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MICROLINK SOLUTIONS BERHAD

ANNUAL REPORT 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Ali Bin Abdul Kadir
Chairman, Independent Non-Executive Director

Datuk Zainun Aishah Binti Ahmad
Independent Non-Executive Director

Chok Kwee Bee
Independent Non-Executive Director

Phong Hon Voon
Non-Independent Non-Executive Director

Yong Kar Seng Peter
Chief Executive Officer / Executive Director

David Hii Chin Yun
Non-Independent Non-Executive Director

Monteiro Gerard Clair
Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Datuk Ali Bin Abdul Kadir
Datuk Zainun Aishah Binti Ahmad
Chok Kwee Bee

MANAGEMENT COMMITTEE

Yong Kar Seng Peter
Chok Kwee Bee
Lee King You

NOMINATION COMMITTEE

Datuk Ali Bin Abdul Kadir
Datuk Zainun Aishah Binti Ahmad
Chok Kwee Bee

REMUNERATION COMMITTEE

Chok Kwee Bee
Yong Kar Seng Peter
Datuk Zainun Aishah Binti Ahmad

OPTION COMMITTEE

Chok Kwee Bee
Yong Kar Seng Peter
David Hii Chin Yun

COMPANY SECRETARIES

See Siew Cheng (MAICSA 7011225)
Leong Shiak Wan (MAICSA 7012855)

REGISTERED OFFICE

Level 8, Symphony House, Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 603-7841 8000
Fax: 603-7841 8199

CORPORATE OFFICE

6th Floor, Menara Atlan
161B, Jalan Ampang
50450 Kuala Lumpur
Tel: 603-2171 2200
Fax: 603-2171 2240

AUDITORS

Deloitte & Touche
Level 19, Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 603-7723 6500
Fax: 603-7726 3986

SHARE REGISTRARS

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 603-7841 8000
Fax: 603-7841 8151

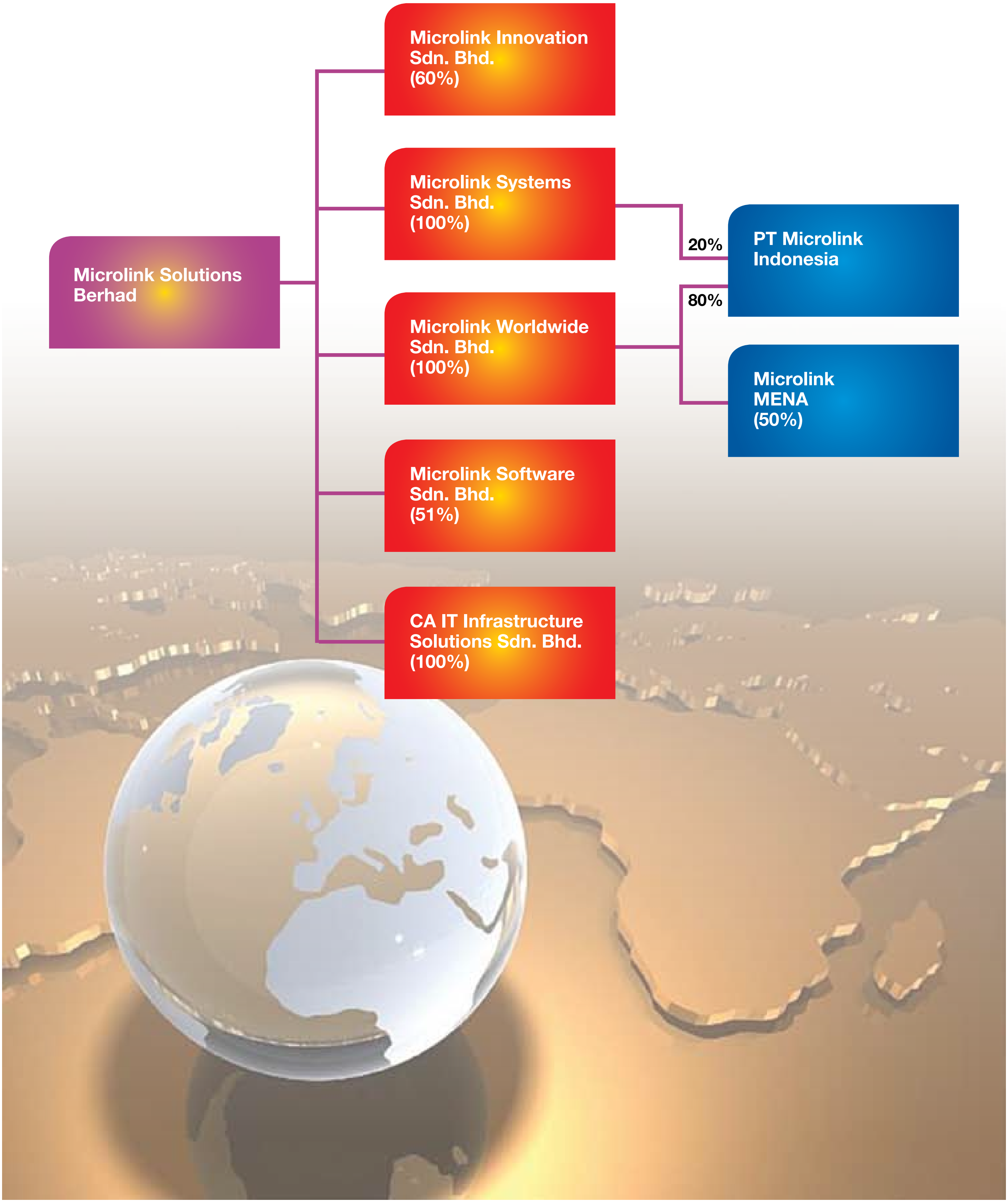
PRINCIPAL BANKERS

CIMB Islamic Bank Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE



COMPANY HIGHLIGHTS

FOR EMPLOYEES

New Sales Office, Petaling Jaya

NEW SALES OFFICE, PETALING JAYA

April 2012

In April 2012, Microlink's newly set up and wholly owned subsidiary, CA IT Infrastructure Solutions Sdn. Bhd. ("CA-IT") commences operation in a new office located at PJX-HM Shah Tower, Petaling Jaya. CA-IT is principally involved in distributing CA Technologies' IT management software and solutions in Malaysia.

CA-IT Launch Event

CA-IT LAUNCH EVENT

April 2012

A business update, media briefing and executive networking dinner for the appointment of CA-IT as CA Technologies' Country Representative Partner for Malaysia was held on 17 April 2012 at Hilton Hotel, Kuala Lumpur.

CA Expo 2012

CA EXPO 2012

September 2012

CA-IT participated as an exhibitor in CA Expo 2012 held on 12 September 2012 at Intercontinental Hotel, Kuala Lumpur. Centered on the theme of "IT at the Speed of Business", the conference aims at helping IT professionals optimise the management of their IT environments.

Family Day

FAMILY DAY

December 2012

Microlink celebrated Family Day at Desa Water Park, Taman Desa on 1 December 2012. The purpose of having a Family Day is to enhance the level of interaction among the staff members and the families through the games that were organised.

FOR COMMUNITY

1Malaysia 1Poltera Dinner

1MALAYSIA 1POLTERA DINNER

March 2012

Microlink contributed four wheelchairs amounting to RM5,000 to the Former Police and Military Families Welfare Association (Poltera) in the event of 1Malaysia 1Poltera dinner held on 30 March 2012. The charity dinner was aimed to raise fund to provide assistance to the needy families of former police and military personnel nationwide. The charity dinner was officiated by Y.A.B Datin Paduka Seri Rosmah Binti Mansor.

CA-IT GOLF TOURNAMENT & CHARITY EVENT

July 2012

CA-IT organised its first Golf Tournament on 15 July 2012 at Glenmarie Golf & Country Club. During the opening ceremony, Shelter Homes, a registered welfare organisation was invited to receive a donation amounting to RM20,000.

CA-IT Golf Tournament & Charity Event

THE EDGE™ – BURSA MALAYSIA KUALA LUMPUR RAT RACE 2012

September 2012

Microlink participated in The Edge-Bursa Malaysia KL Rat Race which took off on 25 September 2012. Microlink sent a team of five – three ladies and two guys. This year's rat race has raised about RM2.22 millions with participation from 148 teams from 80 local companies.

The Edge™ – Bursa Malaysia Kuala Lumpur Rat Race 2012

OUTDOOR ACTIVITY FOR RUMAH VICTORY CHILDREN

December 2012

Microlink organised an outdoor activity for the Rumah Victory Children and Youth Renewal Life Centre on 22 December 2012 at Desa Water Park. Rumah Victory is a non-profit organisation, established with the purpose to provide community services especially in the area of drug eradication and rehabilitation.

34 children and youths and 6 workers from Rumah Victory had great fun on that day.

Outdoor Activity for Rumah Victory Children

FOR SHAREHOLDERS

NINTH ANNUAL GENERAL MEETING

April 2012

Microlink's Ninth Annual General Meeting ("AGM") was held on 12 April 2012 at Corus Hotel, Kuala Lumpur. The meeting was chaired by Yang Bahagia Datuk Ali Bin Abdul Kadir, Chairman of Microlink and attended by the Board of Directors, management and shareholders. Nine resolutions were passed at the AGM.

Ninth Annual General Meeting

MAJOR MILESTONES & ACHIEVEMENTS

YEAR	MILESTONES & ACHIEVEMENTS
2000	Launched MiBS release 7 with 64-bits RISC processor based Unix operating systems compliance. In addition to English and Bahasa Malaysia, MiBS is also available in other languages commonly used in the Southeast Asia region.
2001	Awarded "Sales Performance Excellence (Banking) Award" by Sun Microsystems (M) Sdn. Bhd. in recognition of its highest sales recorded for the banking and financial sector in year 2001.
2003	Microlink was designated by IBM Corporation as an IBM Advanced Business Partner.
	Launched MiBS release 7.3 with Linux OS compliance. Together with IBM Malaysia, it jointly marketed the MiBS running on IBM eServers, particularly the zSeries (formerly known as Mainframe) and iSeries (formerly known as AS/400) in the Southeast Asia and Middle East region.
	Awarded "ICT Software of the Year" by Association of the Computer and Multimedia Industry of Malaysia or PIKOM Computimes.
2004	Microlink received Multimedia Supercorridor (MSC) status from the Government of Malaysia.
	Awarded "Best Application – Islamic Banking System" by Sun Microsystems (M) Sdn. Bhd.
	Awarded "Best System Integrator" by Sun Microsystems (M) Sdn. Bhd.
	Awarded "Premier System Integrator Malaysia" by Sun Microsystems (M) Sdn. Bhd.
2005	Launched MiBS release 8 supports the latest Open Systems, J2EE, Open Source and Grid Computing technologies, Internet and electronic channels ready.
	Awarded "Special Recognition for Outstanding Contribution to Islamic Finance Industry for IT Solutions" by Deloitte and International Institute of Islamic Finance Inc. during KLIFF 2005.
2006	Microlink Solutions Bhd listed on the MESDAQ Market of Bursa Malaysia Securities Bhd.
	Microlink certified as CMMi Level 3 status company.
	Awarded "Best Islamic Financial Service or Product" by Halal Journal during World Halal Forum 2006.
	Deloitte Technology Fast 500 Asia Pacific 2006 Winner.
	Recognised as one of the top contenders in the Best Islamic Finance Technology Provider category at the Islamic Finance News Awards - Best Islamic Banks Poll 2006.
2007	Awarded "Export Excellence Award (Services) 2006" at the Industry Excellence Awards 2006 by the Malaysia Ministry of International Trade and Industry (MITI).
	Awarded "Best of Financial Applications" award of Malaysia APICTA (Asia Pacific ICT Award) at the International APICTA 2007.

MAJOR MILESTONES & ACHIEVEMENTS *(Cont'd)*

YEAR	MILESTONES & ACHIEVEMENTS
2008	Awarded "Industry Excellent Award 2007" by the Malaysia Ministry of International Trade and Industry (MITI).
	Awarded "The Malaysian Innovation Excellence Award 2008" by the Malaysian Trade and Industry Organisation (MTI).
2009	Launched Microlink's revolutionary customer-driven banking suite, namely OneSolution. It is the world's first enterprise-level Rich Internet Application specifically developed to deliver retail core banking and finance applications.
	Microlink was granted with additional five years of Pioneer Status for the MSC status company by the Ministry of International Trade and Industry (MITI).
	Microlink was identified as one of the top performers in the 2009 MSC Malaysia SCORE+ Programme.
2010	Awarded the "2010 ASEAN Business Award, Finalist in the category of Innovation" by the ASEAN Business Advisory Council.
	Passed re-certification for CMMi Level 3 compliance.
	Awarded the "ABS Services Business Partner of the Year FY2010".
2011	Microlink sets up a wholly owned subsidiary namely CA IT Infrastructure Solutions Sdn. Bhd. in December 2011.
2012	CA IT Infrastructure Solutions Sdn. Bhd., a wholly owned subsidiary of Microlink has been appointed by CA Technologies as its Country Representative Partner for Malaysia.

PROFILE OF BOARD OF DIRECTORS

DATUK ALI BIN ABDUL KADIR
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Datuk Ali Bin Abdul Kadir, a Malaysian, aged 63, is our Independent Non-Executive Chairman and he was appointed to our Board on 29 April 2005. Datuk Ali was the Senior Advisor of Ernst & Young Malaysia till 31 December 2005. Before that, he was the Chairman of the Malaysia Securities Commission ("SC").

After 24 years with Ernst & Young Malaysia, he retired whilst holding the position of Executive Chairman of the firm when he was appointed as the Chairman of the SC on 1 March 1999. He also headed the Capital Market Advisory Council and was also a member of a number of national committees including the National Economic Consultative Council II, the Foreign Investment Committee and the Oversight Committee of the National Asset Management Company.

Datuk Ali was also actively involved in international regulatory circles. He sat on the Executive Committee of the International Organisation of Securities Commissions ("IOSCO") and was the Chairman of IOSCO's Asia-Pacific Regional Committee and of the Islamic Capital Market Task Force. Datuk Ali was also a trustee of the Accounting and Auditing Organisation for Islamic Financial Institutions.

He was the former President of the Malaysia Association (now Institute) of Certified Public Accountants and chaired the Executive Committee and the Insolvency Practices Committee. He also co-chaired the Company Law Forum. He was a member of the Malaysian Audit Oversight Board. He was appointed as an Adjunct Professor in the Accounting and Business Faculty, University of Malaya in 2008 and retired in August 2011. He was then appointed to the Advisory Board of the same Faculty.

Datuk Ali is the Chairman of the Financial Reporting Foundation. He is a member of the Labuan Financial Services Authority and Director of Labuan IBFC. Datuk Ali is a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"), and is currently the Honorary Advisor to ICAEW Malaysia. He is also an Honorary Fellow of the Institute of Chartered Secretaries and Administrators (UK), and Honorary member of the Malaysian Institute of Directors. Datuk Ali is also the Chairman of Privasia Technology Berhad, Jobstreet Corporation Berhad and a Board Member of Glomac Berhad.

YONG KAR SENG PETER
CEO / EXECUTIVE DIRECTOR

Yong Kar Seng Peter, a Singaporean, aged 48, is our Chief Executive Officer and he was appointed to our Board on 27 August 2004. Mr. Yong graduated with a Double Major in Economics and Accounting from the University of Reading, United Kingdom. From 1992 to 1994, he was the Vice President for Corporate Finance with Nikko Merchant Bank, Singapore, with responsibility in debt and equity financing for clients within South-East Asia and the Indian sub-continent. Subsequently, he joined Quest Securities Ltd., Hong Kong, where he continued his involvement in Corporate Finance until his resignation in 1995.

Mr. Yong holds directorship in Computer Systems Advisers (M) Berhad from 1996 to June 2008. He pioneered the Investor Relations Department and to spearheaded the company's investor relation programs. With his extensive business experience and acumen, Mr. Yong is actively involved in supporting key strategic business activities in the Company. Mr. Yong also holds directorships in several private limited companies.

DAVID HII CHIN YUN
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

David Hii Chin Yun, a Malaysian, aged 42, has been re-designated as our Non-Independent Non-Executive Director since 9 June 2011. He was appointed to our Board as an Executive Director on 22 September 2003. He started his research work in 1994 at a leading Australian telecom research institute. In 1995, he joined a Malaysian bank as an electronic data processing officer where he was a member of the systems engineering team which designed, implemented and maintained the bank's online banking platform. He joined us in 1995 as a system engineer and promoted to Chief Technology Officer, his last position. David is also the founder and Chief Operating Officer of a logistic web portal.

David graduated with a Bachelors degree with first class honours in Computer Science from Monash University in Australia.

DATUK ZAINUN AISHAH BINTI AHMAD
INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Zainun Aishah Binti Ahmad, a Malaysian, aged 66, is our Independent Non-Executive Director and she was appointed to our Board on 29 April 2005. Datuk Zainun began her career with Malaysian Industrial Development Authority ("MIDA"), the Malaysian government's principal agency for the promotion and coordination of industrial development in the country, as an economist upon her graduation from Universiti Malaya with an Honours Degree in Economics. In her 35 years of service in MIDA, she held various key positions in MIDA as well as in some of the country's strategic council, notably her pivotal role as National Project Director in the Formulation of Malaysia's first Industrial Master Plan. Datuk Zainun is also a member of the Industrial Coordination Council in the implementation of the Second Industrial Master Plan, Industrial Coordination Act Advisory Council, Defence Industry Council, National Committee on Business Competitiveness Council, Malaysia Incorporated and the National Project for Majlis Penyelarasan Perindustrian ("ICC") before retiring in September 2004. Datuk Zainun was the Director-General of MIDA for 9 years and Deputy Director-General for 11 years.

Datuk Zainun holds directorships in DeGem Berhad, Scomi Engineering Berhad, Berjaya Food Berhad, Berjaya Media Berhad, Shell Refining Company (Federation of Malaya) Berhad, British American Tobacco (Malaysia) Berhad and Pernec Corporation Berhad. Save for Pernec Corporation Berhad, all the above companies are listed on Bursa Malaysia Securities Berhad.

CHOK KWEE BEE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Chok Kwee Bee, a Malaysian, aged 60, was appointed as our Non-Independent Non-Executive Director on 27 August 2004 and subsequently re-designated as our Independent Non-Executive Director since 20 February 2013. Ms. Chok is the Managing Director of Teak Capital Sdn. Bhd., a venture capital management company. Prior to that she was with Walden International, a US based venture capital firm, overseeing the operations and investments of Walden International and BI Walden in Malaysia. Ms. Chok was also previously the Chairman of Malaysian Issuing House, member of the Capital Market Advisory Council of the Securities Commission and Chairman of Malaysian Venture Capital and Private Equity Association.

Ms. Chok is now a member of the Malaysian Venture Capital Development Council of the Securities Commission and the Exchange Committee of Labuan International Financial Exchange and a non executive member of the Audit Oversight Board. She sits on the board of several portfolio companies.

Ms. Chok received her Bachelor of Art degree (Honours) in Business Studies from Kingston University, United Kingdom and is also a member of the Associate of the Chartered Institute of Bankers.

PHONG HON VOON
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Phong Hon Voon, a Malaysian, aged 47, is our Non-Independent Non-Executive Director and he was appointed to our Board on 27 August 2004. He began his career as an application programmer with a Japanese electronic manufacturer in Taiwan in 1988 and joined a Taiwanese computer company a year later. He worked with a Japanese electrical manufacturer in Malaysia between 1990 and 1993 and subsequently joined Lion Group, Malaysia between 1993 and 1994 as a senior management information systems executive. He joined us in 1994.

Mr. Phong has wide experience in IT project management, testing and implementation, and system designated software development. He holds a Bachelor of Science in Information and Computer Engineering from Chung Yuan University in Taiwan and a Masters of Science in Parallel Computers and Computations from the University of Warwick in the United Kingdom.

MONTEIRO GERARD CLAIR
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Monteiro Gerard Clair, a Malaysian, aged 42, was appointed as our Non-Independent Non-Executive Director on 16 October 2012.

He is currently an Executive Director of Formis Resources Berhad and has extensive experience in all aspects of the Property Industry. He is also director of Pacific Regal and Red Zone Development, investment holding companies for various projects, and Executive Vice Chairman of Montprimo, a property development company. Mr. Monteiro began his career in the car and boat sales industry.

Notes

1. *Save as disclosed above, none of the Directors has any family relationship with any other Directors and/or other major shareholders of the Company.*
2. *None of the Directors has any conflict of interest with the Company and has not been convicted of any offence within the past ten years.*
3. *Details of Directors' attendances at the Board meetings are set out in the Statement on Corporate Governance.*

CHAIRMAN'S STATEMENT

Dear Shareholders, Customers, Partners And Employees,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2012.

DATUK ALI BIN ABDUL KADIR
INDEPENDENT NON-EXECUTIVE CHAIRMAN

INDUSTRY OUTLOOK

In the Economic Report 2012/2013 by the Ministry of Finance, the Islamic banking business was stated to have continued to expand in the first seven months of 2012 with total assets increasing 20.6% to RM469.5 billion, representing 24.2% of the country's banking system's assets.

Islamic banking and finance to continue growth in 2013

Islamic banking and finance is likely to continue its growth trajectory next year despite the outlook of a challenging year ahead and the slowdown in the global economy.

The robust achievement recorded throughout the year coupled with the "safe-haven investment" sentiment among investors will be the main reasons for the industry to remain favourable.

The new legal framework for Islamic banking and takaful, which is now at the final stages of the enactment process, would also be one of the key drivers for the industry movement. Bank Negara Governor Dr Zeti Akhtar Aziz said the new law, which will be effective next year, would bring certainty to the legal and regulatory treatment of Islamic financial transactions by providing legal recognition to the contractual requirements in accordance with the Syariah.

The Managing Director of a local Islamic Bank believes that if the new act takes effect next year, the outcome would further drive Islamic finance into greater stability in the midst of continued innovations and globalisation of Islamic finance.

Robust growth for Islamic banking

Ernst & Young's World Islamic Banking Competitiveness Report 2013 notes that global Islamic banking assets held by commercial banks are set to cross US$1.8 trillion in 2013, up from the US$1.55 trillion in 2012.This is significantly higher than some of the earlier industry estimates.

Globally, the Islamic banking industry continues to record robust growth, with the leading top 20 Islamic banks registering a growth of 16% in the last three years. The top 20 Islamic banks hold 57% of the total global Islamic banking assets (excluding banks in Iran) and are concentrated in the seven core markets for Islamic banking, which include Saudi Arabia, Malaysia, Kuwait, the UAE, Bahrain, Qatar and Turkey.

Ten of the world's 25 rapid growth markets have large Muslim populations and present significant growth prospects for Islamic banking. The fast-growth economies now form almost half of the global GDP and remain the main contributors to overall global growth. The outlook for Islamic banking in these markets is bright.

FINANCIAL PERFORMANCE

The Group secured several turnkey projects during the financial year ended ("FYE") 31 December 2012 which had enhanced its revenues and earnings significantly. A major project is a contract amounting to approximately RM35.5 million from a financial institution to primarily upgrade its Core Banking System. Therefore, the Group made record revenues of RM42.53 million and profit before tax ("PBT") of RM7.89 million as compared to the revenues of RM18.65 million and PBT of RM2.52 million in the preceding year. This represents an increase of 128% in revenues and 213% in PBT.

REVIEW OF OPERATION

Effective 1 April 2012, a wholly owned subsidiary of the Company, CA IT Infrastructure Solutions Sdn. Bhd. ("CAIT"), has been appointed as the primary country representative of CA Technologies in bringing its solutions and support services to Malaysia. CAIT will also manage the CA Technologies partner and customer ecosystem in Malaysia, ensuring seamless connectivity between the business needs of the partner and user community and the industry leading solutions provided by CA Technologies.

CA Technologies is an IT management software and solutions company with expertise across all IT environments – from mainframe and distributed, to virtual and cloud. CA Technologies manages and secures IT environments and enables customers to deliver more flexible IT services. CA Technologies innovative products and services provide the insight and control essential for IT organisations to power business agility. The majority of the Global Fortune 500 relies on CA Technologies to manage evolving IT ecosystems.

The efforts of the Board of Directors in this partnership had marked a major milestone for the Group to diversify away from single source revenue and enhance its products offering from core banking solutions to software for management infrastructure.

CAIT's operations and performance have been fully reflected in the financial statements of the Group.

PROSPECTS

Malaysia's Islamic banking and financial industry has always been regarded as a global model for a modern and dynamic industry. Apparently, the country has received much recognition in recent years from the global banking and finance fraternity in its effort to develop a viable Islamic banking and finance industry.

With the above favourable factors, the Board of Directors anticipates that the major business segment of the Group, core banking solutions will continue to remain optimistic.

CAIT has been in operations for about a year and is progressing well with an encouraging pipeline, it is expected to contribute positively after gestation period.

DIVIDENDS

The Board of Directors of the Company has proposed a tax exempt final dividend, subject to shareholders' approval at the forthcoming Annual General Meeting, of 3 sen per share in respect of the FYE 31 December 2012, which was estimated to be RM3,994,578 at the time calculated on the basis of the ordinary shares in issue as at 15 March 2013. The entitlement and payment dates for the proposed final dividend are 6 May 2013 and 20 May 2013 respectively.

APPRECIATION

On behalf of the Board, I would like to express my earnest gratitude to the management and employees of the Group for their loyal dedication and contribution. The Board would also like to thank our customers, suppliers, business associates and bankers for their continued support.

DATUK ALI BIN ABDUL KADIR
Chairman

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of the Company recognises the importance of practicing good corporate governance in directing the business of the Company to enhance business prospect and corporate performance and accountability with the ultimate objective of realising long term shareholders' value and interest of other stakeholders. The Board is fully committed towards ensuring that the principles and best practices as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") are applied and practiced throughout the Group. The Board is pleased to report to the shareholders on the manner the Company has applied all the eight (8) principles of the Code and the extent to which it has complied with the recommendations of the Code.

THE BOARD OF DIRECTORS

Composition and Balance

The Company is led and managed by a well-balanced Board which consists of members with wide range of business, technical and financial background. This brings insightful depth and diversity to the acute leadership and management of an evolutionary business.

The Board is made up of seven (7) members as follows:

- Three (3) Independent Non-Executive Directors
- One (1) Executive Director
- Three (3) Non-Independent Non-Executive Directors

The profiles of the Directors are presented on pages 8 to 11 of this annual report.

The composition of the Board ensures that Independent Non-Executive Directors provide an element of objectivity, independent judgments and check and balance to the decision making process of the Board. The Independent Non-Executive Directors also ensure that the Group's development plans and business strategies are fully deliberated upon and all decisions taken are in the best interest of the shareholders, employees, customers and other stakeholders of the Group.

The Chairman of the Company, Datuk Ali Bin Abdul Kadir was appointed as the Senior Independent Non-Executive Director, to whom concerns by the public and external stakeholders can be addressed.

Duties and Responsibilities

The Board has overall responsibility for the strategic direction and retains full and effective control over the Group, amongst others, the following six (6) responsibilities:

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning;
- Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Chairman leads strategic planning at the Board level while the Executive Director is responsible for the day-to-day operations within the limit of authority entrusted to him. The Board makes major decisions such as approval of acquisitions and disposals, new ventures and investment, material agreements, major capital expenditure and budgets.

Reinforce Independence

The Non-Executive Directors are not employees of the Group and do not participate in the day-to-day management of the Group. Three of the six Non-Executive Directors, including Chairman, are independent Directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. The Nomination Committee has reviewed the performance of the independent Directors and is satisfied they have able to discharge their responsibilities in an independent manner.

None of the current independent Board members had served the Company for more than nine years as per the recommendation of the Code. Should the tenure of an independent Director exceed nine years, shareholders approval will be sought at a General Meeting or if the services of the Director concerned are still required, the director concerned will be re-designated as a non-independent Director.

There is clear separation of powers between the Chairman, who is an independent Director and the Chief Executive Director, and this further enhances the independent of the Board. Should any Director has any interest in any matter under deliberation, he is required to disclose his interest and abstain from participating discussions on the matter.

Board Meetings

The Board ordinarily has four (4) scheduled meetings annually, with additional meetings to be held between the scheduled meetings as and when necessary.

For this financial year under review, a total of twelve (12) Board Meetings were held. The record of attendance of these meetings by the current Board is as follows:

Directors	**Number of Meetings Attended**
Datuk Ali Bin Abdul Kadir	12/12
Datuk Zainun Aishah Binti Ahmad	11/12
Chok Kwee Bee	12/12
Yong Kar Seng Peter	12/12
Phong Hon Voon	10/12
David Hii Chin Yun	12/12
Monteiro Gerard Clair	3/3

Each Director is provided with full and timely information which enables them to discharge their responsibilities. Prior to each Board Meeting, the agenda together with the detailed reports and supplementary papers are circulated to the Directors in advance. This is to enable the Directors to obtain further explanations, where necessary, to be adequately informed before the meeting.

The Directors have full access to all information within the Company in furtherance of their duties. In addition, all Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that the Board procedures are followed. The Directors may also seek external independent professional advice at the Company's expense, to assist them in their decision-making.

Directors Training

The Board fully supports the need for its members to further enhance their skills and knowledge on relevant new laws and regulations and changing commercial risks to keep abreast with the developments in the economy, industry and technology, among others.

All Directors have attended and successfully completed the Mandatory Accreditation Program conducted by Bursatra Sdn. Bhd..

The Directors have attended training and will continue to attend other relevant training programs as may be determined by the Board to keep them abreast with the latest developments in the relevant areas. All Directors receive updates from time to time, on relevant new laws and regulations to enhance their business acumen and skills to meet changing commercial risks and challenges.

The seminars and conferences attended by one or more Directors during the year are:

- CA Cloud Simulator Workshop
- CA World Expo 2012 and the Asia Pacific & Japan Partner Summit 2012
- CA Expo Kuala Lumpur 2012
- Maybank Account Strategy and Engagement Model Planning Workshop
- ICAEW Making the Most of the CFO Role
- BDO Asia Pac Senior Tax Partners Meeting
- Labuan IBFC Leasing Symposium

Appointment and Re-election

In accordance with the Company's Articles of Association, one third of the Directors shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The Directors shall have the power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Company's Articles of Association. Any Director so appointed shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

In line with the Board's commitment to having good corporate governance, the Board has set up five (5) Board committees, namely the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee, the Option Committee and the Management Committee, each entrusted with specific tasks to assist the Board in carrying out its duties and responsibilities.

Board Committees

(a) Audit and Risk Management Committee

The terms of reference of the Audit and Risk Management Committee are set out on pages 21 to 24 of the annual report.

(b) Nomination Committee

The Nomination Committee is set up to propose new nominees for the Board and to evaluate each individual Directors on an on-going basis. The Company has established formal and transparent procedures for the appointment of new Directors. The Nomination Committee scrutinises the sourcing and nomination of suitable candidates for appointment and also seeks to ensure an optimal mix of qualification, skill and experience among the Board members.

The Nomination Committee comprises wholly of Non-Executive Directors as follows:

	Position
Datuk Ali Bin Abdul Kadir	Chairman
Datuk Zainun Aishah Binti Ahmad	Member
Chok Kwee Bee	Member

(c) Remuneration Committee

The Remuneration Committee is responsible to recommend to the Board the framework and quantum values for the Executive Directors' as well as senior management's remuneration package, terms of employment, reward structure and perks.

In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

The Remuneration Committee comprises the following members:

	Position
Chok Kwee Bee	Chairman
Yong Kar Seng Peter	Member
Datuk Zainun Aishah Binti Ahmad	Member

The remuneration packages for the Directors for the financial year ended 31 December 2012 are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries and other emoluments	570	–
Fees	–	74

The number of Directors whose remuneration falls into each band of RM50,000 are set as follows:

	Number of Directors	
	Executive	Non-Executive
Below RM50,000	–	5
RM50,001 – RM100,000	–	–
RM100,001 – RM150,000	–	–
RM150,001 – RM200,000	–	–
RM200,001 – RM250,000	–	–
RM250,001 – RM300,000	–	–
RM300,001 – RM350,000	–	–
RM350,001 – RM400,000	–	–
RM400,001 – RM450,000	1	–

(d) Option Committee

The Option Committee is appointed by the Board to administer the Employees' Share Option Scheme ("ESOS") in accordance with the objectives and regulations as stated in the By-Laws of the ESOS.

The Option Committee comprises the following members:

	Position
Chok Kwee Bee	Chairman
Yong Kar Seng Peter	Member
David Hii Chin Yun	Member

As of the financial year ended 31 December 2012, 1,691,000 options were exercised by the eligible Directors and employees.

(e) Management Committee

The Management Committee is responsible for the overall operational matters of the Group. The management committee members are meeting once a month to ensure the operational matters are dealt with in a speedy, effective and efficient manner.

The Management Committee comprises of Executive, Non-Executive Directors as well as senior management personnel as follows:

	Position
Yong Kar Seng Peter	Chairman
Chok Kwee Bee	Member
Lee King You	Member

The functions of the Management Committee are:

i. To review and recommend the strategic plan for Board's approval;
ii. To review and recommend the annual budget for Audit And Risk Management Committee's deliberation;
iii. To monitor the performance of the Group against budget on regular basis;
iv. To review and monitor statutory and legal compliance and advise the Board accordingly;
v. To review and monitor initiated ventures and to report progress to the Board on regular basis; and
vi. To review and approve monthly management accounts and report to the Board on regular basis.

SHAREHOLDERS

Investors' Relations and Shareholders' Communication

The Board recognises the importance to have timely and equal dissemination of relevant information on the Group's performance and other development via an appropriate channel of communication.

Shareholders, investors and analysts are kept abreast with the major developments of the Group through the various means of communications as follows:

- Quarterly financial statements and annual report
- Announcements on major developments made to Bursa Malaysia Securities Berhad ("BMSB")
- Company's General Meetings
- Company's website at http://www.microlink.com.my

As part of the Company's continuing disclosure obligation under the Listing Requirements of BMSB for the ACE Market ("AMLR"), the Company aims to ensure timely announcements are made through the BMSB and Company's website. This serves to enable investors to make informed investment decisions.

Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with public shareholders. Notice of AGM and annual reports will be sent to the shareholders within the period prescribed by the Company's Articles of Association. In addition, the Notice of AGM will be advertised in the newspaper. Any items of special business included in the Notice of AGM will be accompanied by a full explanation of the effects of the proposed special business.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a clear, balanced and comprehensive assessment of the Group's financial position, performance and prospects each time it releases its quarterly and audited financial statements to the shareholders, stakeholders and investors. The annual reports are prepared in accordance with the requirements of the Companies Act, 1965, the AMLR, and the standards approved by Malaysian Accounting Standards Board ("MASB").

In addition, the Company has adopted the appropriate accounting policies that have been consistently applied in the preparation of its accounting records to present a true and fair view of its financial performance.

Directors' Responsibility Statement

The Board is responsible for ensuring that the financial statements of the Company and of the Group give a true and fair view of the state of affairs of the Company and of the Group as at the end of the accounting year. The Board considers that the Company uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that all accounting standards, which it considers applicable, have been followed in the preparation of the financial statements.

The Board is responsible for ensuring that the Company keeps proper accounting records and that such records are disclosed with reasonable accuracy to ensure that the financial statements comply with the Companies Act, 1965. The Board has the general responsibility for taking such steps to safeguard the assets of the Group and to detect and prevent fraud as well as other irregularities.

Internal Control

The Board has an overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets by identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.

The Board views that the system of internal control instituted throughout the Group is sound and sufficient to safeguard shareholders' investment and the Group's assets. The Group is continuously looking into the adequacy and integrity of its system of internal control to ensure the effectiveness of the system.

Relationship with Auditors

Through the Audit and Risk Management Committee, the Company has established a transparent and professional relationship with the Group's auditors. From time to time, the auditors highlight to the Audit and Risk Management Committee and the Board on matters that require the Board's attention. They are invited to attend the Audit and Risk Management Committee Meetings when necessary.

The Audit and Risk Management Committee recommends the appointment of the external auditors. The appointment of the external auditors is subject to the approval of the shareholders at the AGM.

Corporate Social Responsibility

The Group remains committed to ensuring that in the course of maximising value for its investors, its corporate social responsibilities are not neglected. During the financial year ended 31 December 2012, the Group had participated in and organised several activities as set out on pages 4 to 5.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

INTRODUCTION

The Audit and Risk Management Committee comprises the following three Directors:

1) Datuk Ali Bin Abdul Kadir - Chairman, Independent Non-Executive Director
2) Datuk Zainun Aishah Binti Ahmad - Independent Non-Executive Director
3) Chok Kwee Bee - Independent Non-Executive Director

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

Composition of Audit and Risk Management Committee

The Audit and Risk Management Committee shall be appointed by the Board of Directors from amongst their members and shall consist of no fewer than three (3) members, the majority of whom shall be Independent Directors and the Chief Executive Officer shall not be a member of the Audit and Risk Management Committee.

At least one member of the Audit and Risk Management Committee:

(a) Must be a member of the Malaysian Institute of Accountants (MIA); or
(b) If he is not a member of MIA, he/she must have at least 3 years working experience; and
    - He must have passed the examination specified in Part I of the First Schedule of the Accountants Act 1967; or
    - He must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

No alternate Director is appointed as a member of the Audit and Risk Management Committee.

The members of the Audit and Risk Management Committee shall elect a Chairman from amongst its members who shall be an Independent Director.

The Board of Directors must review the term of office and performance of the Committee and each of its members at least once every 3 years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

Meetings

(i) Frequency of Meeting

The Committee shall meet not less than four (4) times a year or as many times as the Committee deems necessary with due notice of issues to be discussed.

(ii) Proceedings of Meeting

The quorum for meeting of the Audit and Risk Management Committee shall be two (2) members where majority shall be Independent Director.

If at any meeting, the Chairman of the Audit and Risk Management Committee is not present within fifteen minutes of the time appointed for holding the same, the members of the Audit and Risk Management Committee present shall choose one of their members who shall be an Independent Director to be Chairman of such meeting.

The Company Secretary shall be the Secretary of the Audit and Risk Management Committee.

Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman of the Audit and Risk Management Committee shall have a second or casting vote.

(iii) Attendance at Meeting

The Audit and Risk Management Committee may require the presence of external auditors to attend any of its meetings when necessary.

The Financial Controller and internal auditors (if any) shall normally attend the meeting.

Other members of the Board and officers of the Company and its Group may attend the meeting (specific to the relevant meeting) upon the invitation of the Committee.

(iv) Keeping and Inspection of Minutes

The Company shall cause minutes of all proceedings of Audit and Risk Management Committee Meeting to be entered in books kept for that purpose.

Those minutes to be signed by the Chairman of the Audit and Risk Management Committee Meeting at which the proceedings were held or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates.

The books containing the minutes of proceedings of Audit and Risk Management Committee Meeting shall be kept by the Company Secretary, and shall be opened to the inspection of any members of the Board of Directors or Audit and Risk Management Committee members without charge.

The minutes of the Audit and Risk Management Committee Meeting shall be circulated to the members of the Board for notation.

Authority

The Committee shall in accordance with the procedure determined by the Board and at the expense of the Company:

(a) have explicit authority to investigate any matter within its terms of reference;
(b) have the resources which the Committee needs to perform the duties;
(c) have full access to any information which the Committee requires in the course of performing its duties;
(d) have unrestricted access to all employees of the Group;
(e) have direct communication channels with the external auditors;
(f) be able to obtain outside legal or independent professional advice in the performance of its duties at the cost of the Company; and
(g) be able to invite outsiders with relevant experience to attend its meetings, if necessary.

Duties and Responsibilities

The duties and responsibilities of the Audit and Risk Management Committee shall include the following:

(i) Matters relating to External Audit

(a) To review the nomination of external auditors and their audit fees;
(b) To review the nature, scope and quality of external audit plan/arrangements;
(c) To review quarterly and annual financial statements of the Company, before submission to the Board, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgmental issues;
(d) To review the external auditors' audit report;
(e) To review with the external auditors, their evaluation of the system of internal accounting controls;
(f) To review the Company's policies and procedures with Management and external auditors to ensure the adequacy of internal accounting and financial reporting controls;
(g) To review any letter of resignation from the external auditors;
(h) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
(i) To review the assistance given by the Company's officers to the external auditors.

(ii) Matters relating to Internal Audit function, if any exists

(a) To review the effectiveness of the internal audit function;
(b) To review the internal audit programme and results of the internal audit process;
(c) To review the follow up actions by the Management on the weakness of internal accounting procedures and controls;
(d) To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
(e) To review the assistance and co-operation given by the Company and its officers to the internal auditors.

(iii) Risk Management and Internal Control

(a) To review the adequacy of risk management framework and to provide independent assurance to the Board of Directors on the effectiveness of the Company's risk management processes;
(b) To evaluate the quality and effectiveness of the Company's internal controls and management information systems, including compliance with applicable laws, rules and guidelines; and
(c) To recommend to the Board of Directors the Statement of Internal Control and any changes to the said statement.

(iv) Verification of Employees' Share Option Scheme ("ESOS")

To verify the allocation of options during the year under the ESOS to ensure that this was in compliance with the allocation criteria determined by the Option Committee and in accordance with the By-Laws of the ESOS.

SUMMARY OF ACTIVITIES

The Audit and Risk Management Committee held four (4) meetings during the financial year ended 31 December 2012. The records of attendance of these meetings by the members are as follows:

Directors	Number of Meetings Attended
Datuk Ali Bin Abdul Kadir	4/4
Datuk Zainun Aishah Binti Ahmad	4/4
Chok Kwee Bee	4/4

During the financial year ended 31 December 2012, the activities carried out by the Audit and Risk Management Committee includes:

(a) Reviewed the unaudited quarterly reports of the Group before recommending to the Board of Directors for their approval and release to Bursa Malaysia Securities Berhad;

(b) Reviewed with external auditors on the audit planning memorandum of the Group for the financial year ended 31 December 2012;

(c) Reviewed with external auditors on the Group's results before recommending to the Board of Directors for their approval and release to Bursa Malaysia Securities Berhad;

(d) Reviewed with external auditors on the impact of new accounting standards on the Group's performance;

(e) Reviewed the recurrent related party transactions to ensure compliance with laws and regulations and the renewal of shareholders mandate; and

(f) Recommend to the Board of Directors on the re-appointment of the external auditors.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT *(Cont'd)*

Statement by Audit and Risk Management Committee on the Group Employee Share Option Scheme ("ESOS")

Appendix 9C item no. 27 of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad requires a statement by the Audit Committee in relation to the allocation of options pursuant to any share scheme for employees as required under Rule 8.20.

The Audit and Risk Management Committee has reviewed and is of the view that the criteria for allocation of the Group's ESOS for the financial year under review:

(a) has been made known to all eligible employees; and
(b) the allocation of the said ESOS is made in compliance with the criteria as set out in the ESOS Policy Guidelines and the ESOS By-Laws of the Company.

A breakdown of the options offered to and exercised by Non-Executive Directors pursuant to a share scheme for employees in respect of the financial year under review in tabular form as follows:

Non-Executive Directors	**Amount of Option Granted**	**Amount of Option Exercised**
(1) Datuk Ali Bin Abdul Kadir	1,700,000	(350,000)
(2) Datuk Zainun Aishah Binti Ahmad	1,700,000	–
(3) Phong Hon Voon	483,100	–
(4) Chok Kwee Bee	474,000	(187,500)
(5) David Hii Chin Yun	483,100	–
Total	4,840,200	(537,500)

Internal Audit Function

The Board recognises the importance of a sound system of internal control to safeguard shareholders' investment and the Company's assets. The internal audit function in the Company is being out-sourced to assist in identifying, evaluating, monitoring and managing the significant risks to ensure proper risk management, adequacy and integrity of the internal control systems in line with the requirements of the Statement on Internal Control - Guidance for Directors of Public Listed Companies. The internal auditors report directly to the Audit and Risk Management Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Bursa Securities Listing Requirements, the Board of Directors of Microlink Solutions Berhad ("the Company") is pleased to make a statement in the annual report on the state of the risk management and internal controls of the Group for the financial year under review, which has been prepared in accordance with the Listing Requirements and with reference to the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board of Directors acknowledges that it is ultimately responsible for the Group's system of risk management and internal control and for reviewing the adequacy and integrity of the risk management and internal control system to ensure shareholders' interests and the Group's assets are safeguarded. Due to the inherent limitations in any system of internal control, such system put in place by Management is only designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore, such system can only provide reasonable and not absolute assurance against material misstatements or losses. Due to ever changing business environment and conditions, the effectiveness of an internal control system may vary over time.

RISK MANAGEMENT

The Board of Directors acknowledged that all areas of the Group's activities involve some degree of risks and recognises that effective risk management is part of good business management practice for the successful achievement of the Group's business objectives. On a day to day basis, the respective Heads of Department and key management staff are responsible for managing the risks of their departments and periodic management meetings are held to address significant issues faced by the Group so as to ensure significant risks are closely monitored and appropriately addressed. Significant risks of the Group are highlighted to the Board by the Executive Director on an exception basis.

The abovementioned practices/initiatives by the Management serves as the on-going process used to identify, evaluate and manage significant risks that affects the achievement of its business objectives.

INTERNAL AUDIT

The Group's internal control systems are continually being reviewed and enhanced to ensure that changes in the Group's business and operating environment are adequately managed. The Board through the Audit and Risk Management Committee currently obtain regular assurance on the adequacy and effectiveness of the internal control system through independent reviews performed by the internal audit function which is outsourced to a professional services firm. The internal audit function reports directly to the Audit and Risk Management Committee. During the financial year, the internal audit function conducted reviews in accordance with the risk based internal audit plan approved by the Audit and Risk Management Committee. Based on the internal audit reviews carried out, the results of the review including findings of the internal audit and recommended corrective actions were presented to the Audit and Risk Management Committee at the scheduled meetings. In addition, follow up review was conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report. The costs incurred in maintaining the outsourced internal audit function for the financial year ended 31 December 2012 amounted to RM16,298.40.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

- An organisation structure with well-defined delegation of authority, segregation of duties and lines of responsibility;
- Systematic procedures in Capability Maturity Model Integration (CMMi) to facilitate process improvement and quality control;
- Strategic plan and annual budget are prepared by respective Heads of Department and approved by the Board;
- Timely financial reporting in providing relevant financial information for Management review. Announcement of financial information is further subjected to the review by the Audit and Risk Management Committee prior to the Board's approval. In addition, statutory auditors' advice is sought as and when required;
- Monthly variance analysis between actual performances and approved budgeted numbers is performed. Comprehensive management accounts and reports are prepared, explanations of major variances are presented in the monthly Management Committee Meetings;
- Board meetings are scheduled regularly. Board papers are distributed to the members of the Board ahead of the meetings and Board members have access to all relevant information. Decisions are made by the Board only after the requisite information is being presented and deliberated;
- The Executive Director adopts a hands on approach in running the business and operations of the Group and he reports to the Board on significant changes in the business and external environment, which affect the operations of the Group at large;
- Experienced and dedicated team of personnel across key functional units;
- Established internal policies and procedures for key business units within the Group; and
- Comprehensive guidelines for the employment and retention of employees are in place, including a staff handbook. Trainings are provided internally to ensure that the employees are well informed and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.

CONCLUSION

The Board of Directors is committed towards operating a sound system of internal control and effective risk management practices throughout the Group and is of the view that they are adequate to safeguard shareholders' investments and the Group's assets. There were no material losses incurred during the financial year as a result of weaknesses in internal control that would require a separate disclosure in the annual report. Nevertheless, the Board is cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Company's system of internal control.

This statement was approved by the Board of Directors on 18 March 2013.

OTHER COMPLIANCE INFORMATION

The following information provided is in respect of the financial year ended 31 December 2012.

Utilisation of Proceeds

There were no proceeds raised from any proposal during the financial year under review.

Share Buybacks

During the financial year under review, the Company did not enter into any share buyback transactions.

Options, Warrants or Convertible Securities

Saved for the options granted and exercised as disclosed on page 30 of the annual report, the Company has not issued any options, warrants or convertible securities during the financial year under review.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programmes.

Sanctions and/or Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year under review.

Non-Audit Fees

During the financial year ended 31 December 2012, the Company engaged the external auditors in a corporate exercise to perform financial and tax due diligence on the target companies. The amount incurred was RM84,800.

Profit Estimates, Forecast or Projection

There was no profit forecast issued by the Group.

Profit Guarantee

No profit guarantee was given by the Company and or its subsidiaries in respect of the financial year.

Material Contracts

During the financial year under review, there were no material contracts entered into by the Company and its subsidiaries which involved Directors' or major shareholders' interests.

Revaluation Policy on Landed Property

The Group does not have a revaluation policy in respect of the Group's property.

Recurrent Related Party Transactions of Revenue Nature

The details of the recurrent related party transactions are disclosed on page 82 of the annual report.

financial statements

REPORT OF THE DIRECTORS

The Directors of **MICROLINK SOLUTIONS BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of research and development on information technology solutions to the financial services industry.

The principal activities of the subsidiaries are disclosed in Note 12 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group RM	Company RM
Profit before tax	7,890,205	7,162,804
Income tax expense	(827,025)	(17,317)
Profit for the year	7,063,180	7,145,487
Attributable to:		
Equity holders of the Company	7,362,224	7,145,487
Non-controlling interests	(299,044)	–
	7,063,180	7,145,487

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

A final dividend of 1 sen per share tax exempt, amounting to RM1,274,060 proposed in the previous financial year and dealt with in the previous Director's report was paid on 25 May 2012.

An interim dividend of 1 sen per share tax exempt declared on 20 February 2013, amounting to RM1,331,526 in respect of the current financial year will be paid on 29 March 2013.

The Directors proposed a final dividend of 3 sen per share tax exempt estimated to amount to RM3,994,578 in respect of the current financial year. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

As mentioned in Note 19 to the financial statements, during the current financial year, the issued and paid up capital of the Company was increased from RM12,740,600 comprising 127,406,000 ordinary shares of RM0.10 each to RM12,909,700, comprising 129,097,000 ordinary shares of RM0.10 each by way of issuance of 1,691,000 new ordinary shares of RM0.10 each for cash pursuant to the exercise of share options at an exercise price of RM0.13 per ordinary share of RM0.10 each. The new ordinary shares issued rank pari-passu with the then existing ordinary shares of the Company.

The resulting share premium from the exercise of share options amounting to RM50,730 as of 31 December 2012 has been credited to the share premium account.

Subsequent to the financial year end, the issued and paid up capital of the Company was increased from RM12,909,700 comprising 129,097,000 ordinary shares of RM0.10 each to RM13,315,260, comprising 133,152,600 ordinary shares of RM0.10 each by way of issuance of 4,055,600 new ordinary shares of RM0.10 each for cash pursuant to the exercise of share options at exercise prices ranging from RM0.13 to RM0.49 per ordinary share of RM0.10 each. The new ordinary shares issued rank pari-passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

Under the Company's ESOS which became effective on 27 April 2006, options to subscribe for unissued new ordinary shares of RM0.10 each in the Company were granted to eligible directors and employees of the Company and its subsidiaries.

The salient features of the ESOS are as follows:

(i) the total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

(ii) the ESOS shall be in force for a period of 5 years from the effective implementation date of the ESOS, subject to any extension or renewal for a further period of 5 years commencing on the day after the date of expiry of the original 5 years period;

(iii) the new shares to be allotted and issued upon the exercise of the options will upon such allotment and issuance, rank pari-passu with the then existing issued and paid-up share capital except that these new shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the new shares and will be subject to all the provisions of the Articles of Association relating to the transfer, transmission and otherwise of the shares; and

(iv) the exercise price of the ESOS options shall be:

    (a) the issue price of RM0.49 for options that were granted prior to the listing; or

    (b) based on the weighted average market price of the Company's shares for the 5 market days immediately preceding the date on which the options are granted subject to a discount of not more than 10% for options that are granted subsequent to the listing.

On 21 April 2011, the Option Committee had approved the extension of the existing ESOS for a period of 5 years commencing on 27 April 2011.

The share options granted, exercised and lapsed during the financial year were as follows:

		Number of options over ordinary shares of RM0.10 each				
Exercisable from	Exercise price per ordinary share (RM)	Balance as of 1.1.2012	Granted	Exercised	Lapsed	Balance as of 31.12.2012
27.4.2007	0.49	3,666,400	–	–	(176,900)	3,489,500
27.4.2008	0.46	148,800	–	–	(16,600)	132,200
26.8.2012	0.13	8,179,400	–	(1,691,000)	(647,500)	5,840,900

Except as disclosed hereunder, the Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who were granted options amounting to less than 183,000 options under the ESOS:

	Number of options granted (183,000 and more options granted)
Directors	
Datuk Ali Bin Abdul Kadir	1,700,000
Datuk Zainun Aishah Binti Ahmad	1,700,000
Yong Kar Seng Peter	604,000
Phong Hon Voon	483,100
David Hii Chin Yun	483,100
Chok Kwee Bee	474,000
Employees	
Lee King You	458,100
Wong Hier Chai	359,600
Chen Kah Keong	200,900
Teo Kai Wah	183,000

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that no known bad debts need to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would require the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following Directors served on the Board of the Company since the date of last report:

Datuk Ali Bin Abdul Kadir
Datuk Zainun Aishah Binti Ahmad
Chok Kwee Bee
Yong Kar Seng Peter
Phong Hon Voon
David Hii Chin Yun
Monteiro Gerard Clair (appointed on 16.10.2012)

In accordance with Article 70 of the Company's Articles of Association, Mr. David Hii Chin Yun and Mr. Yong Kar Seng Peter retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Monteiro Gerard Clair, who was appointed to the Board since the date of the last report, retires under Article 75 of the Company's Articles of Association and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1.2012	**Bought**	**Sold**	**Balance as of 31.12.2012**
Shares in the Company				
Direct Interest				
Datuk Ali Bin Abdul Kadir	5,000,000	1,450,000	–	6,450,000
Datuk Zainun Aishah Binti Ahmad	50,000	–	–	50,000
Chok Kwee Bee	50,000	187,500	–	237,500
Yong Kar Seng Peter	7,709,170	11,437,500	–	19,146,670
Phong Hon Voon	13,873,082	–	–	13,873,082
David Hii Chin Yun	12,381,767	–	–	12,381,767
Indirect Interest				
Datuk Ali Bin Abdul Kadir	205,000	–	–	205,000
Yong Kar Seng Peter	11,992,500	–	(11,437,500)	555,000
Chok Kwee Bee	11,437,500	–	(11,437,500)	–
Monteiro Gerard Clair	–	27,457,800	–	27,457,800

Options granted to the Directors pursuant to the ESOS of the Company that was implemented on 27 April 2006 are as follows:

	Number of options over ordinary shares of RM0.10 each			
	Balance as of 1.1.2012	Granted	Exercised	Balance as of 31.12.2012
Options in the Company				
Datuk Ali Bin Abdul Kadir	1,700,000	–	(350,000)	1,350,000
Datuk Zainun Aishah Binti Ahmad	1,700,000	–	–	1,700,000
Yong Kar Seng Peter	604,000	–	–	604,000
Chok Kwee Bee	474,000	–	(187,500)	286,500
Phong Hon Voon	483,100	–	–	483,100
David Hii Chin Yun	483,100	–	–	483,100

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the options granted as disclosed above and in Note 26 to the Financial Statements.

AUDITORS

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

YONG KAR SENG PETER

DAVID HII CHIN YUN

Kuala Lumpur,
18 March 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MICROLINK SOLUTIONS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **MICROLINK SOLUTIONS BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2012 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended of the Group and of the Company, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 85.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 12 to the financial statements, being accounts that have been included in the financial statements of the Group;

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes.

(d) The auditors' reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 29 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

(a) As stated in Note 2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2011 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

(b) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

HIEW KIM TIAM
Partner - 1717/08/13 (J)
Chartered Accountant

18 March 2013

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	Note(s)	2012 RM	2011 RM	2012 RM	2011 RM
Revenue	5 & 6	42,525,636	18,653,502	13,114,080	4,442,644
Cost of sales		(19,634,433)	(7,552,349)	(416,622)	(342,299)
Gross profit		22,891,203	11,101,153	12,697,458	4,100,345
Distribution costs		(848,869)	(1,081,765)	(12,445)	(5,080)
Administrative expenses		(11,904,914)	(6,451,392)	(3,401,079)	(2,074,190)
Other operating expenses		(2,718,307)	(1,587,803)	(2,374,330)	(1,948,022)
Other operating income		471,092	543,150	253,200	71,457
Profit before tax	7	7,890,205	2,523,343	7,162,804	144,510
Income tax expense	8	(827,025)	(670,090)	(17,317)	(877)
Profit for the year		7,063,180	1,853,253	7,145,487	143,633
Other comprehensive income/(loss):					
Exchange differences on translating foreign operations		2,012	(5,098)	–	–
Other comprehensive income/(loss) for the year, net of tax		2,012	(5,098)	–	–
Total comprehensive income for the year		7,065,192	1,848,155	7,145,487	143,633
Profit attributable to :					
Equity holders of the Company		7,362,224	1,937,924	7,145,487	143,633
Non-controlling interests		(299,044)	(84,671)	–	–
		7,063,180	1,853,253	7,145,487	143,633
Total comprehensive income attributable to:					
Equity holders of the Company		7,364,236	1,932,826	7,145,487	143,633
Non-controlling interests		(299,044)	(84,671)	–	–
		7,065,192	1,848,155	7,145,487	143,633
Earnings per share					
Basic (sen)	9	5.77	1.52		
Diluted (sen)	9	5.75	N/A		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current Assets				
Property, plant and equipment	10	1,969,378	1,200,804	1,391,901
Software development expenditure	11	13,019,793	13,724,649	13,748,303
Goodwill on consolidation	14	2,817,852	2,817,852	2,817,852
Total non-current assets		17,807,023	17,743,305	17,958,056
Current Assets				
Trade receivables	15	21,792,349	2,777,618	3,114,499
Other receivables, deposits and prepaid expenses	15	1,807,959	907,531	1,271,700
Amount owing by subsidiaries	12	–	–	–
Amount due from contract customers	16	–	632,021	804,677
Short-term investments	17	10,975,471	6,307,483	6,448,131
Fixed deposits with licensed financial institutions	18	3,149,223	3,124,528	3,035,331
Cash and bank balances		4,142,815	1,694,570	1,354,027
Total current assets		41,867,817	15,443,751	16,028,365
Total Assets		59,674,840	33,187,056	33,986,421
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	19	12,909,700	12,740,600	12,740,600
Reserves	20	23,803,668	17,605,056	16,914,078
Equity attributable to equity holders of the Company		36,713,368	30,345,656	29,654,678
Non-controlling interests		(345,241)	(46,197)	38,474
Total Equity		36,368,127	30,299,459	29,693,152
Deferred Liability				
Deferred tax liabilities	21	293,550	210,523	281,703
Current Liabilities				
Trade payables	22	5,480,220	160,190	314,882
Other payables and accrued expenses	22	5,093,120	1,113,924	1,541,699
Amount due to contract customers	16	10,579,105	–	–
Deferred maintenance income		1,810,868	1,274,996	2,115,379
Tax liabilities		49,850	127,964	39,606
Total current liabilities		23,013,163	2,677,074	4,011,566
Total Liabilities		23,306,713	2,887,597	4,293,269
Total Equity and Liabilities		59,674,840	33,187,056	33,986,421

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012 ***(Cont'd)***

	Note	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current Assets				
Property, plant and equipment	10	27,674	42,298	43,474
Software development expenditure	11	10,265,562	9,788,860	9,930,879
Investment in subsidiaries	12	13,677,404	9,177,406	9,177,404
Total non-current assets		23,970,640	19,008,564	19,151,757
Current Assets				
Other receivables, deposits and prepaid expenses	15	90,940	159,549	201,798
Amount owing by subsidiaries	12	17,470,228	15,171,500	16,643,705
Short-term investments	17	1,909,940	2,196,385	2,026,210
Cash and bank balances		319,945	315,445	111,698
Total current assets		19,791,053	17,842,879	18,983,411
Total Assets		43,761,693	36,851,443	38,135,168
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	19	12,909,700	12,740,600	12,740,600
Reserves	20	29,713,032	23,733,169	24,831,384
Equity attributable to equity holders of the Company		42,622,732	36,473,769	37,571,984
Total Equity		42,622,732	36,473,769	37,571,984
Current Liabilities				
Other payables and accrued expenses	22	957,157	233,773	442,711
Deferred maintenance income		171,740	143,901	120,473
Tax liabilities		10,064	–	–
Total current liabilities		1,138,961	377,674	563,184
Total Liabilities		1,138,961	377,674	563,184
Total Equity and Liabilities		43,761,693	36,851,443	38,135,168

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

Group	Note	Share capital RM	Distributable reserve - Retained earnings RM	Non-distributable reserves Share premium RM	Equity compensation reserve RM	Translation reserve RM	Equity attributable to equity holders of the Company RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2011		12,740,600	13,345,179	3,466,728	236,253	(134,082)	29,654,678	38,474	29,693,152
Other comprehensive loss		–	–	–	–	(5,098)	(5,098)	–	(5,098)
Profit for the year		–	1,937,924	–	–	–	1,937,924	(84,671)	1,853,253
Total comprehensive income for the year		–	1,937,924	–	–	(5,098)	1,932,826	(84,671)	1,848,155
ESOS expenses		–	–	–	32,212	–	32,212	–	32,212
Dividend paid	23	–	(1,274,060)	–	–	–	(1,274,060)	–	(1,274,060)
Balance as at 31 December 2011		12,740,600	14,009,043	3,466,728	268,465	(139,180)	30,345,656	(46,197)	30,299,459
Balance as at 1 January 2012		12,740,600	14,009,043	3,466,728	268,465	(139,180)	30,345,656	(46,197)	30,299,459
Other comprehensive income		–	–	–	–	2,012	2,012	–	2,012
Profit for the year		–	7,362,224	–	–	–	7,362,224	(299,044)	7,063,180
Total comprehensive income for the year		–	7,362,224	–	–	2,012	7,364,236	(299,044)	7,065,192
ESOS expenses		–	–	–	57,706	–	57,706	–	57,706
Issue of shares pursuant to ESOS	19	169,100	–	50,730	–	–	219,830	–	219,830
Dividend paid	23	–	(1,274,060)	–	–	–	(1,274,060)	–	(1,274,060)
Balance as at 31 December 2012		12,909,700	20,097,207	3,517,458	326,171	(137,168)	36,713,368	(345,241)	36,368,127

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012 ***(Cont'd)***

Company	**Note**	**Share capital RM**	**Distributable reserve - Retained earnings RM**	**Non-distributable reserves Share premium RM**	**Equity compensation reserve RM**	**Total equity RM**
Balance as at 1 January 2011		12,740,600	21,128,403	3,466,728	236,253	37,571,984
Total comprehensive income for the year		–	143,633	–	–	143,633
ESOS expenses		–	–	–	32,212	32,212
Dividend paid	23	–	(1,274,060)	–	–	(1,274,060)
Balance as at 31 December 2011		12,740,600	19,997,976	3,466,728	268,465	36,473,769
Balance as at 1 January 2012		12,740,600	19,997,976	3,466,728	268,465	36,473,769
Total comprehensive income for the year		–	7,145,487	–	–	7,145,487
ESOS expenses		–	–	–	57,706	57,706
Issue of shares pursuant to ESOS	19	169,100	–	50,730	–	219,830
Dividend paid	23	–	(1,274,060)	–	–	(1,274,060)
Balance as at 31 December 2012		12,909,700	25,869,403	3,517,458	326,171	42,622,732

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES					
Receipts from customers		38,185,550	18,647,138	11,871,465	6,370,773
Payments to suppliers and employees		(26,880,503)	(15,321,013)	(3,824,455)	(3,006,433)
Payments of income tax expense		(829,215)	(654,328)	(661)	(770)
Net Cash From Operating Activities		10,475,832	2,671,797	8,046,349	3,363,570
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Incorporation of subsidiary company		–	–	–	(2)
Investment in subsidiary company		–	–	(4,499,998)	–
Purchase of property, plant and equipment		(1,258,943)	(213,127)	(1,070)	(13,358)
Software development expenditure incurred		(1,198,250)	(1,127,727)	(2,809,245)	(1,773,689)
Interest received		268,573	242,558	36,249	71,357
Proceeds from disposal of property, plant and equipment		100	953	–	104
Net Cash Used In Investing Activities		(2,188,520)	(1,097,343)	(7,274,064)	(1,715,588)
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Dividend paid		(1,274,060)	(1,274,060)	(1,274,060)	(1,274,060)
Issue of shares pursuant to ESOS		219,830	–	219,830	–
Net Cash Used In Financing Activities		(1,054,230)	(1,274,060)	(1,054,230)	(1,274,060)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,233,082	300,394	(281,945)	373,922
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,126,581	10,837,489	2,511,830	2,137,908
Effects of Exchange Rate Changes on Cash and Cash Equivalents		(92,154)	(11,302)	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	18,267,509	11,126,581	2,229,885	2,511,830

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad. The Company is also a Multimedia Super Corridor (“MSC”) status company.

The Company is principally involved in investment holding, provision of research and development on information technology solutions to the financial services industry.

The principal activities of the subsidiaries are disclosed in Note 12.

There have been no significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

The Company’s registered office is located at Level 8, Symphony House, Block D13 Pusat Dagangan Dana, 1 Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The Company’s principal place of business is located at 6th Floor, Menara Atlan, 161B Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 18 March 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

2.1 Adoption of Malaysian Financial Reporting Standards

The Group’s and the Company’s financial statements for the financial year ended 31 December 2012 have been prepared in accordance with MFRSs for the first time. In prior years, these financial statements were prepared in accordance with Financial Reporting Standards (“FRSs”) in Malaysia.

The transition from FRSs to MFRSs is accounted for in accordance with MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, with 1 January 2011 as the date of transition. An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as disclosed in Note 3. The adoption of MFRSs has not affected the amounts reported on the financial statements of the Group and of the Company.

2.2 Standards and IC Interpretations in issue but not effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Interpretations which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 7	Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by International Accounting Standards Board (“IASB”) in November 2009 and October 2010 respectively)][1]
MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)[2]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[3]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[3]
MFRS 10	Consolidated Financial Statements[2]
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)[2]
MFRS 11	Joint Arrangements[2]
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance)[2]

2. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Cont'd)***

2.2 Standards and IC Interpretations in issue but not effective *(Cont'd)*

MFRS 12	Disclosure of Interests in Other Entities[2]
MFRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance)[2]
MFRS 13	Fair Value Measurement[2]
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)[4]
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)[2]
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)[2]
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)[2]
MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[5]
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine[2]

Amendments to MFRSs contained in the document entitled Annual Improvements 2009 - 2011 cycle[2]

1 Effective immediately on issuance date of 1 March 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and MFRS 7 relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" on 1 March 2012
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2014

The Directors anticipate that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except for the following:

Amendments to MFRS 7 and MFRS 132: Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to MFRS 132 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to MFRS 7 introduce new disclosure requirements relating to rights of offset and related arrangements for financial instruments under an enforceable master netting agreements or similar arrangements. Both MFRS 132 and MFRS 7 require retrospective application upon adoption.

To date, the Group has not entered into any such agreements or similar arrangements. However, the directors anticipate that the application of these amendments to MFRS 132 and MFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) ("MFRS 9") relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" which became immediately effective on the issuance date of 1 March 2012 amended the mandatory effective date of MFRS 9 to annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, with earlier application still permitted as well as modified the relief from restating prior periods. MFRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduces new disclosure requirements that are either permitted or required on the basis of the entity's date of adoption and whether the entity chooses to restate prior periods.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Cont'd)*

2.2 Standards and IC Interpretations in issue but not effective *(Cont'd)*

Key requirements of MFRS 9 are described as follows:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of MFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until a detailed review has been completed.

MFRS 10, MFRS 11, MFRS 12, MFRS 127 and MFRS 128

In November 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, comprising MFRS 10, MFRS 11, MFRS 12, MFRS 127 (IAS 27 as amended by IASB in May 2011) and MFRS 128 (IAS 28 as amended by IASB in May 2011).

Key requirements of these five Standards which are relevant to the Group and to the Company are described below.

MFRS 10 replaces the parts of MFRS 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. IC Int. 112 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of MFRS 10. Under MFRS 10, there is only one basis for consolidation, that is, control. In addition, MFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in MFRS 10 to deal with complex scenarios.

MFRS 11 replaces MFRS 131 *Interests in Joint Ventures*. MFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. *IC Int. 113 Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of MFRS 11. Under MFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under MFRS 131, there are three types of joint arrangements; jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under MFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under MFRS 131 can be accounted for using the equity method of accounting or proportionate consolidation.

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Cont'd)*

2.2 Standards and IC Interpretations in issue but not effective *(Cont'd)*

In July 2012, the amendments to MFRS 10, MFRS 11 and MFRS 12 were issued to clarify certain transitional guidance on the application of these MFRSs for the first time.

The Directors anticipate that the application of these five standards may have significant impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the Directors to quantify the impact on application of MFRS 10.

MFRS 13

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under MFRS 7 Financial Instruments: Disclosures will be extended by MFRS 13 to cover all assets and liabilities within its scope.

The Directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments also introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed "statement of profit or loss and other comprehensive income" and the "income statement" is renamed the "statement of profit or loss".

The amendments will be applied retrospectively upon adoption and hence, the presentation of items of other comprehensive income will be modified accordingly to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 would not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

MFRS 119 (IAS 19 as amended by IASB in June 2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Further, the interest cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to MFRS 119 require retrospective application. The Directors do not anticipate that the application of MFRS 119 will have significant effect on the Group's and the Company's financial statement.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Cont'd)*

2.2 Standards and IC Interpretations in issue but not effective *(Cont'd)*

Amendments to MFRSs: Annual Improvements 2009 - 2011 Cycle

The *Annual Improvements 2009 - 2011 Cycle* include a number of amendments to various MFRSs. The amendments to MFRSs include:

- Amendments to MFRS 101 *Presentation of Financial Statements*;
- Amendments to MFRS 116 *Property, Plant and Equipment*; and
- Amendments to MFRS 132 *Financial Instruments: Presentation*

<u>Amendments to MFRS 101</u>

MFRS 101 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to MFRS 101 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. Hence, the adoption of the amendments when it becomes effective will affect the presentation of the third statement of financial position and related notes in the future periods.

<u>Amendments to MFRS 116</u>

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The directors do not anticipate that the amendments to MFRS 116 will have a significant effect on the Group's and Company's financial statements.

<u>Amendments to MFRS 132</u>

The amendments to MFRS 132 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with MFRS 112 *Income Taxes*. The directors anticipate that the amendments to MFRS 132 will have no effect on the Group's and Company's financial statements as this treatment has already been adopted.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the significant accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved whereby the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of Consolidation *(Cont'd)*

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3(revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits respectively*;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

Included in current year group financial statements are the result of CA IT Infrastructure Solutions Sdn. Bhd. which become fully operational on 1 April 2012.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue

Revenue in respect of software licensing fee is recognised based on a fixed percentage of the revenue generated by the licensee of the licensed software in accordance with the licensing agreement entered into.

Revenue in respect of sales of hardware equipment is recognised upon delivery of products and when the risks and rewards of ownership have passed.

Revenue from provision of information technology solutions that are of short duration is recognised when the services are rendered. Regular maintenance revenue is recognised evenly over the period in which the maintenance services are carried out and revenue in respect of subsequent periods is deferred and shown as deferred maintenance income under current liabilities until it is earned.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statements of comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread evenly over the lease term.

Contracts

Revenue from and expenses of contracts that are of longer duration are recognised by reference to the stage of completion of the contract activity. Contract costs consist of costs that relate directly to the specific project, costs that are attributable to contract activity in general and can be allocated to the project and such other costs as are specifically chargeable to the customer under the terms of the contract. Allowances for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and of the Company. Sick leave is recognised when the absences occur.

(ii) Defined contribution plans

The Group and the Company make statutory contributions to an approved provident fund, the Employees Provident Fund ("EPF") and contributions are charged to the statements of comprehensive income. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of comprehensive income over the vesting periods of the grant with a corresponding increase in equity under equity compensation reserve.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At each reporting date, the Group revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statements of comprehensive income with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Foreign Currency Conversion

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Group and of the Company, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. **SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)***

Foreign Currency Conversion *(Cont'd)*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation accumulated in a separate component of equity, shall be reclassified from equity to statements of comprehensive income when the gain or loss on disposal is recognised.

Impairment of Tangible and Intangible Assets Excluding Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the statements of comprehensive income.

Depreciation of property, plant and equipment is computed on the straight-line method based on the estimated useful lives of the various assets. The annual rates of depreciation based on the estimated useful lives of the various classes of depreciable assets are as follows:

Furniture and fittings	20%
Office equipment	20%
Computer software and hardware	20% - 25%
Renovations	10%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Software Development Expenditure

Software development expenditure is charged to the statements of comprehensive income in the year in which it is incurred except that development expenditure relating to specific projects with commercial viability and for which there is a clear indication of the marketability of the software being developed, is carried forward. Such development expenditure is amortised on a straight-line method over five years in which benefits are expected to be derived commencing from the period in which the software is available for sale or use.

Investment in Subsidiaries

Subsidiaries are those companies in which the Group has a long-term equity investment of more than 50% and/or power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investment in unquoted shares of subsidiaries, which is eliminated on consolidation, is stated in the Company's financial statements at cost less any impairment losses.

Interests in a Jointly Controlled Entity

A jointly controlled entity is a non-subsidiary company in which the Group has joint control over its economic activities under a contractual arrangement.

Investment in unquoted shares of jointly controlled entity is stated in the Company's financial statements at cost less any impairment losses.

The Group's interests in jointly controlled entity are accounted for by the equity method of accounting based on the management financial statements of the jointly controlled entity made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit and reserves of the jointly controlled entity is included in the consolidated results.

Unrealised profits and losses arising on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interests in the relevant jointly controlled entity.

Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill will not be reversed in subsequent period.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Deferred Maintenance Income

Deferred maintenance income represents income received in advance for maintenance work and is recognised in the statements of comprehensive income evenly over the period in which the maintenance works is carried out.

3. **SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)***

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the amount required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

At each reporting date, provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial Instruments *(Cont'd)*

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(iv) Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity Instruments Issued by the Group and the Company

(i) Classification of Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial Liabilities and Equity Instruments Issued by the Group and the Company *(Cont'd)*

(ii) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(iii) Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(iv) Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(v) Derecognition of Financial Liabilities

The Group derecognised financial liabilities when and only when, the Group's obligations are discharged, cancelled or they expire.

Statements of Cash Flows

The Group and the Company adopt the direct method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Management believes that the key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Capitalisation and Amortisation of Software Development Expenditure

In determining the amount and nature of software development expenditure to be capitalised as intangible assets, the Group and the Company make an assessment, among other factors, whether the product is technically feasible and would be commercialised, and whether the Group and the Company have sufficient technical, financial and other resources to market the product. In addition, the Group and the Company also apply their judgement to assess the probability of expected future economic benefits, that are attributable to the use of capitalised software development expenditure that will flow to the Group and the Company. The Directors anticipate that the relevant software development expenditure capitalised as of 31 December 2012 would be able to be commercialised and completely amortised over its expected useful lives of approximately 5 to 10 years from date of commercialisation. Changes in the expected level of usage and technological development will impact the economic useful lives and residual values of the assets and therefore, future amortisation charges may be revised.

Impairment of Goodwill

Determining whether the goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the value-in-use calculation are provided in Note 14.

5. REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Projects	30,427,519	8,263,963	–	–
Maintenance income:				
Third parties	10,113,077	8,167,031	–	–
Subsidiaries	–	–	4,116,215	2,939,340
Sales of hardware equipment	71,061	295,675	–	–
Small scale projects and integration charges:				
Third parties	1,913,979	1,926,833	–	–
Subsidiaries	–	–	2,152,998	1,091,142
Software licensing fee charged to subsidiaries	–	–	6,844,867	412,162
	42,525,636	18,653,502	13,114,080	4,442,644

6. OPERATING COSTS APPLICABLE TO REVENUE

The operating costs classified by nature, applicable to revenue, are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cost of software and hardware	5,239,468	515,149	–	–
Contract costs recognised	8,768,404	1,465,344	–	–
Directors' remuneration:				
Emoluments	613,030	618,066	586,030	532,263
Contributions to EPF	57,750	50,534	57,750	50,534
	670,780	668,600	643,780	582,797
Staff costs	12,529,171	9,840,565	2,486,978	1,359,425
Depreciation of property, plant and equipment	490,257	404,201	15,694	14,527
Amortisation of software development expenditure	1,903,106	1,151,381	2,332,543	1,915,708
Other expenses	5,505,337	2,628,069	725,481	497,134
	35,106,523	16,673,309	6,204,476	4,369,591

Staff costs include salaries, ESOS expenses, bonuses, contributions to EPF and all other staff related expenses. Contributions to EPF by the Group and the Company during the current financial year amounted to RM1,324,594 (RM1,003,222 in 2011) and RM250,322 (RM161,987 in 2011) respectively.

The remuneration of the key management personnel, who are also the directors, are as disclosed above.

7. PROFIT BEFORE TAX

Profit before tax have been arrived at:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
After charging:				
Rental of office	747,125	581,701	65,064	62,220
Allowance for doubtful debts	220,400	–	–	–
Auditors' remuneration	100,520	87,640	36,000	31,000
Loss on foreign exchange:				
Unrealised	39,835	32,183	–	–
Realised	6,888	15,197	–	–
Loss on disposal of property, plant and equipment	12	–	–	–
Write-off of property, plant and equipment	–	4	–	3
After crediting:				
Interest income	268,573	242,558	36,249	71,357
Bad debts recovered	–	252,283	–	–
Gain on disposal of property, plant and equipment	–	934	–	100

8. INCOME TAX EXPENSE

Income tax expense recognised in profit and loss:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Estimated tax payable:				
Current year	756,447	764,914	17,343	937
Overprovision in prior years	(12,449)	(23,644)	(26)	(60)
	743,998	741,270	17,317	877
Deferred tax (Note 21):				
Current year	80,275	(50,702)	–	–
Over/(Under)provision of deferred tax liabilities in prior years	2,752	(20,478)	–	–
	83,027	(71,180)	–	–
	827,025	670,090	17,317	877

The Company was granted pioneer status under the Promotion of Investments Act, 1986 (Amendments) ("the said Act") pursuant to its MSC status entitlement under the MSC Bill of Guarantees whereby the profits earned from the development of Islamic financial software applications are exempted from Malaysian income tax for the period 1 September 2009 to 31 August 2014. By virtue of the said pioneer status, provision for estimated current tax payable has been made for non-tax exempt income only. Based on existing tax laws, any dividends distributed out of tax-exempt profits will be tax-exempted in the hands of the shareholder. As at 31 December 2012, the Company has tax-exempt income of approximately RM29,033,000 (RM22,211,000 in 2011) which is subject to agreement with the tax authorities.

A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	7,890,205	2,523,343	7,162,804	144,510
Tax at applicable tax rate of 25%	1,972,551	630,836	1,790,701	36,128
Tax effects of :				
Non-deductible expenses	520,867	228,376	86,942	52,859
Income not subject to tax	(46,696)	(65,250)	(8,300)	(16,800)
Pioneer status tax-exempt income	(2,024,000)	(338,000)	(2,024,000)	(338,000)
Deferred tax assets not recognised	414,000	258,250	172,000	266,750
Overprovision of tax payable in prior years	(12,449)	(23,644)	(26)	(60)
Under/(Over) provision of deferred tax liabilities in prior year	2,752	(20,478)	–	–
	827,025	670,090	17,317	877

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company for the year by the weighted average number of ordinary shares in issue during the year.

	Group	
	2012	**2011**
Profit attributable to owners of the Company (RM)	7,362,224	1,937,924
Weighted average number of ordinary shares of RM0.10 each in issue	127,686,563	127,406,000
Basic earnings per share (sen)	5.77	1.52

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares is its share options granted to employees pursuant to the ESOS.

In respect of share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denomination as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to profit for the year for the share options calculation.

	Group	
	2012	**2011**
Profit attributable to owners of the Company (RM)	7,362,224	–
Weighted average number of ordinary shares of RM0.10 each in issue	127,686,563	–
Adjustments for share options	425,171	–
	128,111,734	–
Diluted earnings per share (sen)	5.75	–

The weighted average number of ordinary shares of RM0.10 each have been adjusted to reflect the ESOS exercised by eligible Directors and employees during the financial year.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Furniture and fittings RM	Office equipment RM	Computer software and hardware RM	Renovations RM	Total RM
Cost					
Balance as of 1 January 2011	287,101	183,541	2,347,301	842,692	3,660,635
Additions	–	12,952	200,175	–	213,127
Disposals	–	–	(237,961)	–	(237,961)
Written off	–	–	(80,286)	–	(80,286)
Balance as of 1 January 2012	287,101	196,493	2,229,229	842,692	3,555,515
Additions	71,858	70,618	878,119	238,348	1,258,943
Disposals	–	(2,010)	(35,836)	–	(37,846)
Balance as of 31 December 2012	358,959	265,101	3,071,512	1,081,040	4,776,612
Accumulated Depreciation					
Balance as of 1 January 2011	148,481	106,372	1,827,320	186,561	2,268,734
Charge for the year	53,007	30,951	235,817	84,426	404,201
Disposals	–	–	(237,942)	–	(237,942)
Written off	–	–	(80,282)	–	(80,282)
Balance as of 1 January 2012	201,488	137,323	1,744,913	270,987	2,354,711
Charge for the year	56,055	37,434	295,070	101,698	490,257
Disposals	–	(2,010)	(35,724)	–	(37,734)
Balance as of 31 December 2012	257,543	172,747	2,004,259	372,685	2,807,234
Net Book Value					
Balance as of 31 December 2012	101,416	92,354	1,067,253	708,355	1,969,378
Balance as of 31 December 2011	85,613	59,170	484,316	571,705	1,200,804
Balance as of 1 January 2011	138,620	77,169	519,981	656,131	1,391,901

10. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

Company	Furniture and fittings RM	Office equipment RM	Computer software and hardware RM	Renovations RM	Total RM
Cost					
Balance as of 1 January 2011	6,601	6,960	155,651	44,263	213,475
Additions	–	–	13,358	–	13,358
Disposals	–	–	(29,093)	–	(29,093)
Written off	–	–	(32,517)	–	(32,517)
Balance as of 1 January 2012	6,601	6,960	107,399	44,263	165,223
Additions	–	1,070	–	–	1,070
Balance as of 31 December 2012	6,601	8,030	107,399	44,263	166,293
Accumulated Depreciation					
Balance as of 1 January 2011	5,192	6,957	132,401	25,451	170,001
Charge for the year	399	–	9,703	4,425	14,527
Disposals	–	–	(29,089)	–	(29,089)
Written off	–	–	(32,514)	–	(32,514)
Balance as of 1 January 2012	5,591	6,957	80,501	29,876	122,925
Charge for the year	399	54	10,815	4,426	15,694
Balance as of 31 December 2012	5,990	7,011	91,316	34,302	138,619
Net Book Value					
Balance as of 31 December 2012	611	1,019	16,083	9,961	27,674
Balance as of 31 December 2011	1,010	3	26,898	14,387	42,298
Balance as of 1 January 2011	1,409	3	23,250	18,812	43,474

Included in the cost of property, plant and equipment of the Group is an amount of approximately RM1,422,428 (RM1,040,000 in 31 December 2011) and (RM1,222,000 in 1 January 2011), representing fully depreciated property, plant and equipment which are still in use by the Group.

11. SOFTWARE DEVELOPMENT EXPENDITURE

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
At cost:			
At beginning of year	22,544,078	21,416,351	20,448,811
Incurred during the year	1,198,250	1,127,727	967,540
At end of year	23,742,328	22,544,078	21,416,351
Accumulated amortisation:			
At beginning of year	(8,819,429)	(7,668,048)	(6,846,315)
Current year amortisation	(1,903,106)	(1,151,381)	(821,733)
At end of year	(10,722,535)	(8,819,429)	(7,668,048)
Net book value	13,019,793	13,724,649	13,748,303

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
At cost:			
At beginning of year	18,415,676	16,641,987	16,281,974
Incurred during the year	2,809,245	1,773,689	360,013
At end of year	21,224,921	18,415,676	16,641,987
Accumulated amortisation:			
At beginning of year	(8,626,816)	(6,711,108)	(5,107,353)
Current year amortisation	(2,332,543)	(1,915,708)	(1,603,755)
At end of year	(10,959,359)	(8,626,816)	(6,711,108)
Net book value	10,265,562	9,788,860	9,930,879

Current charges to software development expenditure include the following:

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Staff costs:			
Salaries, bonuses and all other staff related expenses	423,540	427,404	487,800
Contributions to EPF	53,830	45,428	50,090
Consultation costs related to research and development	720,880	654,895	429,650

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Staff costs:			
Salaries, bonuses and all other staff related expenses	51,951	39,702	10,266
Contributions to EPF	6,190	4,268	1,201
Consultation costs related to research and development	709,883	518,884	66,000
Provision of information technology solutions by subsidiaries (Note 26)	2,041,221	1,210,835	282,546

12. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares - at cost	13,677,404	9,177,406	9,177,404

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity interest 2012 %	2011 %	Principal activities
Direct Subsidiary				
Microlink Systems Sdn. Bhd.	Malaysia	100	100	Provision of information technology solutions to the financial services industry and dealing in related products.
Microlink Worldwide Sdn. Bhd.	Malaysia	100	100	Provision of information technology solutions to the financial services industry and dealing in related products.
CA IT Infrastructure Solutions Sdn. Bhd.	Malaysia	100	100	Trading and marketing of computer software programs and products.
Microlink Innovation Sdn. Bhd.	Malaysia	60	60	Provision of research and development for information technology solutions to the financial services industry.
Microlink Software Sdn. Bhd. @	Malaysia	51	51	Providing consultancy services in supporting and modifying banking software.
Indirect Subsidiary Company (Held through Microlink Systems Sdn. Bhd. and Microlink Worldwide Sdn. Bhd.)				
PT Microlink Indonesia @	Republic of Indonesia	100	100	Provision of information technology solutions to the financial services industry and dealing in related products.

@ The financial statements of these subsidiaries are audited by auditors other than the auditors of the Company.

Amount owing by subsidiaries, which arose mainly from trade transactions and payments on behalf, is unsecured, interest-free and repayable on demand.

On May 2012, the Company subscribed for additional 4,499,998 ordinary shares of RM1.00 each in its wholly-owned subsidiary company, CA IT Infrastructure Solutions Shd. Bhd. for a cash consideration of RM4,499,998.

13. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares - at cost			
Foreign	374,060	374,060	374,360
Share of post - acquisition loss	(374,060)	(374,060)	(374,360)
	–	–	–
Represented by:			
Share of net assets/(liabilities)	–	–	–

The Group's aggregate share of income, expenses, assets and liabilities of the jointly controlled entity is as follows:

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Revenue	–	–	–
Expenses	–	–	–
Net losses	–	–	–
Current assets	124,884	124,884	124,884
Current liabilities	(124,884)	(124,884)	(124,884)
Net assets	–	–	–

The accumulated losses not recognised by the Group as of 31 December 2012 amounted to RM1,880,697 (RM1,880,697 in 31 December 2011) and (RM1,880,697 in 1 January 2011) as the Group's share of post acquisition losses have exceeded its cost of investment. The Group was not able to obtain the latest financial statements of the jointly controlled entity to determine the extent of the losses incurred in the current financial year (RM1,513,467 in 2011) and (RM1,513,467 in 1 January 2011).

The Company has the intention to propose for a voluntary winding up of the jointly controlled entity. The date of the propose voluntary winding up has not been finalised at the date of the report.

The details of the jointly controlled entity are as follows:

Name of company	Country of incorporation	Effective equity interest 2012 %	Effective equity interest 2011 %	Principal activities
Microlink Middle East Company for Programming and Computer Corporation LLC	The State of Kuwait	50	50	Provision of information technology solutions to the financial services industry and dealing in related products.

14. GOODWILL ON CONSOLIDATION

	Group		
	2012	2011	2010
	RM	RM	RM
At beginning and end of year	2,817,852	2,817,852	2,817,852

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Group		
	2012	2011	2010
	RM	RM	RM
Information technology solutions operations	2,817,852	2,817,852	2,817,852

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

Key assumptions used in value-in-use calculations

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to pricing and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The discount rate used is 10.0% (10.0% in 2011). The growth rates are based on industry growth forecasts. Changes in pricing and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent financial budget approved by management for the next three years and extrapolates cash flows for the following three years based on an estimated growth rate of 5.0% (5.0% in 2011). This rate does not exceed the average long-term growth rate of the relevant market.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially differ from their recoverable amounts.

15. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Trade receivables	22,012,749	2,777,618	3,114,499
Less: Allowance for doubtful debts	(220,400)	–	–
Total	21,792,349	2,777,618	3,114,499

15. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES *(Cont'd)*

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Analysis of trade receivables:			
Not past due and not impaired	15,694,127	1,812,271	2,346,171
Past due but not impaired	6,098,222	965,347	768,328
Past due and impaired	220,400	–	–
Total	22,012,749	2,777,618	3,114,499

Trade receivables of the Group represent amounts receivable for the provision of information technology solutions and dealing in related products. The credit period granted to trade receivables is 30 days (30 days in 31 December 2011) and (30 days in 1 January 2011).

Ageing of trade receivables past due but not impaired

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Past due 0 - 30 days	5,409,026	678,946	221,940
Past due 31 - 60 days	655,620	269,681	342,702
Past due more than 61 days	33,576	16,720	203,686
	6,098,222	965,347	768,328

Movement in the allowance for doubtful debts:

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At beginning of the year	–	–	797,514
Impairment losses recognised on receivables	220,400	–	(797,514)
At end of year	220,400	–	–

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The currency profile of trade receivables of the Group is as follows:

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Ringgit Malaysia	21,918,815	2,740,979	2,464,067
Brunei Dollar	93,934	36,639	650,432
	22,012,749	2,777,618	3,114,499

15. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES *(Cont'd)*

Other receivables, deposits and prepaid expenses consist of:

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Refundable deposits	319,235	238,796	218,116
Prepaid expenses	1,414,181	641,762	953,077
Tax recoverable	19,800	12,697	11,281
Other receivables	54,743	14,276	89,226
	1,807,959	907,531	1,271,700

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Refundable deposits	34,983	35,332	26,799
Prepaid expenses	54,157	116,171	166,545
Tax recoverable	–	6,592	6,699
Other receivables	1,800	1,454	1,755
	90,940	159,549	201,798

16. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Contract costs incurred plus recognised profits	18,127,724	2,560,053	1,963,267
Progress billings received and receivable	(28,706,829)	(1,928,032)	(1,158,590)
Due (to)/from contract customers	(10,579,105)	632,021	804,677
Retention sum held by contract customers (included under trade receivables)	96,483	120,304	167,677

17. SHORT-TERM INVESTMENTS

Short-term investments are as follows:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At cost	10,975,471	6,307,483	6,448,131

	Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At cost	1,909,940	2,196,385	2,026,210

Short-term investments represent deposit placement with investment fund management companies mainly for investment in fixed income, money market and debt market instruments. The weighted average effective interest rates of the short-term investments range from 1.81% to 3.66% (1.68% to 3.94% in 31 December 2011) and (2.77% to 2.99% in 1 January 2011) per annum and are readily convertible to cash with insignificant risk of changes in value.

18. FIXED DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

Fixed deposits of the Group earn interest at rates ranging from 1.00% to 3.00% (1.00% to 3.00% in 31 December 2011) and (1.00% to 3.00% in 1 January 2010) per annum.

Fixed deposits of the Group have an average maturity of 1 month (1 month in 31 December 2011) and (1 month in 1 January 2011).

Included in fixed deposits of the Group is an amount of RM2,114,607 (RM2,072,448 in 31 December 2011) and (RM2,017,004 in 1 January 2011) pledged to a licensed bank as security for banking facilities utilised.

As at 31 December 2012, the Group has unutilised credit facilities totalling RM3,295,105 (RM3,483,000 in 31 December 2011) and (RM3,483,000 in 1 January 2011) obtained from a licensed bank. These facilities are secured by way of lien over fixed deposits of a subsidiary supported by letter of set-off. The credit facilities bear interest at rate of 8.35% (8.05% in 31 December 2011) and (8.05% in 1 January 2011) per annum.

19. SHARE CAPITAL

	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Authorised:			
At beginning and end of year: 250,000,000 ordinary shares of RM0.10 each	25,000,000	25,000,000	25,000,000
Issued and fully paid:			
At beginning of year: 127,406,000 ordinary shares of RM0.10 each	12,740,600	12,740,600	12,740,600
Issue of shares pursuant to ESOS: 1,691,000 ordinary shares of RM0.10	169,100	–	–
At end of year: 129,097,000 ordinary shares of RM0.10 each in 2012; 127,406,000 ordinary shares of RM0.10 each in 2011	12,909,700	12,740,600	12,740,600

During the current financial year, the issued and paid up capital of the Company was increased from RM12,740,600 comprising 127,406,000 ordinary shares of RM0.10 each to RM12,909,700, comprising 129,097,000 ordinary shares of RM0.10 each by way of issuance of 1,691,000 new ordinary shares of RM0.10 each for cash pursuant to the exercise of share options at an exercise price at RM0.13 per ordinary share of RM0.10 each. The new ordinary shares issued rank pari-passu with the then existing ordinary shares of the Company.

The resulting share premium from the exercise of share options amounting to RM50,730 as of 31 December 2012 has been credited to the share premium account.

Subsequent to the financial year end, the issued and paid up capital of the Company was increased from RM12,909,700 comprising 129,097,000 ordinary shares of RM0.10 each to RM13,315,260, comprising 133,152,600 ordinary shares of RM0.10 each by way of issuance of 4,055,600 new ordinary shares of RM0.10 each for cash pursuant to the exercise of share options at exercise prices ranging from RM0.13 to RM0.49 per ordinary share of RM0.10 each. The new ordinary shares issued rank pari-passu with the then existing ordinary shares of the Company.

Under the Company's ESOS which became effective on 27 April 2006, options to subscribe for unissued new ordinary shares of RM0.10 each in the Company were granted to eligible directors and employees of the Company and its subsidiaries.

The salient features of the ESOS are as follows:

(i) the total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

(ii) the ESOS shall be in force for a period of 5 years from the effective implementation date of the ESOS, subject to any extension or renewal for a further period of 5 years commencing on the day after the date of expiry of the original 5 year period;

(iii) the new shares to be allotted and issued upon the exercise of the options will upon such allotment and issuance, rank pari-passu with the then existing issued and paid-up share capital except that these new shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the new shares and will be subject to all the provisions of the Articles of Association relating to the transfer, transmission and otherwise of the shares; and

19. SHARE CAPITAL *(Cont'd)*

The salient features of the ESOS are as follows: (Cont'd)

(iv) the exercise price of the ESOS options shall be:

i. the issue price of RM0.49 for options that were granted prior to the listing; or

ii. based on the weighted average market price of the Company's shares for the 5 market days immediately preceding the date on which the options are granted subject to a discount of not more than 10%, for options that are granted subsequent to the listing.

On 21 April 2011, the Option Committee had approved the extension of the existing ESOS for a period of 5 years commencing on 27 April 2011.

The share options granted, exercised and lapsed during the financial year are as follows:

		Number of options for ordinary shares of RM0.10 each				
Exercisable from	**Exercise price per ordinary share (RM)**	**Balance as of 1.1.2011**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 31.12.2011**
27.4.2007	0.49	3,827,500	–	–	(161,100)	3,666,400
27.4.2008	0.46	188,200	–	–	(39,400)	148,800
26.8.2012	0.13	–	8,179,400	–	–	8,179,400

		Number of options for ordinary shares of RM0.10 each				
Exercisable from	**Exercise price per ordinary share (RM)**	**Balance as of 1.1.2012**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 31.12.2012**
27.4.2007	0.49	3,666,400	–	–	(176,900)	3,489,500
27.4.2008	0.46	148,800	–	–	(16,600)	132,200
26.8.2012	0.13	8,179,400	–	(1,691,000)	(647,500)	5,840,900

The options outstanding at the end of the year have weighted average remaining contracted life of 4 years (1 year in 31 December 2011) and (1 year in 1 January 2011). All options not exercised will expire on 26 April 2016.

The fair value of new share options granted was estimated by using a Binomial Option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions are as follows:

	31.12.2011
Estimated average fair value of share option (RM)	0.028
Weighted average share price (RM)	0.131
Expected volatility (%)	45.45
Expected life (years)	4
Risk free rate (%)	3.00
Expected dividend yield (%)	7.69

20. RESERVES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Distributable:			
Retained earnings	20,097,207	14,009,043	13,345,179
Non-distributable:			
Share premium	3,517,458	3,466,728	3,466,728
Equity compensation reserve	326,171	268,465	236,253
Translation reserve	(137,168)	(139,180)	(134,082)
	23,803,668	17,605,056	16,914,078

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Distributable:			
Retained earnings	25,869,403	19,997,976	21,128,403
Non-distributable:			
Share premium	3,517,458	3,466,728	3,466,728
Equity compensation reserve	326,171	268,465	236,253
	29,713,032	23,733,169	24,831,384

Retained earnings

In accordance with the Finance Act 2007, the single tier income tax system became effective from the year assessment of 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders. Unlike the previous imputation system, the recipient of the dividend would no longer be able to claim any tax credit.

Companies without Section 108 tax credit balance will automatically move to the single tier tax system on 1 January 2008. However, companies with such tax credits are given an irrevocable option to elect for the single tier tax system and disregard the tax credit or to continue to use the tax credits under Section 108 account to frank the payment of cash dividends on ordinary shares for a period of 6 years ending 31 December 2013 or until the tax credits are fully utilised, whichever comes first. During the transitional period, any tax paid will not be added to the Section 108 account and any tax credits utilised will reduce the tax credit balance. All companies will be in the new system on 1 January 2014.

As of the reporting date, the Company has not elected for the irrevocable option to disregard Section 108 tax credits. Accordingly, subject to the agreement of the Inland Revenue Board and based on the prevailing tax rate applicable, the estimated tax credit is sufficient to frank approximately RM45,000 of the Company's retained earnings as of 31 December 2012 if distributed by way of cash dividend under the imputation system.

20. RESERVES *(Cont'd)*

Share premium

Share premium arose from the premium on the issuance of new ordinary shares in the current and prior financial years.

Equity compensation reserve

Equity compensation reserve relates to the share options granted to employees and is made up of the cumulative value of services received from employees recorded since grant of share options. The movements during the year are as follows:

	Group and Company RM
Balance as at 1 January 2010	195,956
Recognition of share-based payments	40,297
Balance as at 31 December 2010/1 January 2011	236,253
Recognition of share-based payments	32,212
Balance as at 31 December 2011/1 January 2012	268,465
Recognition of share-based payments	57,706
Balance as at 31 December 2012	326,171

Translation reserve

Translation differences arising from translation of foreign controlled entities are taken to the translation reserve account as described in the accounting policies.

21. DEFERRED TAX LIABILITIES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deferred tax liability	293,550	210,523	281,703

The components and movements of deferred tax liability/(asset) during the financial year are as follows:

	Group		
	Property, plant and equipment RM	Others RM	Total RM
Deferred Tax Liability/(Asset)			
As of 1 January 2011	281,703	–	281,703
Recognised in profit or loss (Note 8)	(52,933)	(18,247)	(71,180)
As of 31 December 2011/1 January 2012	228,770	(18,247)	210,523
Recognised in profit or loss (Note 8)	94,155	(11,128)	83,027
As of 31 December 2012	322,925	(29,375)	293,550

21. DEFERRED TAX LIABILITIES *(Cont'd)*

As explained in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to gross deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As at 31 December 2012, the deductible temporary differences, unabsorbed capital allowance and unused tax losses, which have not been recognised in the financial statements of the Group and of the Company due to uncertainty of its realisation, are as follows:

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Temporary differences arising from software development expenditure	5,581,000	4,893,000	3,826,000
Unabsorbed capital allowances	82,000	23,000	45,000
Unused tax losses	6,187,000	5,278,000	5,290,000
	11,850,000	10,194,000	9,161,000

		Company	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Temporary differences arising from software development expenditure	5,581,000	4,893,000	3,826,000
Unused tax losses	60,000	60,000	60,000
	5,641,000	4,953,000	3,886,000

The unused tax losses and unabsorbed capital allowance are subject to agreement by the tax authorities.

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group and the Company for trade purchases is 30 days (30 days in 2011).

Included in the trade payables of the Group is an amount of RM273,743 (RMNil in 2011) representing amount owing to Applied Business System Sdn. Bhd., a subsidiary of a substantial shareholder of the Company.

Other payables and accrued expenses consist of:

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other payables	1,289,433	89,391	214,018
Accrued expenses	3,803,687	1,024,533	1,327,681
	5,093,120	1,113,924	1,541,699

		Company	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other payables	215,052	14,426	135,026
Accrued expenses	742,105	219,347	307,685
	957,157	233,773	442,711

23. DIVIDEND

	Group and Company 2012 RM	2011 RM
In respect of financial year ended 31 December 2011/2010:		
Final dividend of 1 sen per share, tax-exempt	1,274,060	1,274,060

An interim dividend of 1 sen per share tax exempt declared on 20 February 2013, amounting to RM1,331,526 in respect of the current financial year will be paid on 29 March 2013.

The Directors proposed a final dividend of 3 sen per share tax exempt estimated to amount to RM3,994,578 in respect of the current financial year. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statement.

24. FINANCIAL INSTRUMENTS

24.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The Group and the Company monitor and review their capital structure based on their business and operating requirements.

There were no changes in the Group's and the Company's approach to capital management during the year.

24.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

24.3 Categories of Financial Instruments

	Non-financial assets RM	Loans and receivables RM	Total RM
Group			
Financial Assets			
At 31 December 2012			
Trade receivables (Note 15)	–	21,792,349	21,792,349
Other receivables, deposits and prepaid expenses (Note 15)	1,433,981	373,978	1,807,959
Short-term investments (Note 17)	–	10,975,471	10,975,471
Fixed deposits with licensed financial institutions (Note 18)	–	3,149,223	3,149,223
Cash and bank balances (Note 25)	–	4,142,815	4,142,815
	1,433,981	40,433,836	41,867,817

24. FINANCIAL INSTRUMENTS *(Cont'd)*

24.3 Categories of Financial Instruments *(Cont'd)*

	Non-financial liabilities RM	Other financial liabilities RM	Total RM
Group			
Financial Liabilities			
At 31 December 2012			
Trade payables (Note 22)	–	5,480,220	5,480,220
Other payables and accrued expenses (Note 22)	–	5,093,120	5,093,120
	–	10,573,340	10,573,340

	Non-financial assets RM	Loans and receivables RM	Total RM
Group			
Financial Assets			
At 31 December 2011			
Trade receivables (Note 15)	–	2,777,618	2,777,618
Other receivables, deposits and prepaid expenses (Note 15)	654,459	253,072	907,531
Short-term investments (Note 17)	–	6,307,483	6,307,483
Fixed deposits with licensed financial institutions (Note 18)	–	3,124,528	3,124,528
Cash and bank balances (Note 25)	–	1,694,570	1,694,570
	654,459	14,157,271	14,811,730

	Non-financial liabilities RM	Other financial liabilities RM	Total RM
Group			
Financial Liabilities			
At 31 December 2011			
Trade payables (Note 22)	–	160,190	160,190
Other payables and accrued expenses (Note 22)	–	1,113,924	1,113,924
	–	1,274,114	1,274,114

24. FINANCIAL INSTRUMENTS *(Cont'd)*

24.3 Categories of Financial Instruments *(Cont'd)*

	Non-financial assets RM	Loans and receivables RM	Total RM
Group			
Financial Assets			
At 1 January 2011			
Trade receivables (Note 15)	–	3,114,499	3,114,499
Other receivables, deposits and prepaid expenses (Note 15)	964,358	307,342	1,271,700
Short-term investments (Note 17)	–	6,448,131	6,448,131
Fixed deposits with licensed financial institutions (Note 18)	–	3,035,331	3,035,331
Cash and bank balances (Note 25)	–	1,354,027	1,354,027
	964,358	14,259,330	15,223,688

	Non-financial liabilities RM	Other financial liabilities RM	Total RM
Group			
Financial Liabilities			
At 1 January 2011			
Trade payables (Note 22)	–	314,882	314,882
Other payables and accrued expenses (Note 22)	–	1,541,699	1,541,699
	–	1,856,581	1,856,581

	Non-financial assets RM	Loans and receivables RM	Total RM
Company			
Financial Assets			
At 31 December 2012			
Amount owing by subsidiaries (Note 12)	–	17,470,228	17,470,228
Other receivables, deposits and prepaid expenses (Note 15)	54,157	36,783	90,940
Short-term investments (Note 17)	–	1,909,940	1,909,940
Cash and bank balances (Note 25)	–	319,945	319,945
	54,157	19,736,896	19,791,053

24. FINANCIAL INSTRUMENTS *(Cont'd)*

24.3 Categories of Financial Instruments *(Cont'd)*

	Non-financial liabilities RM	Other financial liabilities RM	Total RM
Company			
Financial Liability			
At 31 December 2012			
Other payables and accrued expenses (Note 22)	–	957,157	957,157

	Non-financial assets RM	Loans and receivables RM	Total RM
Company			
Financial Assets			
At 31 December 2011			
Amount owing by subsidiaries (Note 12)	–	15,171,500	15,171,500
Other receivables, deposits and prepaid expenses (Note 15)	122,763	36,786	159,549
Short-term investments (Note 17)	–	2,196,385	2,196,385
Cash and bank balances (Note 25)	–	315,445	315,445
	122,763	17,720,116	17,842,879

	Non-financial liabilities RM	Other financial liabilities RM	Total RM
Company			
Financial Liability			
At 31 December 2011			
Other payables and accrued expenses (Note 22)	–	233,773	233,773

	Non-financial assets RM	Loans and receivables RM	Total RM
Company			
Financial Assets			
At 1 January 2011			
Amount owing by subsidiaries (Note 12)	–	16,643,705	16,643,705
Other receivables, deposits and prepaid expenses (Note 15)	173,244	28,554	201,798
Short-term investments (Note 17)	–	2,026,210	2,026,210
Cash and bank balances (Note 25)	–	111,698	111,698
	173,244	18,810,167	18,983,411

24. FINANCIAL INSTRUMENTS *(Cont'd)*

24.3 Categories of Financial Instruments *(Cont'd)*

	Non-financial liabilities RM	Other financial liabilities RM	Total RM
Company			
Financial Liability			
At 1 January 2011			
Other payables and accrued expenses (Note 22)	–	442,711	442,711

24.4 Financial Risk Management

The operations of the Group are subject to various financial risks which include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk in connection with its use or holding of financial instruments. The Group has adopted a financial risk management framework with the principal objective of effectively managing risks and minimising any potential adverse effects on the financial performance of the Group.

24.5 Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 24.6 below) and interest rates (see 24.7 below). The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency and interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

24.6 Foreign Currency Risk

The Group undertakes certain transactions in foreign currencies where the amounts outstanding are exposed to foreign currency risk. The Group monitors its foreign exchange exposure closely.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets at the reporting date are as disclosed in Note 15 for trade receivables and Note 25 for cash and bank balances.

Foreign currency sensitivity

The Group is mainly exposed to the currency of Brunei Dollar, Indonesia Rupiah and United States Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the RM against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the RM weakens 10% against the relevant currency. For a 10% strengthening of the RM against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

24. FINANCIAL INSTRUMENTS *(Cont'd)*

24.6 Foreign Currency Risk *(Cont'd)*

Foreign currency sensitivity *(Cont'd)*

	Carrying amount RM	Group Foreign currency risk +10% RM	-10% RM
Year ended 31 December 2012			
Brunei Dollar Impact			
Financial Asset			
Trade receivables (Note 15)	93,934	(9,393)	9,393
Indonesia Rupiah Impact			
Financial Asset			
Cash and bank balances (Note 25)	81,347	(8,135)	8,135
United States Dollar Impact			
Financial Assets			
Fixed deposits with licensed financial institutions (Note 25)	1,016,191	(101,619)	101,619
Cash and bank balances (Note 25)	38,230	(3,823)	3,823
Total (decrease)/increase		(105,442)	105,442
Total		(122,970)	122,970

	Carrying amount RM	Group Foreign currency risk +10% RM	-10% RM
Year ended 31 December 2011			
Brunei Dollar Impact			
Financial Asset			
Trade receivables (Note 15)	36,639	(3,664)	3,664
Indonesia Rupiah Impact			
Financial Asset			
Cash and bank balances (Note 25)	83,611	(8,361)	8,361

24. FINANCIAL INSTRUMENTS *(Cont'd)*

24.6 Foreign Currency Risk *(Cont'd)*

Foreign currency sensitivity *(Cont'd)*

	Carrying amount RM	Group Foreign currency risk +10% RM	-10% RM
United States Dollar Impact			
Financial Assets			
Fixed deposits with licensed financial institutions (Note 25)	1,052,080	(105,208)	105,208
Cash and bank balances (Note 25)	39,703	(3,970)	3,970
Total (decrease)/increase		(109,178)	109,178
Total		(121,203)	121,203

	Carrying amount RM	Group Foreign currency risk +10% RM	-10% RM
Year ended 1 January 2011			
Brunei Dollar Impact			
Financial Asset			
Trade receivables (Note 15)	650,432	(65,043)	65,043
Indonesia Rupiah Impact			
Financial Asset			
Cash and bank balances (Note 25)	58,466	(5,847)	5,847
United States Dollar Impact			
Financial Assets			
Fixed deposits with licensed financial institutions (Note 25)	1,018,327	(101,833)	101,833
Cash and bank balances (Note 25)	77,433	(7,743)	7,743
Total (decrease)/increase		(109,576)	109,576
Total		(180,466)	180,466

24. FINANCIAL INSTRUMENTS *(Cont'd)*

24.7 Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on short-term investments and fixed deposits with licensed financial institutions. The interest rates of the Group's short-term investments and fixed deposits are disclosed in Notes 17 and 18.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for interest bearing short-term investment and fixed deposits with licensed financial institutions at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would increase/decrease by RM70,531 (2011: increase/decrease by RM47,160). This is mainly attributable to the Group's exposure to interest rates on its interest rates for interest bearing short-term investment and fixed deposits with licensed financial institutions.

24.8 Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group. Credit risk with respect to trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based on careful evaluation of the customers' financial condition and credit history.

The maximum credit exposure of the Group, without taking into account the fair value of any collateral, is represented by carrying amounts of the trade and other receivables as shown on the statements of financial position.

The Group is dependent on a few key customers, which are regulated and governed by Bank Negara Malaysia, the composition of which may vary from year to year. Significant credit risk exposure to these key customers constitutes 68% of its total receivables of the Group. In line with the Group's efforts to enter into transactions with a diversity of credit-worthy parties, the Group continues to diversify its customer base to mitigate the significant concentration of credit risk.

24.9 Liquidity Risk

The Group monitors its cash flows actively and maintains sufficient levels of cash and cash equivalents to meet its obligations as and when they fall due.

The financial liabilities of the Group and the Company are not interest bearing which mature less than 12 months.

24.10 Fair Values

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Where applicable, fair values will be arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based on certain assumptions. Amounts derived from such methods and valuation techniques are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group are as follows:

- **Cash and cash equivalents, trade and other receivables, intercompany indebtedness, trade and other payables:** The carrying amounts are considered to approximate the fair values as they are either within the normal credit terms or they have short-term maturity period.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Cash and bank balances	4,142,815	1,694,570	1,354,027
Fixed deposits with licensed financial institutions	3,149,223	3,124,528	3,035,331
Short-term investments	10,975,471	6,307,483	6,448,131
	18,267,509	11,126,581	10,837,489

	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Cash and bank balances	319,945	315,445	111,698
Short-term investments	1,909,940	2,196,385	2,026,210
	2,229,885	2,511,830	2,137,908

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Cash and bank balances			
Ringgit Malaysia	4,023,238	1,571,256	1,218,128
Indonesia Rupiah	81,347	83,611	58,466
United States Dollar	38,230	39,703	77,433
	4,142,815	1,694,570	1,354,027

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Fixed deposits with licensed financial institutions			
Ringgit Malaysia	2,133,032	2,072,448	2,017,004
United States Dollar	1,016,191	1,052,080	1,018,327
	3,149,223	3,124,528	3,035,331

26. RELATED PARTY TRANSACTIONS

Significant transactions, undertaken based on terms and conditions negotiated between the Company and the related parties during the financial year, are as follows:

	Group	
	2012	**2011**
	RM	**RM**
Subsidiary of a substantial shareholder of the Company		
Provision of hardware and professional services by subsidiary of a substantial shareholders of the Group	4,942,900	–

	Company	
	2012	**2011**
	RM	**RM**
Subsidiaries		
Provision of information technology solutions to subsidiaries	6,269,213	4,030,482
Software licensing fee charged to subsidiaries	6,844,867	412,162
Provision of information technology solutions by subsidiaries (Note 11)	2,041,221	1,210,835

Options over ordinary shares of the Company granted to the Directors of the Company are as follows:

	Number of unexercised option for ordinary shares of RM0.10 each	
	2012	**2011**
Direct Interest		
Datuk Ali Bin Abdul Kadir	1,350,000	1,700,000
Datuk Zainun Aishah Binti Ahmad	1,700,000	1,700,000
Chok Kwee Bee	286,500	474,000
Yong Kar Seng Peter	604,000	604,000
Phong Hon Voon	483,100	483,100
David Hii Chin Yun	483,100	483,100

27. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

The Group is principally engaged in the provision of information technology solutions to the financial services industry. For management purposes, the Group is organised into geographical segments as follows:

Local

Local segment refers to the financial results of the subsidiaries that cater to the Malaysian market. This includes the results of Microlink Solutions Berhad, Microlink Systems Sdn. Bhd., Microlink Software Sdn. Bhd., Microlink Innovation Sdn. Bhd. and CA IT Infrastructure Solutions Sdn. Bhd.

Overseas

Overseas segment refers to the financial results of the overseas' operations and subsidiaries that cater for overseas market. This includes Microlink Worldwide Sdn. Bhd. and PT Microlink Indonesia.

Information regarding the Group's reportable segments is presented below.

27. SEGMENTAL REPORTING *(Cont'd)*

Segment Revenue and Results

Group

2012	**Local RM**	**Overseas RM**	**Elimination RM**	**Consolidated RM**
REVENUE				
External sales	41,556,765	968,871	–	42,525,636
Inter-segment sales	16,936,980	1,230,498	(18,167,478)	–
	58,493,745	2,199,369	(18,167,478)	42,525,636
RESULTS				
Segment results	7,192,960	226,153	–	7,419,113
Other operating income				471,092
Profit before tax				7,890,205
Income tax expense				(827,025)
Profit for the year				7,063,180

Group

2011	**Local RM**	**Overseas RM**	**Elimination RM**	**Consolidated RM**
REVENUE				
External sales	17,780,308	873,194	–	18,653,502
Inter-segment sales	4,230,540	1,462,207	(5,692,747)	–
	22,010,848	2,335,401	(5,692,747)	18,653,502
RESULTS				
Segment results	2,463,473	(483,280)	–	1,980,193
Other operating income				543,150
Profit before tax				2,523,343
Income tax expense				(670,090)
Profit for the year				1,853,253

27. SEGMENTAL REPORTING *(Cont'd)*

Segment Assets and Liabilities

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and liabilities that relate to investing and financing activities and cannot be reasonably allocated to individual segments. These include mainly corporate assets, other investments, deferred tax assets/liabilities and tax liabilities.

Group

2012	**Local RM**	**Overseas RM**	**Elimination RM**	**Consolidated RM**
SEGMENT ASSETS				
Segment assets	97,042,046	3,877,775	(41,244,981)	59,674,840
SEGMENT LIABILITIES				
Segment liabilities	37,909,960	9,278,803	(24,225,450)	22,963,313
Unallocated liabilities				
- Tax liabilities				49,850
- Deferred tax liabilities				293,550
Consolidated total liabilities				23,306,713

Group

2011	**Local RM**	**Overseas RM**	**Elimination RM**	**Consolidated RM**
SEGMENT ASSETS				
Segment assets	62,834,561	4,544,013	(34,191,518)	33,187,056
SEGMENT LIABILITIES				
Segment liabilities	13,846,351	10,916,154	(22,213,395)	2,549,110
Unallocated liabilities				
- Tax liabilities				127,964
- Deferred tax liabilities				210,523
Consolidated total liabilities				2,887,597

27. SEGMENTAL REPORTING *(Cont'd)*

Other Segment Information

Segment capital expenditure and software development expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Group

	Local RM	Overseas RM	Elimination RM	Consolidated RM
OTHER INFORMATION				
2012				
Capital expenditure	1,258,943	–	–	1,258,943
Depreciation	484,065	6,192	–	490,257
Software development expenditure	1,198,250	–	–	1,198,250
Amortisation	1,903,106	–	–	1,903,106
2011				
Capital expenditure	213,127	–	–	213,127
Depreciation	398,009	6,192	–	404,201
Software development expenditure	1,127,727	–	–	1,127,727
Amortisation	1,151,381	–	–	1,151,381

28. OPERATING LEASE ARRANGEMENTS

As of 31 December 2012, the Group and the Company have operating lease arrangements in respect of rental of premises as follows:

	Future Minimum Lease Payments Group and Company 2012 RM	2011 RM
Within 1 year	792,546	408,000
Within 2 - 5 years	486,490	136,000
	1,279,036	544,000

29. SUPPLEMENTARY INFORMATION - DISCLOSURE ON REALISED AND UNREALISED PROFITS/ LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.07 and 2.23 of the Bursa Securities ACE Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of 31 December 2012 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries				
Realised	29,609,625	23,328,299	25,869,403	19,997,976
Unrealised	(330,391)	(242,706)	–	–
	29,279,234	23,085,593	25,869,403	19,997,976
Less: Consolidation adjustments	(9,182,027)	(9,076,550)	–	–
Total retained profits as per statements of financial position	20,097,207	14,009,043	25,869,403	19,997,976

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2011. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

STATEMENT BY DIRECTORS

The Directors of **MICROLINK SOLUTIONS BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 29 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance
with a resolution of the Directors,

YONG KAR SENG PETER

DAVID HII CHIN YUN

Kuala Lumpur,
18 March 2013

DECLARATION BY THE OFFICER

PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **CHIN SHIN YI**, the Officer primarily responsible for the financial management of **MICROLINK SOLUTIONS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHIN SHIN YI

Subscribed and solemnly declared by the abovenamed **CHIN SHIN YI** at **KUALA LUMPUR** this 18th day of March 2013.

Before me,

COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

AS AT 28 FEBRUARY 2013

Authorised Share Capital	:	250,000,000 ordinary shares of RM0.10 each
Issued and Paid-Up Capital	:	129,739,800 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	17	4.19	721	0.00
100-1,000	59	14.57	45,650	0.04
1,001-10,000	175	43.21	997,928	0.77
10,001-100,000	108	26.67	3,994,912	3.07
100,001 to less than 5% of issued shares	40	9.88	35,981,870	27.74
5% and above of issued shares	6	1.48	88,718,719	68.38
Total	**405**	**100.00**	**129,739,800**	**100.00**

DIRECTORS' SHAREHOLDINGS

		Direct Interest		Indirect Interest	
No.	Name of Directors	No. of Shares held	%	No. of Shares held	%
1	Datuk Ali Bin Abdul Kadir	6,450,000	4.97	205,000 (1)	0.16
2	Yong Kar Seng Peter	19,146,670	14.76	555,000 (2)	0.43
3	Chok Kwee Bee	237,500	0.18	–	–
4	David Hii Chin Yun	12,381,767	9.54	–	–
5	Datuk Zainun Aishah Binti Ahmad	50,000	0.04	–	–
6	Phong Hon Voon	13,873,082	10.69	–	–
7	Monteiro Gerard Clair	–	–	38,309,100 (5)	29.53

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	%
1	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged securities account – Ambank (M) Berhad for Formis Holdings Bhd	26,500,000	20.43
2	Yong Kar Seng Peter	19,146,670	14.76
3	Phong Hon Voon	13,873,082	10.69
4	David Hii Chin Yun	12,381,767	9.54
5	M & A Nominee (Tempatan) Sdn. Bhd. Insas Credit & Leasing Sdn. Bhd. for Formis Holdings Berhad	9,000,000	6.94
6	Insas Plaza Sdn. Bhd.	7,817,200	6.03
7	HSBC Nominees (Tempatan) Sdn. Bhd. Exempt an for credit Suisse AG (SG-CLT-T-OS PR)	6,468,400	4.99
8	Ambank (M) Berhad Pledged securities account for Ali bin Abdul Kadir (SMART)	6,400,000	4.93

ANALYSIS OF SHAREHOLDINGS

AS AT 28 FEBRUARY 2013 ***(Cont'd)***

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS *(Cont'd)*

No.	Name of Shareholders	No. of Shares	%
9	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	3,905,600	3.01
10	Kenanga Nominees (Asing) Sdn. Bhd. UOB Kay Hian Pte Ltd for Ng Kiang Tong	2,639,165	2.03
11	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Formis Holdings Berhad (Margin)	2,311,400	1.78
12	Anglo Asia Investments Limited	2,256,000	1.74
13	Lee King You	1,438,620	1.11
14	HSBC Nominees (Asing) Sdn. Bhd. Exempt an for credit Suisse (HK BR-TST-ASING)	1,138,500	0.88
15	Yong Chow Ping	1,000,000	0.77
16	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Ong Chin Seong	809,000	0.62
17	Nalachakravarthy Odhayakumar	606,600	0.47
18	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hii Sui Cheng (E-JCL)	560,000	0.43
19	Normah binti Raja Nong Chik	555,000	0.43
20	Formis Holdings Berhad	497,700	0.38
21	Kenanga Nominees (Asing) Sdn. Bhd. UOB Kay Hian Pte Ltd for Ng Chew Gek	496,400	0.38
22	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Phoa Boon Ting (CEB)	465,500	0.36
23	Ong Siew Siew	378,000	0.29
24	M&A Nominee (Tempatan) Sdn. Bhd. Titan Express Sdn. Bhd.	319,300	0.25
25	Siew Yau Theam	300,000	0.23
26	Chen Kwee Ling	250,085	0.19
27	Citigroup Nominees (Asing) Sdn. Bhd. Exempt an for OCBC Securities Private Limited (Client A/C-NR)	245,000	0.19
28	Chok Kwee Bee	237,500	0.18
29	Rio Capital Sdn. Bhd.	205,000	0.16
30	Huen Wai Kuen	200,000	0.15

SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Indirect Interest	
No.	**Name of Shareholders**	**No. of Shares held**	**%**	**No. of Shares held**	**%**
1	Formis Holdings Bhd	38,309,100	29.53	–	–
2.	Formis Resources Bhd	–	–	38,309,100 (4)	29.53
3.	Red Zone Development Sdn. Bhd.	–	–	38,309,100 (6)	29.53
4.	Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr. Hj. Megat Khas	–	–	38,309,100 (6)	29.53
5.	Monteiro Gerard Clair	–	–	38,309,100 (5)	29.53
6.	Wong Kit Leong	–	–	38,309,100 (5)	29.53
7.	Raymond Tan	–	–	38,309,100 (5)	29.53
8.	Yong Kar Seng Peter	19,146,670	14.76	555,000 (2)	0.43
9.	Normah bte Raja Nong Chik	555,000	0.44	19,146,670 (2)	14.76
10.	Phong Hon Voon	13,873,082	10.69	–	–
11.	David Hii Chin Yun	12,381,767	9.54	–	–
12.	Insas Plaza Sdn. Bhd.	7,817,200	6.03	–	–
13.	Insas Berhad	–	–	7,817,200 (3)	6.03
14.	Datuk Ali bin Abdul Kadir	6,450,000	4.97	205,000 (1)	0.16

Notes:

(1) Deemed interest by virtue of interest in Rio Capital Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965

(2) Deemed interest by virtue of spouse's interest pursuant to Section 6A(4) of the Companies Act, 1965

(3) Deemed interest by virtue of interest in Insas Plaza Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965

(4) Deemed interest by virtue of Formis Holdings Berhad being a wholly-owned subsidiary of Formis Resources Berhad pursuant to Section 6A of the Companies Act, 1965

(5) Deemed interest by virtue of his substantial interest in Red Zone Development Sdn. Bhd., which in turn owned 19.36% equity interest in Formis Resources Berhad, the holding company of Formis Holdings Berhad pursuant to Section 6A of the Companies Act, 1965

(6) Deemed interest by virtue of his/its substantial shareholding in Formis Resources Berhad, the holding company of Formis Holdings Berhad pursuant to Section 6A of the Companies Act, 1965

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of Microlink Solutions Berhad will be held at Ballroom 2, Corus Hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 18 April 2013 at 11.30 a.m. for the following purposes :-

AGENDA

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Directors' and Auditors' Reports thereon.	**Ordinary Resolution 1**
2.	To approve the payment of a final tax exempt dividend of 3 sen per share in respect of the financial year ended 31 December 2012.	**Ordinary Resolution 2**
3.	To approve the payment of Directors' fees in respect of the financial year ending 31 December 2013, to be payable quarterly in arrears.	**Ordinary Resolution 3**
4.	To re-elect the following Directors who retire pursuant to Article 70 and Article 75 of the Company's Articles of Association:-	
	i. Mr David Hii Chin Yun (Article 70)	**Ordinary Resolution 4**
	ii. Mr Yong Kar Seng Peter (Aricle 70)	**Ordinary Resolution 5**
	iii. Mr Monteiro Gerard Clair (Article 75)	**Ordinary Resolution 6**
5.	To re-appoint Messrs Deloitte & Touche as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 7**

As Special Business

To consider and, if thought fit, pass the following Resolutions:-

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** — **Ordinary Resolution 8**

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. To transact any other business that may be transacted at an Annual General Meeting of which, due notice shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders at the Tenth Annual General Meeting to be held on 18 April 2013, a final tax exempt dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2012 will be paid on 20 May 2013 to depositors registered in the Company's Record of Depositors at the close of business on 6 May 2013.

A Depositor shall qualify for the entitlement only in respect of :-

a) Shares transferred into the depositor's securities account before 4.00 p.m. on 6 May 2013 in respect of ordinary transfers; and

b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

SEE SIEW CHENG
LEONG SHIAK WAN
Company Secretaries

27 March 2013
Kuala Lumpur

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and if he is not a member of the Company, Section 149(1)(b) of the Companies Act, 1965 shall not be applicable.

2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy (but not more than two) in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

3. When a member appoints more than one proxy, the member shall specify the proportions of his/her shareholdings to be represented by each proxy.

4. The instrument appointing a Proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised and in the case of a Corporation, either under the Common Seal or under the hand of an officer or attorney duly authorised.

5. Only members whose names appear in the Record of Depositors on 15 April 2013 shall be entitled to attend, speak and vote at the Annual General Meeting.

6. The instrument appointing a Proxy must be deposited at the Ground Floor, Symphony House Block D13 Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof.

7. Explanatory Notes:

   (a) Ordinary Resolution 8 – Authority to Directors to Issue Shares

   The proposed Ordinary Resolution 8, if passed, will authorise the Directors of the Company to issue and allot shares up to an aggregate amount not exceeding 10% of the issued and paid-up capital of the Company for the time being for such purposes as the Directors would consider to be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next conclusion of the Annual General Meeting of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Ninth Annual General Meeting held on 12 April 2012 and which will lapse at the conclusion of the Tenth Annual General Meeting.

   The authority is to avoid any delay and cost involved in convening a general meeting to approve such an issue of shares. The aforesaid authority is to give the Directors the authority and flexibility to raise fund more expediently via issuance of shares for purpose of funding future investments, working capital and/or any acquisition.

Statement Accompanying Notice of Tenth Annual General Meeting

Pursuant to Article 70 of the Company's Articles of Association, the Directors who are standing for re-election are as follows:-

(i) Mr David Hii Chin Yun
(ii) Mr Yong Kar Seng Peter

Pursuant to Article 75 of the Company's Articles of Association, the Director who is standing for re-election is as follows:-

(i) Mr Monteiro Gerard Clair

The details of the above Directors who are standing for re-election are set out in their respective profiles which appear in the Directors' Profiles on pages 8 to 9 and page 11 of this Annual Report.

Their shareholdings in the Company are set out in the Analysis of shareholdings which appear on page 88 of this Annual Report.

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FORM OF PROXY

MICROLINK SOLUTIONS BERHAD

Company No: 620782-P
(Incorporated in Malaysia)

NUMBER OF SHARES HELD

I/We______________________________________ of____being a member/members of Microlink Solutions Berhad hereby appoint Mr/Ms___________________________________of ______________________________________or failing him/her, Mr/Ms____________________________________ ___of______________________________________ or failing him/her, the Chairman of the Meeting as *my/our proxy, to vote for *me/us on *my/our behalf at the Tenth Annual General Meeting of the Company to be held at Ballroom 2, Corus Hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 18 April 2013 at 11.30 a.m. and at any adjournment thereof.

My/*Our proxy(ies) is/are to vote as indicated below:

No.	Resolutions	For	Against
1.	Receive the Audited Financial Statements for the financial year ended 31 December 2012, together with the Directors' and Auditors' Reports thereon.		
2.	Approve the payment of a final tax exempt dividend of 3 sen per share in respect of financial year ended 31 December 2012.		
3.	Approve the payment of Directors' fees in respect of the financial year ending 31 December 2013, to be payable quarterly in arrears.		
4.	Re-elect Mr David Hii Chin Yun as Director.		
5.	Re-elect Mr Yong Kar Seng Peter as Director.		
6.	Re-elect Mr Monteiro Gerard Clair as Director.		
7.	Re-appoint Messrs Deloitte & Touche as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
8.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with (X) how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

Signed this day of 2013

....
Signature/Common Seal of Shareholder(s)
[*Delete if not applicable]

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and if he is not a member of the Company, Section 149(1)(b) of the Companies Act, 1965 shall not be applicable.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy (but not more than two) in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. When a member appoints more than one proxy, the member shall specify the proportions of his/her shareholdings to be represented by each proxy.
4. The instrument appointing a Proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised and in the case of a Corporation, either under the Common Seal or under the hand of an officer or attorney duly authorised.
5. Only members whose names appear in the Record of Depositors on 15 April 2013 shall be entitled to attend, speak and vote at the Annual General Meeting.
6. The instrument appointing a Proxy must be deposited at the Ground Floor, Symphony House Block D13 Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE COMPANY SECRETARY

MICROLINK SOLUTIONS BERHAD Company No.: 620782-P

Ground Floor, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

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