
Other operating income		165	180	165	180
Selling and distribution expenses		(130)	(251)	(130)	(251)
Administrative expenses		(2,508)	(3,328)	(2,508)	(3,328)
Other operating expenses		(732)	(767)	(732)	(767)
Profit before taxation	B1	1,823	4,040	1,823	4,040
Income tax expense	B4	(428)	(103)	(428)	(103)
Profit for the period		1,395	3,937	1,395	3,937
Other comprehensive (loss) / income					
Exchange differences on translation of foreign operations		(1)	1	(1)	1
Other comprehensive (loss) / income net of tax		(1)	1	(1)	1
Total Comprehensive Income for the period		1,394	3,938	1,394	3,938
Profit attributable to :					
Owners of the Parent		1,513	4,041	1,513	4,041
Non-Controlling Interests		(118)	(104)	(118)	(104)
		1,395	3,937	1,395	3,937
Total comprehensive income attributable to :					
Owners of the Parent		1,512	4,042	1,512	4,042
Non-Controlling Interests		(118)	(104)	(118)	(104)
		1,394	3,938	1,394	3,938
Earnings per share (sen):					
Basic	B13	1.10	3.03	1.10	3.03
Diluted	B13	N/A	2.96	N/A	2.96

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 March 2014

	Unaudited as at 31 March 2014 RM'000	Audited as at 31 December 13 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,607	1,718
Software development expenditure	13,109	13,423
Goodwill on consolidation	2,818	2,818
Total non-current assets	<u>17,534</u>	<u>17,959</u>
CURRENT ASSETS		
Trade receivables	9,422	7,516
Other receivables, deposits and prepayments	2,712	1,916
Tax recoverable	883	915
Amount due from contract customers	2,087	2,240
Short-term investments	10,400	12,614
Fixed deposits with licensed financial institutions	4,460	4,391
Cash and bank balances	7,157	5,897
Total current assets	<u>37,121</u>	<u>35,489</u>
TOTAL ASSETS	<u>54,655</u>	<u>53,448</u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued capital	13,809	13,805
Reserves	<u>28,520</u>	<u>31,136</u>
Shareholders' equity	42,329	44,941
Non-controlling interests	<u>(968)</u>	<u>(850)</u>
	41,361	44,091
DEFERRED LIABILITY		
Deferred tax liabilities	480	482
CURRENT LIABILITIES		
Trade payables	993	1,761
Other payables and accruals	5,021	4,758
Amount due to related company	18	19
Amount due to contract customers	-	55
Deferred maintenance income	6,775	2,279
Tax liabilities	7	3
	<u>12,814</u>	<u>8,875</u>
Total liabilities	13,294	9,357
TOTAL EQUITY AND LIABILITIES	<u>54,655</u>	<u>53,448</u>
Net assets per share (RM)	<u>0.30</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 First Quarter Ended 31 March 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				
3 months ended 31 March 2013									
At 1 January 2013 (audited)	12,910	20,097	3,517	326	(137)	36,713	(345)	36,368	
Other comprehensive income	-	-	-	-	1	1	-	1	
Profit for the period	-	4,041	-	-	-	4,041	(104)	3,937	
Total comprehensive income for the period	-	4,041	-	-	1	4,042	(104)	3,938	
ESOS expenses	-	-	-	14	-	14	-	14	
Issue of shares to minority shareholder	405	-	919	-	-	1,324	-	1,324	
Dividend paid	-	(1,331)	-	-	-	(1,331)	-	(1,331)	
At 31 March 2013	13,315	22,807	4,436	340	(136)	40,762	(449)	40,313	
3 months ended 31 March 2014									
At 1 January 2014 (audited)	13,805	26,318	4,962	13	(157)	44,941	(850)	44,091	
Other comprehensive income	-	-	-	-	(1)	(1)	-	(1)	
Profit for the period	-	1,513	-	-	-	1,513	(118)	1,395	
Total comprehensive income for the period	-	1,513	-	-	(1)	1,512	(118)	1,394	
Issue of shares to minority shareholders	4	-	14	-	-	18	-	18	
Dividend paid	-	(4,142)	-	-	-	(4,142)	-	(4,142)	
At 31 March 2014	13,809	23,689	4,976	13	(158)	42,329	(968)	41,361	

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 First Quarter Ended 31 March 2014
(The figures have not been audited)



	Current Year 3 months ended 31 March 2014	Preceding Year Corresponding period 31 March 2013
Note	RM'000	RM'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Receipts from customers	12,551	25,758
Payment to suppliers and employees	(8,785)	(11,153)
Payment of income tax expense	(393)	(245)
Net cash from operating activities	3,373	14,360
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	3	-
Purchase of property, plant and equipment	(24)	(78)
Software development expenditure incurred	(276)	(1,303)
Interest received	164	180
Net cash used in investing activities	(133)	(1,201)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Dividend paid	(4,142)	(1,331)
Proceeds from issuance of shares	18	1,324
Net cash used in financing activities	(4,124)	(7)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(884)	13,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	22,902	18,267
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(1)	9
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	A12 22,017	31,428

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

A tax exempted interim dividend of 3 sen per ordinary share of RM0.10 each in the company, amounting to RM4,141,818 in respect to the financial year ended 31 December 2013 was declared on 21 February 2014. The payment was made on 21 March 2014.

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 31 March 2014 RM'000	Cumulative 31 March 2014 RM'000
<u>Segment Revenue</u>		
Malaysia	9,887	9,887
Overseas	406	406
	<u>10,293</u>	<u>10,293</u>
 <u>Segment Gross Profit</u>		
Malaysia	4,658	4,658
Overseas	370	370
	<u>5,028</u>	<u>5,028</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 13 May 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 31 March 2014 RM'000
Cash and bank balances	7,157
Short-term investments	10,400
Fixed deposits with licensed financial institutions	4,460
	<u>22,017</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	10,293	12,372	-17%	10,293	12,372	-17%
Profit before taxation	1,823	4,040	-55%	1,823	4,040	-55%

The Group recorded lower profit before taxation in the current quarter as compared to the preceding year corresponding quarter mainly due to lower sales volume and changed in product mix.

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	10,293	15,607	-34%
Profit before taxation	1,823	6,773	-73%

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

B2 Prospects

The Group has initiated a corporate exercise as set out in note B7 below. The proposed acquisitions are expected to create synergistic benefits in the form of greater economies of scale and enhanced operational and 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 innovative and competitive range of solution offerings. The expected completion will be in the second half of year 2014.

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 March 2014 RM'000	Cumulative 31 March 2014 RM'000
Malaysia Income Tax	(428)	(428)
	<u>(428)</u>	<u>(428)</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 exercise

The Company had on 3 April 2014 entered into a conditional Heads of Agreement ("HOA") with Formis Resources Berhad ("FRB"), Formis Holdings Berhad ("FHB") and Man Yau Holdings Berhad ("MYHB"), 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 (collectively referred to as the "Target Companies") for an indicative aggregate purchase consideration of RM50.0 million.

Pursuant to the HOA and subject to the satisfactory results of the due diligence on financial and accounting matters, legal affairs, share capital and structure, commitments, contracts and other affairs of the Target Companies ("Due Diligence Exercise"), the independent valuation on the indicative Purchase Consideration by an independent valuer to be appointed and further negotiations between the Group and the Vendors (collectively, the "Parties"), the Parties shall execute the conditional share sale agreement(s) between the Parties for the purchase of the shares of the Target Companies held by the Vendors ("Sale Shares") and any other agreement(s) as may be required and agreed upon in order to give effect to the Proposed Acquisitions ("Definitive Agreement(s)").

Accordingly, the Definitive Agreements are targeted to be signed within 30 days upon the issuance of the valuation report on the Sales Shares by the independent valuer. The progress of the Proposed Acquisitions was subsequently announced on 4 April 2014.

The Company had also 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 announced on 8 April 2014, 25 April 2014 and 7 May 2014.

B8 Group's borrowings and debt securities

The Group had issued bank guarantees amounting to RM0.16 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 RM0.16 million have been issued.

B10 Disclosure of Realised and Unrealised Profits

	Unaudited As at 31 March 2014 RM'000	Audited As at 31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	23,043	25,413
- Unrealised	(480)	(409)
	<u>22,563</u>	<u>25,004</u>
Less: Consolidation adjustments	1,126	1,314
Total group retained earnings as per statement of financial position	<u>23,689</u>	<u>26,318</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.

	Individual Quarter 31 March 2014	Cumulative Quarter 31 March 2014
Profit attributable to owners of the parent (RM)	1,513,000	1,513,000
No. of ordinary share in issue	138,085,900	138,085,900
Basic profit per share (sen)	<u>1.10</u>	<u>1.10</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 20 May 2014.