









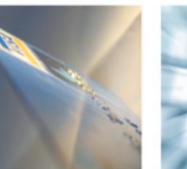


MICROLINK SOLUTIONS BERHAD ⊳ NNUAL REPORT 2006













ANNUAL REPORT 2006









MICROLINK SOLUTIONS BERHAD (620782-P) 8th Floor, Bangunan Angkasa Raya, Jalan Ampang, 50450 Kuala Lumpur, Malaysia. Tel: 603 2145 3380 Fax: 603 2141 7600 http://www.microlink.com.my





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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 Non-Independent Non-Executive Director

Yong Kar Seng, Peter Non-Independent Non-Executive Director

# COMPANY SECRETARY

Loh Yin Fun (MAICSA 0862905)

## **AUDIT COMMITTEE**

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

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# MANAGEMENT COMMITTEE

Phong Hon Voon Wong Kim Ming David Hii Chin Yun Yong Kar Seng, Peter Chok Kwee Bee

# NOMINATION COMMITTEE

Datuk Zainun Aishah Binti Ahmad Datuk Ali Bin Abdul Kadir Yong Kar Seng, Peter

## **REMUNERATION COMMITTEE**

Yong Kar Seng, Peter Chok Kwee Bee Phong Hon Voon

# **OPTION COMMITTEE**

Yong Kar Seng, Peter Chok Kwee Bee Phong Hon Voon

### **REGISTERED OFFICE**

10th Floor, Wisma Havela Thakardas, No. 1, Jalan Tiong Nam, Off Jalan Raja Laut, 50350 Kuala Lumpur. Tel : 603-9195 1688 Fax : 603-9195 1799 Phong Hon Voon Chief Executive Officer, Executive Director

Wong Kim Ming Chief Operating Officer, Executive Director

**David Hii Chin Yun** Chief Technology Officer, Executive Director

Khaled H Mohareb Al-Hayen Non-Independent Non-Executive Director (Appointed on 19 March 2007)

### **CORPORATE OFFICE**

8th Floor, Bangunan Angkasa Raya, Jalan Ampang, 50450 Kuala Lumpur. Tel: 603-2145 3380 Fax: 603-2141 7600

# **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 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur. Tel : 603-2721 2222 Fax : 603-2721 2530

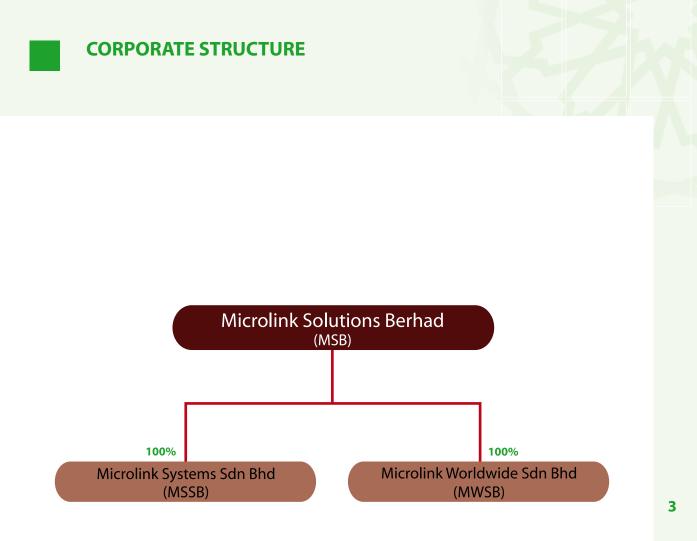
### **SPONSOR**

MIMB Investment Bank Berhad (formerly known as Malaysian International Merchant Bankers Berhad) 21st Floor, Menara EON Bank, 288, Jalan Raja Laut, 50350 Kuala Lumpur. Tel: 603-2691 0200 Fax: 603-2698 5388

# **PRINCIPAL BANKERS**

CIMB Islamic Bank Berhad Malayan Banking Berhad Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING MESDAQ Market of Bursa Malaysia Securities Berhad **ANNUAL REPORT 2006** 



# **CORPORATE HIGHLIGHTS**

### February 2006 Islamic Finance Singapore 2006

Microlink participated as a Sponsor in the annual Islamic Finance Singapore held from 21st – 22nd February 2006 in Singapore. This interactive seminar provides delegates with a thorough practical grounding in Shari'ah compliant banking, financing and investment management. With a special focus on what the Singapore conventional banking community can do to capitalize on the opportunity created by the influx of MENA wealth.

#### May 2006

#### World Halal Forum 2006

Microlink participated as a Sponsor in the World Halal Forum 2006 held from 8th – 10th May 2006 in Kuala Lumpur, Malaysia and won the prestigious award for Best Islamic Service or Product of the year. The WHF's objectives are to develop the global Halal market, to understand and solve challenges faced by the Halal industry, to address the need for industry standards for Halal on a global scale and to create a networking event to facilitate trade between the different players in the Global Halal Market.



#### May 2006

#### **Islamic Banking Workshop Brunei 2006**

Microlink participated as a Sponsor and Speaker in the Islamic Banking Workshop, hosted by The Brunei Association of Banks and organized by the Permanent Committee on Finance, Investment and Trade held from 17th – 18th May 2006 in Brunei. The subjects covered at the workshop include appraising participants of Islamic banking status in Brunei, Malaysia and Singapore, trade finance, project / infrastructure finance, and development of Islamic Capital Market in ASEAN.

### June 2006

### Listing on the MESDAQ Market of Bursa Malaysia

23rd June 2006 was a historical day for Microlink as it made its debut on the MESDAQ Market of Bursa Malaysia, opening 18% higher at 58 sen. The offer price was 49 sen. The public offering of three million shares was oversubscribed by 19.15 times.



# CORPORATE HIGHLIGHTS (CONT'D)

### August 2006 Islamic Banking & Finance Indonesia

Microlink participated as a Sponsor in the conference held from 7th – 8th August 2006. The objective of the conference is to look at the current situation and achievements of the Islamic financial industry in Indonesia and also to address unresolved regulatory issues.

#### August 2006

### Technology Sponsor for Malaysian Islamic Finance 2006 Forum

Microlink participated as a Technology Sponsor in the annual Malaysian Islamic Finance forum held from 14th – 15th August 2006 in Malaysia. The event is a joint collaboration between Bank Negara Malaysia, the Securities Commission of Malaysia, LOFSA (the Labuan Offshore Financial Services Authority) and Bursa Malaysia, focusing on the Malaysian Islamic financial markets.





### October 2006

### **Microlink Ramadhan Buffet Dinner**

On 17th October 2006, Microlink held a Ramadhan buffet dinner at Hotel Maya as a form of appreciation and recognition to Microlink's valued customers. More than 150 people from various local banks and finance institutions attended the event.

### November 2006 IBM Solutions Day

Microlink participated as a Sponsor and Speaker in the IBM Solutions Day held on 7th November 2006 in Kuala Lumpur, Malaysia. The event allowed participants to share their insights on current and developing trends of various industries such as Financial Services, Manufacturing, Retail & Distribution and the Public Sector.



# **CORPORATE HIGHLIGHTS** (CONT'D)



#### November 2006

### 4th International Islamic Banking and Finance Conference 2006

Microlink participated as a Sponsor and Speaker in the 4th International Islamic Banking and Finance Conference held from 13th -14th November 2006 in Kuala Lumpur, Malaysia. The event was organised by Monash University and Institut Bank-Bank Malaysia. Its aim is to provide a central platform and communication channel for researchers, academicians, business leaders and industry practitioners to meet and discuss critical issues and ideas relating to Islamic Banking and Finance.

### November 2006

### Memorandum of Understanding ("MOU") with Technology World Company ("TWC"), Kuwait

On 28th November 2006, Microlink and TWC of Kuwait signed a MOU to form a joint venture company ("JV Company") for the Middle East and North Africa (MENA) region. The JV Company will undertake sales and support services of Microlink Banking Solutions (MiBS) in the MENA region.



#### December 2006

### 13th Annual The World Islamic Banking Conference (WIBC)

Microlink participated as a Sponsor in the 13th Annual The World Islamic Banking Conference (WIBC) held from 9th -11th December 2006 in Bahrain. The event was supported by the Central Bank of Bahrain and takes the theme: Driving Growth & Delivering on Market Expectations through Product Innovation & Service Quality.

### December 2006

### **Microlink Christmas & New Year Get Together**

On 28th December 2006, Microlink held a get together function for its staffs as a form of appreciation and recognition. Microlink's CEO, Mr. Edward Phong gave a speech during the event and encouraged all the employees to embrace diversity and work as a team to achieve the company's vision. He also indicated the direction of the company for 2007 and is confident the company will achieve even greater results in the coming year.



# **MAJOR MILESTONES & ACHIEVEMENTS**

ø	Developed MiBS, a comprehensive application suite of modules to cater to both conventional and Islamic banking.	
ø	Launched MiBS release 1.2 with the comprehensive Islamic banking features, taking advantage of the new generation Windows 32-bits clients.	
ø	Microlink implemented first Islamic banking software solution.	
ø	Launched MiBS release 2.2 with 24x7 electronic banking services by cutting daily batch downtime to near zero.	
ø	Awarded "System Integrator with the Most Strategic Win of the Year" by Sun Microsystems (M) Sdn Bhd.	
ø	Awarded "The Most Strategic Partner of the Year" by Oracle Corporation (M) Sdn Bhd.	
ø	<ul> <li>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.</li> </ul>	
ø	Awarded "Sales Performance Excellence (Banking) Award" by Sun Microsystems (M) Sdn Bhd recognition of its highest sales recorded for the banking and financial sector in year 2001.	
ø	Microlink was designated by IBM Corporation as an IBM Advanced Business Partner.	
ø	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.	
ø	Awarded "ICT Software of the Year" by Association of the Computer and Multimedia Industry of Malaysia or PIKOM Computimes.	
ø	Microlink received Multimedia Supercorridor (MSC) status from the Government of Malaysia.	
ø	Awarded "Best Application – Islamic Banking System" by Sun Microsystems (M) Sdn Bhd.	
ø	Awarded "Best System Integrator" by Sun Microsystems (M) Sdn Bhd.	
ø	Awarded "Premier System Integrator Malaysia" by Sun Microsystems (M) Sdn Bhd.	

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# **MAJOR MILESTONES & ACHIEVEMENTS (CONT'D)**

2005	ø	Microlink set up representative offices and support centers in Jakarta, Indonesia and the Middle East.	
	ø	Launched MiBS release 8 supports the latest Open Systems, J2EE, Open Source and Grid Computing technologies, Internet and electronic channels ready.	
	ø	Microlink Solutions Bhd was admitted as an observer member of the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI).	
	ø	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	ø	Microlink Solutions Bhd listed on the MESDAQ Market of Bursa Malaysia Securities Bhd.	
	ø	Microlink certified as CMMi Level 3 status company.	
	<b>X</b>	Awarded "Best Islamic Financial Service or Product" by Halal Journal during World Halal Forum 2006.	
	<b>X</b>	Deloitte Technology Fast 500 Asia Pacific 2006 Winner.	
	ø	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	ø	Awarded "Export Excellence Award (Services) 2006" at the Industry Excellence Awards 2006 by the Malaysia Ministry of International Trade and Industry (MITI).	









Deloitte.

Technology Fast500 Asia Pacific 2006 Winner



# **PROFILE OF BOARD OF DIRECTORS**

# DATUK ALI BIN ABDUL KADIR

Independent Non-Executive Chairman

**Datuk Ali Bin Abdul Kadir**, a Malaysian, aged 57, 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, he retired whilst holding the position of Executive Chairman of the firm when he was appointed by the Minister of Finance as the Chairman of the SC on 1 March 1999. In this capacity, he had also headed the Capital Market Advisory Council responsible for implementing the capital market masterplan. He 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 or Danaharta. He sat as a trustee of the Financial Reporting Foundation. Currently, he also sits on the board of the Labuan Offshore Services Authority.

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 from November 2000 to October 2003.

He was the former President of the Malaysia Association (now Institute) of Certified Public Accountants ("MICPA") and chaired the Executive Committee and the Insolvency Practices Committee. He also co-chaired the Company Law Forum.

Datuk Ali is a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"), and a member of the MICPA. He is currently the Honorary Advisor to ICAEW Malaysia, Honorary Fellow of the Institute of Chartered Secretaries and Administrators (UK), and Honorary member of the Malaysian Institute of Directors. Datuk Ali holds directorships in Aircom Technology Berhad, Jobstreet Corporation Berhad and Milux Corporation Berhad.

PHONG HON VOON Chief Executive Officer, Executive Director

**Phong Hon Voon**, a Malaysian, aged 41, is our Chief Executive Officer 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.





# **PROFILE OF BOARD OF DIRECTORS** (CONT'D)



#### WONG KIM MING

Chief Operating Officer, Executive Director

**Wong Kim Ming**, a Malaysian, aged 39, is our Chief Operating Officer and he was appointed to our Board on 22 September 2003. He is responsible for the development and implementation of MiBS applications. Prior to joining MSSB in 1996, he began his career as an internal auditor with a Malaysian bank. He later joined the bank's organisation and method department, where he was involved in system implementation, documentation of operations and systems manuals, user training on various banking modules and was also responsible for the development for the bank's online client-server banking system.

Mr. Wong graduated from the University of Western Australia with a Bachelor of Commerce degree in 1989. He is a Chartered Accountant with the Malaysian Institute of Accountants.

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### **DAVID HII CHIN YUN**

Chief Technology Officer, Executive Director

**David Hii Chin Yun**, a Malaysian, aged 36, is our Chief Technology Officer and he was appointed to our Board on 22 September 2003. He is responsible for the technical and IT aspects of the business. 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, working his way from systems engineer to Chief Technology Officer, his present position. Mr. Hii is also the founder and Chief Operating Officer of a logistic web portal.

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



# **PROFILE OF BOARD OF DIRECTORS (CONT'D)**

### DATUK ZAINUN AISHAH BINTI AHMAD

Independent Non-Executive Director

**Datuk Zainun Aishah Binti Ahmad**, a Malaysian, aged 60, is our Independent Non-Executive Director and she was appointed to our Board on 29 April 2005. Datuk Zainun was the Director-General of the Malaysia Industrial Development Authority ("MIDA"). She joined MIDA as an economist upon her graduation from Universiti Malaya with an honours degree in Economics in 1969 before she assumed the post of Director-General in 1995. During her tenure at MIDA, she held several positions including the National Project Director in the formulation of Malaysia's first Industrial Master Plan.

Datuk Zainun is also a member of the Industrial Co-ordination Council in the implementation of the Second Industrial Master Plan, Industrial Coordination Act Advisory Council, Defence Industry Council and National Committee on Business Competitiveness Council. Datuk Zainun holds directorships in Dunham-Bush (Malaysia) Berhad, Malayan Banking Berhad Group and Scomi Engineering Berhad.



CHOK KWEE BEE Non-Independent Non-Executive Director

**Chok Kwee Bee**, a Malaysian, aged 54, is our Non-Independent Non-Executive Director and she was appointed to our Board on 27 August 2004. She joined Walden International, a US based venture capital firm, in 2000 as the Malaysia Country Representative and is currently the Executive Director of BI Walden Management Ketiga Sdn. Bhd.. Prior to joining Walden International, she was Senior General Manager and Head of the Corporate Finance Department at AmInvestment Bank Berhad ("AmInvestment"). During her tenure at AmInvestment, she held several positions, among them as Director of Malaysian Exchange of Securities Dealing & Automated Quotation Bhd, the Chairman of the Corporate Finance Sub-Committee of Association of Merchant Banks and the Chairman of Malaysian Issuing House.

Ms. Chok is a member of the Malaysian Venture Capital Development Council which was formed under the auspices of the Securities Commission and a member of the Exchange Committee of Labuan International Financial Exchange. She was also a member of the Capital Market Advisory Council of the Securities Commission and the Chairman of the Malaysian Venture Capital Association. She sits on the board of several portfolio companies of BI Walden Ventures Ketiga.

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.



# **PROFILE OF BOARD OF DIRECTORS** (CONT'D)



#### YONG KAR SENG, PETER

Non-Independent Non-Executive Director

**Yong Kar Seng, Peter**, a Singaporean, aged 42, is our Non-Independent Non-Executive Director and he was appointed to our Board on 27 August 2004. 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 graduated with a Double Major in Economics and Accounting from the University of Reading, United Kingdom. He holds directorships in Computer Systems Advisers (M) Berhad and Insas Berhad, both companies are listed on the Main Board of Bursa Securities and several private limited companies.



KHALED H MOHAREB AL-HAYEN Non-Independent Non-Executive Director

Khaled H Mohareb Al-Hayen, a Kuwaiti, aged 52, is our Non-Independent Non-Executive Director and he was appointed to our Board on 19 March 2007. He started his career working with Municipality in Kuwait as administrator in 1981 and moved to Public Authority of Applied Education and Training in the year 1988. He then joined Media Fusion International as the General Manager which pioneers the development of interactive multimedia applications. Mr. Khaled became the CEO of Gulfweb International after AREF Investment Group acquired Media Fusion International in 1997. As CEO of GulfWeb International, he helped expand its business horizon, mainly by setting up a software development division focusing in the areas of Enterprise Knowledge Portal Solutions and establishing an internet service provider division which became the leading player in the industry within 2 years.

Mr. Khaled formed Technology World Company ("TWC") under AREF Investment Group and became the Chairman of TWC. He expanded its span of activities by bringing additional companies under TWC in the Middle East and North Africa region through entities, mergers and acquisitions. Mr. Khaled is also one of the board of director of EDU.

Mr. Khaled has a diploma in Business Administration and a diploma in City & Guilds, Mechanical Engineering from Decorum College, United Kingdom.

#### Notes

- 1. Save as disclosed above, none of the Directors have any family relationship with any other Directors and/or other major shareholders of the Company.
- 2. None of the Directors have 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 2006.

### **INDUSTRY OUTLOOK**

In moving towards a knowledge-based economy, new activities are expected to be generated in business services, particularly ICT services such as software and content development as well as Internet-based services and e-commerce solutions. During the Ninth Malaysia Plan (2006 – 2010) period, efforts will be undertaken to further harness ICT as a new source of wealth creation and to sustain Malaysia's position as a hub for a competitive global multimedia, shared services and outsourcing.

The Islamic banking industry will continue to expand in parallel with conventional banking. By 2010, the Islamic banking industry is expected to constitute 20 per cent of the overall banking and insurance market. To elevate the domestic Islamic financial system and further integrate it with the international financial infrastructure, strategic initiatives will continue to be undertaken to strengthen Malaysia's position as a global Islamic financial hub. The move is expected to strengthen financial, trade and investment ties as well as linkages between Malaysia and other countries.

### **CORPORATE DEVELOPMENT**

During the financial year ended 31 December 2006, the Company was successfully listed on the MESDAQ Market of Bursa Malaysia Securities Berhad ("MESDAQ") by undertaking the following exercises:

- conversion of its 440,000 Redeemable Convertible Preference Shares into 440,000 ordinary shares of RM1.00 each on 13 April 2006, thus increasing its issued and paid-up share capital from 660,000 ordinary shares of RM1.00 each to 1,100,000 ordinary shares of RM1.00 each;
- implementation of a restricted issue of 114,800 new ordinary shares of RM1.00 each to certain Directors, key employees
  and Promoters of its Group and an investor, Oxfordtrax Sdn. Bhd. that raised a gross proceeds of approximately RM1.36
  million on 27 April 2006;
- implementation of a share split exercise, involving the sub-division of every existing 1 ordinary share of RM1.00 each held after the restricted issue into 10 ordinary shares of RM0.10 each on 27 April 2006. Consequently, the number of the issued and paid-up shares increased from 1,214,800 ordinary shares of RM1.00 each to 12,148,000 ordinary shares of RM0.10 each;
- undertaken a bonus issue of 103,258,000 new shares on the basis of 8.5 new shares for every existing 1 share held by our existing shareholders on 27 April 2006. The Bonus Issue was effected by capitalising the share premium and unappropriated profit after the Restricted Issue, amounted to RM10,325,800 in aggregate; and
- issuance of a prospectus for its Initial Public Offering involving a public issue of 12,000,000 ordinary shares of RM0.10 each at an issue price of RM0.49 per ordinary share, payable in full on application on 2 June 2006.

The entire enlarged issued and paid-up share capital of the Company of 127,406,000 shares was successfully listed on MESDAQ on 23 June 2006.

The Company also established the Employee Share Option Scheme ("ESOS") which entails the granting of ESOS Options to the eligible Directors and employees of the Group to subscribe for new shares up to a maximum of 10% of the issued and paid up share capital at any point in time during the tenure of the ESOS, subject to the terms and conditions of the By-Laws on 27 April 2006.





# CHAIRMAN'S STATEMENT (CONT'D)

### **CORPORATE DEVELOPMENT (CONT'D)**

On 28 November 2006, the Company and TWC of Kuwait signed a MOU to form a joint venture company for the Middle East and North Africa ("MENA") region. The JV Company will undertake sales and support services of Microlink Banking Solutions ("MIBS") in the MENA region comprising countries such as United Arab Emirates, Saudi Arabia and Kuwait.

In demonstrating the importance of the relationship between TWC and the Company, TWC has acquired a strategic stake of 10.93% of the issued and paid up capital of the Company. TWC is a wholly owned subsidiary of AREF Investment Group, which provides leading edge IT and technology driven solutions in the MENA region.

### **FINANCIAL PERFORMANCE**

For the year ended 31 December 2006, the Group recorded a revenue of RM21.98 million, contributed mainly from on-going projects and maintenance income. In line with the recorded revenue, the Group reported a profit before taxation ("PBT") of RM6.63 million and a profit after taxation ("PAT") of RM6.44 million.

The Group's PBT has increased by 22% from RM5.44 million in financial year ended 31 December 2005 despite a marginal increase in the Group's revenues of 11% from RM19.82 million in financial year ended 31 December 2005.

### **REVIEW OF OPERATION**

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The Group's product developments and marketing campaigns in Malaysia, Indonesia and MENA region are expected to provide middle to long-term contribution to the Group's financial results.

The Group's Islamic core banking contract secured in North Africa has opened the door for the Group to penetrate into the region that are growing with a number of newly set up Islamic financial institutions.

The Group has also re-packaged another suite of its Islamic banking software solution offering, targeted at investment and leasing financial institutions in the Middle East.

The Group's web-enabled branch delivery system and banker desktop system will address the delivery channel investments and/or renewal needs that are one of the top priorities for financial institutions globally. This approach centers on renewing channels such as automated teller machine ("ATM"), internet banking, call centre or teller systems with reusable business components that set the stage for cross-channel consistency.

In May 2006, the Company was awarded the Best Islamic Financial Service or Product award, one of eight annual awards given by the Halal Journal, the journal for the global Halal market. The Halal Journal Awards were established to honour and celebrate outstanding achievements and innovations by companies or individuals who strive towards making a difference in the Halal market. Part of the Group's commitment is to provide dedicated Islamic banking solutions that help to address and overcome the fundamental differences between conventional and Islamic banking and it is this commitment that was recognised by the Halal Journal.

Besides, the Company was also recognized as a winner at the Deloitte Technology Fast 500 Asia Pacific 2006, a ranking of the 500 fastest growing technology companies in Asia Pacific.

In the Islamic Finance News Awards - Best Islamic Banks Poll 2006, the Company was again recognised as one of the top contender in the Best Islamic Finance Technology Provider category. In the past, numerous organizations, media companies and financial intermediaries have presented their personal views on the leading Islamic banks, law firms, consultancies and other similar categories. However, none of these have offered a true reflection from the minds of the industry professionals. It is therefore, Islamic Finance news has started a genuine poll by inviting the issuers and other non-banking financial intermediaries to offer their views on whom they deem to be the best in a host of categories since year 2004.

In addition to the above, the Company has achieved another milestone in becoming a Capability Maturity Model Integration ("CMMi") Level 3 company during year 2006. The CMMi Framework is internationally recognized as one of the most rigorous models for ensuring best practices in addressing the development and maintenance of products and services. CMMi is compatible with the ISO/IEC 15504 Technical Report for Software Process Assessment [ISO 98].



# **CHAIRMAN'S STATEMENT** (CONT'D)

### **REVIEW OF OPERATION (CONT'D)**

Being appraised as a CMMi Level 3 company, the Company is now part of an elite group of organisations worldwide that have proven and sustainable process management for their products and services. This achievement reaffirms the Group as a solutions provider of quality.

The Group expects its efforts above to brighten its middle to long-term overseas prospects and allow the Group to further expand its revenue stream from domestic to overseas markets. Barring any unforeseen circumstances, the Group expects to continue to operate profitably in the ensuing year.

### PROSPECTS

The MENA region expansion initiatives taken by the Group are expected to bear fruits in year 2007 and beyond. The Group's first North Africa site gives a showcase of Microlink Banking Solutions ("MiBS") operating in compliance with the Shari'ah requirements of the Middle Eastern scholars. In addition, MiBS has also demonstrated its ability to support common Islamic Finance instruments and process work-flow in the MENA region. Buoyed by excess petrodollars, Middle East investors have established new Islamic Financial Institutions throughout MENA region to manage their investments, finance their projects while serving the retail market at large. Hence, this has created more opportunities for the Group.

Meanwhile the Group is expected to participate in several Request For Proposal ("RFP") locally which are expected to be of Islamic core-banking replacement in nature. The Group is also actively participating in banking system implementation, for both conventional and Islamic business as well as electronic delivery channels. Enhancement of existing system and addition of new modules are expected to provide a stable revenue stream, in addition to the Group's maintenance income.

The Group's marketing efforts in Indonesia are also expected to generate more opportunities for the Group in the medium term. In Brunei, the Group is pursuing various opportunities following the Islamic Banking conference organised by ASEAN Bankers in May 2006.

### UPDATE ON RESEARCH AND DEVELOPMENT ("R&D")

For the year ended 31 December 2006, the Group has incurred in total RM2.680 million on R&D. Currently, the R&D of the Group is focused on the next MiBS release platform in 2007. The Group expects Open Source platform adoption to hasten in 2007 due to better awareness and improved confidence on the product.

The Web-based Banker Desktop R&D team has also established a newer framework in order to enhance maintainability and reduced development efforts. As the communication network infrastructure cost reduces whilst bandwidth improves, the Group expects better acceptance to upgrade or purchase this product in 2007.

R&D on new Islamic Banking modules suitable for the Middle East as well as the development in Islamic Trade and Treasury services has also been completed. They are being deployed in the Group's first site in North Africa. Further R&D is being planned to enhance the existing modules and to cater for new development in capital markets. These features will form the next MiBS release in 2007. R&D on Investment Banking related products is progressing as planned to meet the Group's first Middle East site to be deployed in early 2007.

Other R&D projects such as MiBS Release 9.0 and Release 10.0, optimisation and enhancement of MiBS UFP, enhancement on new and emerging electronic delivery channels as well as other relevant projects are being carried from year 2007 onwards.

# **CHAIRMAN'S STATEMENT** (CONT'D)

#### DIVIDENDS

The Board of Directors of the Company had approved the payment of a first tax exempt interim dividend of 1 sen per share in respect of the financial year ended 31 December 2006 amounted to RM1,274,060. The dividend was paid on 3 October 2006 to the depositors registered in the Record of Depositors of the Company at the close of business as at 19 September 2006.

In addition to the above, the Board of Directors of the Company has also proposed the payment of a tax exempt final dividend, subject to shareholders' approval at the forthcoming Annual General Meeting, of 1 sen per share in respect of the financial year ended 31 December 2006 amounting to RM1,274,060, bringing the total dividend to 2 sen per share in respect of the financial year ended 31 December 2006. The entitlement and payment dates for the proposed final dividend are 8 May 2007 and 18 May 2007 respectively.

### APPRECIATION

On behalf of the Board, I would like to express my appreciation and gratitude to the management and employees of the Group for their dedicated services, contribution and hard work. The Board would also like to thank our customers, suppliers, business associates and bankers for their continued support and loyalty.

Thank you.

### 16 DATUK ALI BIN ABDUL KADIR Chairman



**ANNUAL REPORT 2006** 



# **MANAGEMENT TEAM**



# Top row (from left to right):

David Hii Chin Yun (Chief Technology Officer), Foong Chong Thong (Finance Manager), Phong Hon Voon (Chief Executive Officer), Ong Lay Beng (Head of Business Alliance Department), Lee King You (Head of Professional Services Division)

### Front row (from left to right):

Wong Kim Ming (Chief Operating Officer), Azidah Binti M.O.B. Hassan (Head of Business Development Department), Kong Yook Ying (Head of Administrative Department), Tee Lay Yen (Head of Human Resources Department)

# **STATEMENT OF CORPORATE GOVERNANCE**

#### **INTRODUCTION**

The Board of Directors of the Company recognizes 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 realizing 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 ("the Code") are applied and practiced throughout the Group. The Board is therefore pleased to outline below the application of the principles of Part 1 of the Code and would also state herewith that all of the best practices of Part 2 of the Code has been complied with accordingly.

#### **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 eight (8) members as follows:

- Two (2) Independent Non-Executive Directors
- Three (3) Executive Directors
- Three (3) Non-Independent Non-Executive Directors

### **18** The profiles of the Directors are presented on pages 9 to 12 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. With the appointment of a Non-Independent Non-Executive Director on 19 March 2007, the Group is now looking for a suitable candidate within the prescribed time frame to act as an additional Independent Director in order to comply with the requirement of the Code.

The Chairman of the Company, Datuk Ali Bin Abdul Kadir would be 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. The Chairman leads strategic planning at the Board level while the Executive Directors are responsible for the day-to-day operations within the limit of authority entrusted to them. The Board makes major decisions such as approval of acquisitions and disposals, new ventures and investment, material agreements, major capital expenditure and budgets.



### THE BOARD OF DIRECTORS (CONT'D)

#### **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 four (4) 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	4/4
Datuk Zainun Aishah Binti Ahmad	3/4
Chok Kwee Bee	4/4
Yong Kar Seng, Peter	3/4
Phong Hon Voon	4/4
Wong Kim Ming	3/4
David Hii Chin Yun	2/4
Khaled H Mohareb Al-Hayen (appointed on 19 March 2007)	N/A

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**

All Directors, except for Mr. Khaled H Mohareb Al-Hayen, have attended and successfully completed the Mandatory Accreditation Program conducted by Bursatra Sdn. Bhd..

The Directors 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.

### **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 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.

### THE BOARD OF DIRECTORS (CONT'D)

### **Board Committees**

### (a) Audit Committee

The terms of reference of the Audit Committee are set out on pages 24 to 26 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 Nomination Committee 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
Yong Kar Seng, Peter	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
Yong Kar Seng, Peter Chok Kwee Bee Phong Hon Voon	Chairman Member Member

....

The remuneration packages for the Directors for the financial year ended 31 December 2006 are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries and other emoluments	881	-
Fees	-	27

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	_	2
RM50,001 – RM100,000	_	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	1	-
RM250,001 – RM300,000	_	-
RM300,001 – RM350,000	1	-

### THE BOARD OF DIRECTORS (CONT'D)

### **Board Committees (cont'd)**

### (d) Option Committee

The Option Committee is appointed by the Board to administer the Employee 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
Yong Kar Seng, Peter Chok Kwee Bee	Chairman Member
Phong Hon Voon	Member

As at 31 December 2006, the Company had offered 5,818,900 ESOS options to eligible Executive Directors and employees of the Group. Options granted under the scheme, subject to the provision of By-Laws 10, 11, 20 and 24, is only exercisable one (1) year from the offer date and within the option period.

### (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 both Executive and Non-Executive Directors as follows:

	Position
Phong Hon Voon	Chairman
Wong Kim Ming	Member
David Hii Chin Yun	Member
Chok Kwee Bee	Member
Yong Kar Seng, Peter	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 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 recognizes 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 MESDAQ Market ("MMLR"), 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 MMLR, 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.



### ACCOUNTABILITY AND AUDIT (CONT'D)

### **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 controls 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 controls to ensure the effectiveness of the system.

### **Relationship with Auditors**

Through the Audit 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 Committee and the Board on matters that require the Board's attention. They are invited to attend the Audit Committee Meetings when necessary.

The Audit Committee recommends the appointment of the external auditors. The appointment of the external auditors is subject to the approval of the shareholders at the Annual General Meeting.

# **AUDIT COMMITTEE REPORT**

#### **INTRODUCTION**

The Audit Committee currently has three members, comprising two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as follows:

- (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 Non-Independent Non-Executive Director

### **TERMS OF REFERENCE OF AUDIT COMMITTEE**

### **Composition of Audit Committee**

The Audit 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 Committee.

At least one member of the Audit 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 1st 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 Committee.

The members of the Audit 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 and 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 Committee shall be two (2) members where majority shall be independent director.

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

The Company Secretary shall be the Secretary of the Audit 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 Committee shall have a second or casting vote.

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AUDIT COMMITTEE REPORT (CONT'D)

### TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

### Meetings (Cont'd)

### (iii) Attendance at Meeting

The Audit Committee may require the presence of external auditors to attend any of its meetings as it determines.

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 Committee Meeting to be entered in books kept for that purpose.

Those minutes to be signed by the Chairman of the Audit Committee Meeting at which the proceedings were had 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 Committee Meeting shall be kept by the Company Secretary, and shall be open to the inspection of any members of the Board of Directors or Audit Committee members without charge.

The minutes of the Audit 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 cost 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 Responsibility**

The duties and responsibilities of the Audit 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;
- (i) To review the assistance given by the Company's officers to the external auditors;

# AUDIT COMMITTEE REPORT (CONT'D)

### **TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)**

### **Duties and Responsibility (Cont'd)**

### (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) Verification of Employee Share Option Scheme ("ESOS")

(a) 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 Committee held four (4) meetings during the financial year ended 31 December 2006. The record of attendance of these meetings by the current Board is as follows:

26	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 2006, the activities carried by the Audit Committee included:

- (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 2006;
- (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) Recommended to the Board of Directors on the re-appointment of the external auditors.

# AUDIT COMMITTEE REPORT (CONT'D)

### SUMMARY OF ACTIVITIES (CONT'D)

### Statement by Audit Committee on the Group's ESOS

Appendix 9C item no. 27 of the MESDAQ 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 8.24.

The Audit 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 Options Granted	Amount of Options Exercised
Datuk Ali Bin Abdul Kadir	1,000,000	-
Datuk Zainun Aishah Binti Ahmad	1,000,000	_
Yong Kar Seng, Peter	99,000	_
Chok Kwee Bee	99,000	-
Total	2,198,000	_

### **Internal Audit Function**

The Company has become a CMMi Level 3 company during year 2006. Being appraised as a CMMi Level 3 company, Microlink is now part of an elite group of organisations worldwide that have proven and sustainable process management for their products and services. This achievement reaffirms Microlink as a solutions provider of quality.

The CMMi or Capability Maturity Model Integration Framework is internationally recognized as one of the most rigorous models for ensuring best practices in addressing the development and maintenance of products and services. CMMi is compatible with the ISO/IEC 15504 Technical Report for Software Process Assessment [ISO 98].

CMMi was one of the key achievement areas that the Board had been targeting to ensure that the Group continually improves on the quality of its products and services. The internal control functions of the Group are also greatly enhanced by the implementation of CMMi processes.

# **STATEMENT ON INTERNAL CONTROL**

#### Introduction

The Board of Directors acknowledges the importance of the system of internal control and affirms that it is their responsibility to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Internal Control Statement has been prepared in accordance with the "Statement on Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities Berhad.

### **Board Responsibility**

The Board assumes its responsibility for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's system of internal control. However, it should be noted that systems of internal control are only designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore these systems can only provide reasonable and not absolute assurance against material misstatements or losses. Due to ever changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The system of internal control is to enable the Group to achieve its corporate objectives within an acceptable risk profile and costs and cannot be expected to eliminate all risks.

### **Risk Management**

The process of identifying, evaluating and managing significant risks faced by the Group is practiced continuously. These processes are managed under the leadership of the directors. Meetings are held regularly to review changes in the business environment and its' impact on the operations. Business strategies are reviewed and refined at the same time to ensure that operations are in accordance with the corporate expectation. In addition, corporate matters and significant issues are briefed and reviewed at the Board level.

28 The Board is assisted by the Management in the implementation of the approved policies and procedures on risk and control. The Board is fully committed to the maintenance of such control environment within the Group and in discharging their responsibilities adopted the following key system of internal control.

### Key Element of the Group's System of Internal Control

The Group's key controls include:

- Organization structure that defines the management functions, responsibilities and authorities;
- Clear segregation of responsibilities and duties;
- Systematic procedures in Capability Maturity Model Integration (CMMi) to aid in process improvement and quality control;
- Strategic planning and annual budgeting process with reviews at all levels of the operation. Formal reviews and approval by the Board in relation to the strategic decision and annual budget is mandatory;
- Timely financial reporting process in providing relevant financial information for management review. Announcement of financial information is further subjected to Audit Committee's reviews prior to Board's approval. In addition, statutory auditors' opinion is sought for as and when required;
- Monthly variance analysis between actual performance and approved budget results. Comprehensive management accounts and reports are prepared, explanation of major variances is presented in the monthly management committee meeting;
- Board meetings are scheduled regularly. Board papers are distributed to the members 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 presented and deliberated which would ensure that the Board maintains full and effective control on the direction of the Group; and
- Review of employee handbook in order to provide clear policies and guidelines to all employees of the Group.

### Conclusion

The Board of Directors is of the view that there were no material losses incurred during the financial year as a result of weaknesses in internal control that would require disclosure in the annual report. The Group continues to take necessary measures to strengthen its internal controls structure and manage the risk.

# **OTHER COMPLIANCE INFORMATION**

The following information provided is in respect of the financial year ended 31 December 2006.

### **Utilisation of Proceeds**

As at 31 December 2006, the status of the utilization of the proceeds of RM7.24 million raised by the Company from its Initial Public Offering is as follows:

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance amount	
			RM'000	%
1. R&D expenditure	2,225	1,443	782	35
2. Working capital requirements *	3,515	1,180	2,622	75
3. Listing expenses *	1,500	1,213	-	-
	7,240	3,836	3,404	47

\* As stated in our Prospectus dated 2 June 2006, the remaining amount not utilised for the listing expenses of RM287,000 shall be utilised for our working capital requirements.

# 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 35 to 36 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 programme.

### **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**

The amount of non-audit fees paid or payable to the external auditors by the Group for the financial year ended 31 December 2006 was RM35,000 which was for non-audit related work.

### **Profit Estimates, Forecast or Projection**

There were no material variances in the net profit for the financial year as compared to the estimated net profit after tax of RM6.46 million which was disclosed in the Prospectus dated 2 June 2006.

#### **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 70 to 71 of the Annual Report.



# **FINANCIAL STATEMENTS**

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# **DIRECTORS' REPORT**

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 2006.

### **PRINCIPAL ACTIVITIES**

The Company is principally involved in investment holding and provision of and 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.

### SIGNIFICANT EVENTS

- (1) During the year, the authorised share capital of the Company was increased from RM5,000,000, comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 Redeemable Convertible Preference Shares ("RCPS") of RM1.00 each to RM25,000,000, comprising 250,000,000 ordinary shares of RM0.10 each by way of:
  - (i) Reclassification of the authorised share capital of the Company of RM5,000,000, comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 RCPS of RM1.00 each to 5,000,000 ordinary shares of RM1.00 each;
  - (ii) Creation of additional 20,000,000 ordinary shares of RM1.00 each; and
  - (iii) Share split exercise, involving the sub-division of 25,000,000 ordinary shares of RM1.00 each into 250,000,000 ordinary shares of RM0.10 each.
- (2) During the year, in conjunction with, and as an integral part of its listing on the MESDAQ Market of Bursa Malaysia Securities Berhad, the Company has undertaken the following exercises:
  - (i) Conversion of 440,000 RCPS of RM1.00 each to 440,000 ordinary shares of RM1.00 each on 13 April 2006;
  - Restricted issue of 114,800 new ordinary shares of RM1.00 each, pursuant to the exercise of share options, to certain directors, key employees and promoters of the Group and an investor, Oxfordtrax Sdn. Bhd. at issued prices ranging from RM1.00 to RM25.00 per share, raising gross proceeds of approximately RM1.36 million on 27 April 2006 ("Restricted Issue");
  - (iii) Share split exercise, involving the sub-division of every existing ordinary share of RM1.00 each into 10 ordinary shares of RM0.10 each on 27 April 2006, resulting in the then existing 1,214,800 ordinary shares of RM1.00 each being sub-divided into 12,148,000 ordinary shares of RM0.10 each;
  - (iv) Bonus issue of 103,258,000 new ordinary shares of RM0.10 each on the basis of 8.5 new ordinary shares of RM0.10 each for every existing ordinary share of RM0.10 each held on 27 April 2006 via the capitalisation of share premium and unappropriated profit after the Restricted Issue amounting to RM9,145,376 and RM1,180,424 respectively; and
  - (v) Public issue of 12,000,000 ordinary shares of RM0.10 each at an issued price of RM0.49 per ordinary share, payable in full on application on 2 June 2006 pursuant to the Company's Initial Public Offering.

The entire enlarged issued and paid-up share capital of the Company of 127,406,000 ordinary shares of RM0.10 each were listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 23 June 2006.

The Company also established the Employee Share Option Scheme ("ESOS") which entails the granting of options to the eligible directors and employees of the Group to subscribe for new shares of up to a maximum of 10% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS, subject to the terms and conditions of the ESOS By-Laws.

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# **DIRECTORS' REPORT (CONT'D)**

#### SIGNIFICANT EVENTS (CONT'D)

(3) On 28 November 2006, a wholly-owned subsidiary of the Company, Microlink Worldwide Sdn. Bhd., entered into a Memorandum of Understanding with Technology World Company ("TWC") to facilitate the negotiation and discussion on the proposed establishment of a joint venture company to provide sales and support services for Microlink Banking Solutions in the Middle East and North Africa Region.

TWC, a company incorporated in Kuwait, is a wholly-owned subsidiary of AREF Investment Group S.A.K, a company incorporated in Kuwait and listed on the Kuwait Stock Exchange. TWC specialises in the field of technology and business solutions. TWC is also a substantial shareholder of the Company.

### **RESULTS OF OPERATIONS**

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

	The Group RM	The Company RM
Profit before tax Income tax expense	6,632,200 (189,171)	9,742,796 (3,620)
Net profit for the year	6,443,029	9,739,176

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

An interim dividend of 1 sen per share, tax-exempt, amounting to RM1,274,060 was paid on 3 October 2006 in respect of the current financial year.

The directors proposed a final dividend of 1 sen per share, tax-exempt, amounting to RM1,274,060 in respect of the current financial year. The 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.

# **DIRECTORS' REPORT (CONT'D)**

### **ISSUE OF SHARES AND DEBENTURES**

During the year, the authorised share capital of the Company was increased from RM5,000,000, comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 RCPS of RM1.00 each to RM25,000,000, comprising 250,000,000 ordinary shares of RM0.10 each by way of:

- (i) Reclassification of the authorised share capital of the Company of RM5,000,000, comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 RCPS of RM1.00 each to 5,000,000 ordinary shares of RM1.00 each;
- (ii) Creation of additional 20,000,000 ordinary shares of RM1.00 each; and
- (iii) Share split exercise, involving the sub-division of 25,000,000 ordinary shares of RM1.00 each into 250,000,000 ordinary shares of RM0.10 each.

Also, during the year, the issued and paid-up ordinary share capital of the Company was increased from RM660,000, comprising 660,000 ordinary shares of RM1.00 each to RM12,740,600, comprising 127,406,000 ordinary shares of RM0.10 each by way of:

- (i) Conversion of 440,000 RCPS of RM1.00 each to 440,000 ordinary shares of RM1.00 each on 13 April 2006;
- Restricted issue of 114,800 new ordinary shares of RM1.00 each, pursuant to the exercise of share options, to certain directors, key employees and promoters of the Group and an investor, Oxfordtrax Sdn. Bhd. at issued prices ranging from RM1.00 to RM25.00 per share, raising gross proceeds of approximately RM1.36 million on 27 April 2006 ("Restricted Issue");
- 4 (iii) Share split exercise, involving the sub-division of every existing ordinary share of RM1.00 each into 10 ordinary shares of RM0.10 each on 27 April 2006, resulting in the then existing 1,214,800 ordinary shares of RM1.00 each being subdivided into 12,148,000 ordinary shares of RM0.10 each;
  - (iv) Bonus issue of 103,258,000 new ordinary shares of RM0.10 each on the basis of 8.5 new ordinary shares of RM0.10 each for every existing ordinary share of RM0.10 each held on 27 April 2006 via the capitalisation of share premium and unappropriated profit after the Restricted Issue amounting to approximately RM9,145,376 and RM1,180,424 respectively; and
  - (v) Public issue of 12,000,000 ordinary shares of RM0.10 each at an issued price of RM0.49 per ordinary share, payable in full on application on 2 June 2006 pursuant to the Company's Initial Public Offering.

The resulting share premium from the above issue of shares has been credited to share pemium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company did not issue any debentures during the financial year.

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# DIRECTORS' REPORT (CONT'D)

### **SHARE OPTIONS**

The share options granted in 2005 are as follows:

Exercisable from		Number of options over ordinary shares of RM1 each				
	Exercise price per ordinary share RM	Balance as at 1.1.2006	Granted	Exercised	Lapsed	Balance as at 31.12.2006
25.3.2005	1.00 - 6.00	34,994	_	(34,994)	_	_
11.4.2005	1.00 - 4.89	29,806	-	(29,806)	-	-
8.4.2005	25.00	50,000	-	(50,000)	-	-
		114,800	_	(114,800)	_	-

All the share options granted in 2005 were exercisable prior to the issuance of the prospectus in respect of the Company's listing exercise. Any share options unexercised thereafter had lapsed.

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;
- 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 from 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 in all respects 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.

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

Exercisable from	Exercise price Balance per ordinary as at share 1.1.2006 RM		Number of options over ordinary shares of RM0.10 each			
		Granted	Exercised	Lapsed	Balance as at 31.12.2006	
27.4.2007	0.49	-	5,818,900	-	-	5,818,900

#### **SHARE OPTIONS (CONT'D)**

Save as disclosed hereunder, the Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the name of employees who were granted options amounting to less than 108,000 options under the ESOS:

Directors	Number of options granted (more than 108,000 options granted)
Datuk Ali Bin Abdul Kadir	1,000,000
Datuk Zainun Aishah Binti Ahmad	1,000,000
Phong Hon Voon	108,100
David Hii Chin Yun	108,100
Wong Kim Ming	108,100
Employees	
Lee King You	108,100
Azidah Binti M.O.B. Hassan	108,100

#### **OTHER FINANCIAL INFORMATION**

Before the income statements and balance sheets 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 there are no known bad debts to be written off and that no allowance for doubtful debts is required; 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 the setting up of allowance for doubtful debts in the financial statements of the Group and of the Company; 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.



#### **OTHER FINANCIAL INFORMATION (CONT'D)**

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 Wong Kim Ming David Hii Chin Yun Khaled H Mohareb Al-Hayen (appointed on 19.3.2007)

In accordance with Article 70 of the Company's Articles of Association, Messrs. Wong Kim Ming and David Hii Chin Yun retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 75 of the Company's Articles of Association, Encik Khaled H Mohareb Al-Hayen, who was appointed to the Board after the last Annual General Meeting, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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#### **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:

		Num	ber of ordinai	ry shares of RM	1.00 each	
	Balance as of 1.1.2006	Bought	Sold	Options exercised	Conversion	Balance as of 27.4.2006*
Shares in the Company						
Direct Interest						
Phong Hon Voon	129,600	_	_	15,047	_	144,647
Wong Kim Ming	120,000	-	-	13,932	-	133,932
David Hii Chin Yun	110,400	-	-	12,817	-	123,217
Yong Kar Seng, Peter	-	-	-	-	50,000	50,000
Indirect Interest						
Phong Hon Voon	192,771	_	_	5,003	_	197,774
Wong Kim Ming	192,771	-	-	5,003	-	197,774
David Hii Chin Yun	192,771	-	-	5,003	-	197,774
Yong Kar Seng, Peter	-	-	-	-	65,886	65,886

\* On 27 April 2006, the nominal value of each ordinary share of RM1.00 of the Company was sub-divided into ten ordinary shares of RM0.10 each.

	Number of Redeemable Convertible Preference Shares of RM1.00 each					
	Balance as of 1.1.2006	Bought/ Bonus issue	Sold	Conversion	Balance as of 13.4.2006**	
Shares in the Company						
Direct Interest						
Yong Kar Seng, Peter	50,000	-	-	(50,000)	_	
Indirect Interest						
Yong Kar Seng, Peter	65,886	-	-	(65,886)	-	

\*\* On 13 April 2006, the RCPS of RM1.00 each of the Company was converted into ordinary shares of RM1.00 each.



### DIRECTORS' INTERESTS (CONT'D)

		Numb	per of ordinary s	hares of RM0.1	0 each
		Balance	Bought/		Balance
		as of	Bonus		as of
		27.4.2006	issue	Sold	31.12.2006
Shares in the Company					
Direct Interest					
Datuk Ali Bin Abdul Kadir		-	50,000	-	50,000
Datuk Zainun Aishah Binti Ahmad		-	50,000	-	50,000
Chok Kwee Bee		-	50,000	-	50,000
Phong Hon Voon		1,446,470	12,398,333	-	13,844,803
Wong Kim Ming		1,339,320	11,488,473	-	12,827,793
David Hii Chin Yun		1,232,170	10,579,308	-	11,811,478
Yong Kar Seng, Peter		500,000	10,559,170	(3,350,000)	7,709,170
Indirect Interest					
Datuk Ali Bin Abdul Kadir		-	4,750,000	(1,800,000)	2,950,000
Phong Hon Voon		1,977,740	16,810,790	(2,961,149)	15,827,381
Wong Kim Ming		1,977,740	16,810,790	(2,961,149)	15,827,381
David Hii Chin Yun		1,977,740	16,810,790	(2,961,149)	15,827,381
Yong Kar Seng, Peter		658,860	5,600,310	(6,259,170)	-
	Nu	mber of options	over ordinary sh	nares of RM1.00	each
	Balance				Balance
	as of				as of
	1.1.2006	Granted	Exercised	Lapsed	23.6.2006
Options in the Company					
Direct Interest					
Phong Hon Voon	15,047	-	(15,047)	_	-
Wong Kim Ming	13,932	-	(13,932)	-	-
David Hii Chin Yun	12,817	-	(12,817)	-	-
Indirect Interest					
Phong Hon Voon	5,003	_	(5,003)	_	_
Wong Kim Ming	5,003	-	(5,003)	-	-
David Hii Chin Yun	5,003		(5,003)		

# The above share options granted which were not exercised had lapsed prior to the issuance of the prospectus in connection with the Company's listing exercise.

#### **DIRECTORS' INTERESTS (CONT'D)**

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

Numb	oer of options o of RM0.	· · · · · · · · · · · · · · · · · · ·	ares
Balance			Balance
as of			as of
1.1.2006	Granted	Exercised	31.12.2006

#### **Options in the Company**

### **Direct Interest**

Datuk Ali Bin Abdul Kadir	-	1,000,000	-	1,000,000
Datuk Zainun Aishah Binti Ahmad	-	1,000,000	-	1,000,000
Chok Kwee Bee	-	99,000	-	99,000
Phong Hon Voon	-	108,100	-	108,100
Wong Kim Ming	-	108,100	-	108,100
David Hii Chin Yun	-	108,100	-	108,100
Yong Kar Seng, Peter	-	99,000	-	99,000

#### **DIRECTORS' BENEFITS**

40 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 other than any interest that may be deemed to have arisen by virtue of the transactions as disclosed in Note 25 to the financial statements.

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 as disclosed above and in Note 25 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,

**PHONG HON VOON** 

#### WONG KIM MING

Kuala Lumpur, 21 March 2007 **ANNUAL REPORT 2006** 



## **REPORT OF THE AUDITORS** TO THE MEMBERS OF MICROLINK SOLUTIONS BERHAD

We have audited the accompanying balance sheets as at 31 December 2006 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

Our auditors' reports on the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Companies Act, 1965.

**DELOITTE & TOUCHE** AF 0834 Chartered Accountants

**LAI CAN YIEW** 2179/09/07 (J) Partner

21 March 2007

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## **INCOME STATEMENTS** FOR THE YEAR ENDED 31 DECEMBER 2006

	The Group			The Company		
	Note(s)	2006 RM	2005 RM	2006 RM	2005 RM	
Revenue	5&6	21,979,817	19,820,456	12,608,790	6,061,058	
Cost of sales		(10,484,298)	(10,396,654)	(1,345,302)	(427,740)	
Gross profit		11,495,519	9,423,802	11,263,488	5,633,318	
Distribution costs		(703,961)	(559,546)	_	_	
Administrative expenses		(3,578,150)	(2,680,091)	(1,331,905)	(813,641)	
Other operating expenses		(835,139)	(841,499)	(250,951)	(92,266)	
Other operating income		253,931	100,280	62,164	9,596	
Profit before tax	7	6,632,200	5,442,946	9,742,796	4,737,007	
Income tax expense	8	(189,171)	(430,912)	(3,620)	(2,000)	
Net profit for the year		6,443,029	5,012,034	9,739,176	4,735,007	
Earnings per share attributable to ordinary equity holders of the Company						
Basic (sen)	9	5.31	4.39			
Diluted (sen)	9	5.28	4.39			



## **BALANCE SHEETS** AS AT 31 DECEMBER 2006

	The Group			The Company		
	Note	2006 RM	2005 RM	2006 RM	2005 RN	
ASSETS						
Non-current Assets						
Property, plant and equipment	10	778,361	688,992	230,181	272,157	
Software development expenditure	11	5,457,992	3,334,080	8,276,210	1,979,441	
Investment in subsidiaries	12	_		9,116,894	9,116,894	
Goodwill on consolidation	13	2,817,852	2,817,852	-	-	
Total non-current assets		9,054,205	6,840,924	17,623,285	11,368,492	
Current Assets						
Trade receivables	14	7,243,021	3,603,040	-	-	
Other receivables,						
deposits and prepaid expenses	14	706,385	1,053,739	160,787	456,829	
Amount owing by subsidiaries	12	-	-	11,135,485	4,400,939	
Amount due from contract customers	15	3,437,771	1,541,116	-		
Short-term investments	16	7,780,833	-	2,251,335		
Fixed deposits with						
licensed financial institutions	17	2,566,130	4,534,394	-	-	
Cash and bank balances		2,107,805	2,986,755	416,875	604,983	
Total current assets		23,841,945	13,719,044	13,964,482	5,462,751	
Total Assets		32,896,150	20,559,968	31,587,767	16,831,243	
EQUITY AND LIABILITIES Capital and Reserves Issued capital Reserves	18 19	12,740,600 15,799,133	1,100,000 16,188,756	12,740,600 17,831,866	1,100,000 14,925,342	
		28,539,733	17,288,756	30,572,466	16,025,342	
Total equity		28,539,733	17,288,756	30,572,466	16,025,342	
Total equity Non-current Liability	20	28,539,733 374,000	17,288,756	30,572,466	16,025,342	
Total equity <b>Non-current Liability</b> Deferred tax liabilities	20			-	16,025,342	
Total equity Non-current Liability Deferred tax liabilities Current Liabilities	20			-	16,025,342	
Total equity Non-current Liability Deferred tax liabilities Current Liabilities Trade payables		374,000	519,000	30,572,466 - 275,552		
Total equity Non-current Liability Deferred tax liabilities Current Liabilities Trade payables Other payables and accrued expenses	21	374,000 870,578 1,034,309	519,000 477,958 615,036	-	174,782	
Total equity Non-current Liability Deferred tax liabilities Current Liabilities Trade payables Other payables and accrued expenses Deferred maintenance income	21	374,000 870,578	519,000 477,958	- 275,552	174,78; 630,844	
Total equity Non-current Liability Deferred tax liabilities Current Liabilities Trade payables Other payables and accrued expenses Deferred maintenance income Tax liabilities	21	374,000 870,578 1,034,309 2,041,230	519,000 477,958 615,036 1,658,443	- 275,552	174,782 630,844 275	
	21	374,000 870,578 1,034,309 2,041,230 36,300	519,000 477,958 615,036 1,658,443 775	_ 275,552 739,749 _	16,025,342 	

## **STATEMENTS OF CHANGES IN EQUITY** FOR THE YEAR ENDED 31 DECEMBER 2006

		Issued capital Redeemabl		Distributable	Non-distri	listributable reserve		
The Group	Note	Ordinary shares RM	convertible preference shares ("RCPS") RM	reserve - Unappropriated profit RM	Share premium RM	Equity compensation reserve RM	Total RM	
Balance as at								
1 January 2005		660,000	440,000	3,276,722	7,900,000	-	12,276,722	
Total recognised income								
and expense - profit for								
the financial year		-	-	5,012,034	-	-	5,012,034	
Balance as at								
31 December 2005/								
1 January 2006		660,000	440,000	8,288,756	7,900,000	-	17,288,756	
Conversion of RCPS		440,000	(440,000)	_	_	_	_	
Restricted issue of shares		114,800	-	_	1,245,377	-	1,360,177	
Bonus issue		10,325,800	-	(1,180,424)	(9,145,376)	-	-	
Public issue		1,200,000	_		4,680,000	_	5,880,000	
Share issue expenses		-	_	_	(1,213,273)	_	(1,213,273)	
Dividend	22	_	_	(1,274,060)	(1,213,273)	_	(1,274,060)	
ESOS expenses	22	_	_	(1,271,000)	_	55,104	55,104	
Total recognised income and						55,104	55,104	
expense - profit for								
the financial year		_	_	6,443,029	_	_	6,443,029	
				0,443,029			0,443,023	
Balance as at		12 740 600		12 277 201	2 466 720	55.104	20 520 722	
31 December 2006		12,740,600		12,277,301	3,466,728	55,104	28,539,733	
The Company								
Balance as at								
1 January 2005		660,000	440,000	2,290,335	7,900,000	-	11,290,335	
Total recognised income and								
expense - profit for								
the financial year		-	-	4,735,007	-	-	4,735,007	
Balance as at 31 December								
2005/1 January 2006		660,000	440,000	7,025,342	7,900,000	-	16,025,342	
Conversion of RCPS		440,000	(440,000)	-	-	-	-	
Restricted issue of shares		114,800	-	-	1,245,377	-	1,360,177	
Bonus issue		10,325,800	-	(1,180,424)	(9,145,376)	-	-	
Public issue		1,200,000	-	-	4,680,000	-	5,880,000	
Share issue expenses			-	-	(1,213,273)	-	(1,213,273)	
Dividend	22	_	-	(1,274,060)	-	-	(1,274,060)	
ESOS expenses		_	-	-	_	55,104	55,104	
Total recognised income and						,		
expense - profit for								
the financial year		-	-	9,739,176	-	-	9,739,176	
Balance as at								
		12,740,600						

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

## **CASH FLOW STATEMENTS** FOR THE YEAR ENDED 31 DECEMBER 2006

		Th	e Group	The C	Company
		2006	2005	2006	2005
	Note	RM	RM	RM	RM
CASH FLOWS FROM/(USED IN)					
OPERATING ACTIVITIES					
Receipts from customers		16,663,746	21,465,276	6,718,469	3,635,011
Payments to suppliers and employees		(13,593,521)	(16,280,049)	(3,050,362)	(1,600,902
Payments of income tax expense		(200,656)	(352,761)	(4,193)	(1,725
Net Cash From Operating Activities		2,869,569	4,832,466	3,663,914	2,032,384
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Placement of short-term investments		(7,780,833)	_	(2,251,335)	-
Purchase of property,					
plant and equipment		(313,132)	(426,529)	(16,296)	(142,420
Proceeds from disposal of					
property, plant and equipment		100	7,748	-	3,864
Software development					
expenditure incurred		(2,680,185)	(1,596,335)	(6,451,167)	(1,596,335
Interest received		252,775	94,494	62,284	9,596
Net Cash Used In Investing Activities		(10,521,275)	(1,920,622)	(8,656,514)	(1,725,295
CASH FLOWS FROM/(USED IN)					
FINANCING ACTIVITIES					
Proceeds from issue of shares		7,240,177	-	7,240,177	-
Share issue expenses		(1,161,625)	-	(1,161,625)	-
Dividend paid		(1,274,060)	-	(1,274,060)	_
Net Cash From Financing Activities		4,804,492	-	4,804,492	-
NET (DECREASE)/INCREASE IN					
CASH AND CASH EQUIVALENTS	19	(2,847,214)	2,911,844	(188,108)	307,089
CASH AND CASH EQUIVALENTS					
AT BEGINNING OF YEAR		7,521,149	4,609,305	604,983	297,894
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	4,673,935	7,521,149	416,875	604,983

# NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

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The Company is a public limited liability company, incorporated and domiciled in Malaysia. The Company is also a Multimedia Super Corridor ("MSC") status company.

The Company is principally involved in investment holding, provision of and 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 10th Floor, Wisma Havela Thakardas, No. 1, Jalan Tiong Nam, Off Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

The Company's principal place of business is located at 8F, Bangunan Angkasa Raya, 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 21 March 2007.

#### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

#### **Adoption of New and Revised Financial Reporting Standards**

In the current financial year, the Group and the Company adopted all of the new and revised Financial Reporting Standards ("FRSs") and Interpretations issued by MASB that are relevant to their operations and effective for annual periods beginning on or after 1 January 2006 as follows:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the new and revised FRSs and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current year:

- (i) Share-based Payment (FRS 2)
- (ii) Goodwill on consolidation (FRS 3)

The impact of these changes in accounting policies is discussed in detail later in this note.



#### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

At the date of authorisation of issue of the financial statements of the Group and of the Company, the following new and revised FRSs were issued but not yet effective:

#### Applicable to operations of the Group and the Company

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments: Recognition and Measurement

FRS 117 is effective for accounting periods beginning on or after 1 October 2006. The directors anticipate that the adoption of FRS 117 will not have a material effect on the financial statements of the Group and the Company. The Group and the Company will apply this standard from financial period beginning 1 January 2007.

FRS 124 is effective for accounting periods beginning on or after 1 October 2006 and will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial period beginning 1 January 2007.

The effective date of FRS 139 is yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company will apply this standard when it becomes effective.

#### Not applicable to operations of the Group and the Company

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 119	Amendments to FRS 1192004
	- Actuarial Gains and Losses, Group Plans and Disclosures

FRS 6 and FRS 119 are effective for accounting periods beginning on or after 1 January 2007.

#### **FRS 2 Share-based Payment**

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan for the eligible directors and employees of the Group, the Employees Share Option Scheme ("ESOS"). With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The financial impact to the Group and the Company arising from this change in accounting policy is as follows:

	As at 31 December 2006 RM
Decrease in profit for the year	(55,104)
Increase in equity compensation reserve (included within reserves)	55,104



#### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

#### **FRS 3 Business Combinations**

The adoption of this FRS has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM270,205 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM2,817,852 ceased to be amortised.

#### 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.

#### **Basis of Consolidation**

The consolidated financial statements include the audited financial statements of the Company and of its subsidiaries made up to the end of the financial year.

Subsidiaries are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition.

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

All intercompany transactions and balances are eliminated on consolidation.

Goodwill on consolidation represents the excess of the Company's cost of investment over the fair values of the identifiable net assets of the subsidiaries at the effective date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised and is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

#### 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 goods 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 works are carried out and revenue in respect of subsequent period is deferred until it is earned.



#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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 terms of the contract. Allowances for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

#### **Employee Benefits**

#### (a) 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 the Company. Sick leaves are recognised when the absences occur.

#### (b) Post-employment benefits

#### **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 income statements. Once the contributions have been paid, the Group and the Company have no further payment obligations.

#### (c) 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 income statements over the vesting periods of the grant with a corresponding increase in equity.

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 balance sheet 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 income statements 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)

#### **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the "liability" method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### **Foreign Currency Conversion**

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, at approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

The principal closing rate used in translation of foreign currency amounts is as follows:

Foreign Currency	31.12.2006 RM	31.12.2005 RM
1 US Dollar	3.532	3.780

#### **Impairment of Assets**

The carrying amounts of property, plant and equipment, software development expenditure, goodwill on consolidation and investment in subsidiaries are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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 carryng amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statements.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statements. Impairment losses on goodwill are not reversed.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **Property, Plant and Equipment and Depreciation**

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 income statements.

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%
Motor vehicles	20%
Renovations	10%

#### Software Development Expenditure

Software development expenditure is charged to the income statements 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-tem 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.

#### **Receivables**

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

#### **Short-term Investments**

Short-term investments are stated at the lower of cost and net realisable value.

#### **Deferred Maintenance Income**

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

#### **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.



#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **Cash Flow Statements**

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

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

#### (i) 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.

#### (ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **52** 5. REVENUE

	The Group		The C	Company
	2006	2005	2006	2005
	RM	RM	RM	RM
Projects	14,545,627	14,368,085	_	_
Maintenance income:				
Third parties	5,855,719	3,844,309	-	-
Subsidiaries	_	-	1,852,070	914,790
Small scale projects and				
integration charges:				
Third parties	1,578,471	1,608,062	-	-
Subsidiaries	-	-	7,769,285	2,203,026
Software licensing fee				
charged to subsidiaries	-	-	2,987,435	2,943,242
	21,979,817	19,820,456	12,608,790	6,061,058



### 6. OPERATING COSTS APPLICABLE TO REVENUE

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

	Th	e Group	The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cost of software and hardware	4,197,726	5,805,949	_	_
Contract costs recognised	3,316,577	2,524,499	-	-
Information technology				
solutions services received	1,477,868	1,217,622	-	-
Directors' remuneration:				
Emoluments	832,489	229,320	832,489	229,320
Contributions to EPF	75,312	25,116	75,312	25,116
Staff costs	3,341,240	1,860,662	1,252,278	317,126
Depreciation of property,				
plant and equipment	223,763	237,260	58,272	45,950
Amortisation of:				
Software development expenditure	556,273	447,549	154,398	45,674
Goodwill on consolidation	-	154,403	-	-
Other operating expenses	1,580,300	1,975,410	555,409	670,461
	15,601,548	14,477,790	2,928,158	1,333,647

Staff costs include salaries, 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 RM514,707 (RM327,391 in 2005) and RM218,127 (RM84,630 in 2005) respectively.

## 7. **PROFIT BEFORE TAX**

This is arrived at:

	The	Group	The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
After charging:				
Rental of:				
Office	222,293	219,307	-	3,327
Motor vehicle	-	723	-	-
Realised loss on foreign exchange	31,435	37,539	-	-
Auditors' remuneration:				
Current year	30,960	28,000	11,890	10,000
Under provision in prior years	-	2,000	-	-
Loss on disposal of				
property, plant and equipment	-	2,289	-	644
And crediting:				
Interest income	247,998	94,494	62,164	9,596
Gain on disposal of property,				
plant and equipment	100	-	-	-

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#### 8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The	Group	The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Estimated tax payable:				
Current year	359,202	351,800	3,701	2,000
(Over)/Underprovision in prior years	(25,031)	79,112	(81)	-
	334,171	430,912	3,620	2,000
Deferred tax (Note 20):				
Current year	(79,500)	_	_	-
Overprovision in prior years	(65,500)	-	-	-
	(145,000)	-	-	-
	189,171	430,912	3,620	2,000

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 2005 to 31 August 2009. 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 shareholder. As at 31 December 2006, the Company has tax-exempt income of RM15,488,902 (RM7,094,043 in 2005) 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:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Profit before tax	6,632,200	5,442,946	9,742,796	4,737,007
Tax at applicable tax rates of:				
20% on first RM500,000 of profit	100,000	100,000	-	100,000
28% thereafter	1,717,016	1,384,025	2,727,983	1,186,362
Tax effects of non-deductible expenses	133,108	296,055	90,015	143,918
Pioneer status tax-exempt income	(1,651,422)	(1,295,280)	(2,707,297)	(1,295,280)
Deferred tax liabilities not recognised	(107,000)	(133,000)	(107,000)	(133,000)
Deferred tax assets not recognised	88,000	-	-	-
(Over)/Underprovision in prior years:				
Estimated tax payable	(25,031)	79,112	(81)	-
Deferred tax	(65,500)	-	-	-
	189,171	430,912	3,620	2,000



#### 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.

	Th	e Group
	2006 RM	2005 RM
Profit attributable to ordinary equity holders of the Company	6,443,029	5,012,034
Weighted average number of ordinary shares of RM0.10 each in issue	121,353,485	114,258,000
Basic earnings per share (sen)	5.31	4.39

#### (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.

	The Group		
	2006 RM	2005 RM	
Profit attributable to ordinary equity holders of the Company	6,443,029	5,012,034	
Weighted average number of ordinary shares of RM0.10 each in issue Adjustments for share options	121,353,485 727,761	114,258,000 _	
	122,081,246	114,258,000	
Diluted earnings per share (sen)	5.28	4.39	

Comparative figures of the weighted average number of ordinary shares of RM0.10 each have been adjusted to reflect the bonus issue and share split exercise during the financial year.



### **10. PROPERTY, PLANT AND EQUIPMENT**

Furniture and fittings RM	Office equipment RM	Computer software and hardware RM	Motor vehicles RM	Renovations RM	Total RM
200.244	264.050	2 100 050	125.010	70.000	2 054 540
			125,019		2,851,548
17,958	20,884		-	47,449	426,529
-		(14,365)			(14,365)
226,299	285,734	2,506,823	125,019	119,837	3,263,712
546	50	278,016		34,520	313,132
-	-	(29,949)	(125,019)	-	(154,968
226,845	285,784	2,754,890	-	154,357	3,421,876
					2,341,788
22,008	9,570		2,083	10,690	237,260
-	-	(4,328)	-	-	(4,328
144,416	260,274	2,031,978	123,139	14,913	2,574,720
24,662	9,340	175,321	1,880	12,560	223,763
-	-	(29,949)	(125,019)	-	(154,968
169,078	269,614	2,177,350	-	27,473	2,643,515
57,767	16,170	577,540	-	126,884	778,361
81,883	25,460	474,845	1,880	104,924	688,992
	and fittings RM 208,341 17,958 - 226,299 546 - 226,845 226,845 122,408 22,008 - 122,408 22,008 - 144,416 24,662 - 169,078	and fittings RM         Office equipment RM           208,341 17,958         264,850 20,884           17,958         20,884           -         -           226,299         285,734 506           226,845         285,784           226,845         285,784           122,408         250,704 9,570           1122,408         250,704 9,570           1144,416         260,274 9,340           24,662         9,340           -         -           169,078         269,614	and fittings RMOffice equipment RMsoftware and hardware RM208,341 17,958264,850 20,8842,180,950 340,238 (14,365)226,299 546285,734 50 -2,506,823 278,016 (29,949)226,845285,7842,754,890122,408 2,008 -250,704 9,5701,843,397 192,909 (4,328)144,416 24,662 -260,274 9,3402,031,978 175,321 (29,949)169,078269,6142,177,35057,76716,170577,540	and fittings RM         Office equipment RM         software and hardware RM         Motor vehicles RM           208,341         264,850         2,180,950         125,019           17,958         20,884         340,238         -           -         -         (14,365)         -           226,299         285,734         2,506,823         125,019           546         50         278,016         -           -         -         (29,949)         (125,019)           226,845         285,784         2,754,890         -           122,408         250,704         1,843,397         121,056           22,008         9,570         192,909         2,083           -         -         (4,328)         -           144,416         260,274         2,031,978         123,139           24,662         9,340         175,321         1,880           -         -         (29,949)         (125,019)           169,078         269,614         2,177,350         -           57,767         16,170         577,540         -	and fittingsOffice equipmentsoftware hardwareMotor vehiclesRenovations RM208,341 17,958264,850 20,8842,180,950 340,238125,019 -72,388 47,449 -226,299 -285,734 -2,506,823 278,016 -125,019 -119,837 34,520 -226,299 -285,734 -2,506,823 278,016 (29,949)125,019 -119,837 34,520 -226,845285,7842,754,890-154,357122,408 22,008 -250,704 9,570 -1,843,397 192,909 (4,328)121,056 -4,223 10,690 -122,408 22,008 -250,704 9,570 -1,843,397 192,909 (4,328)121,056 -4,223 10,690 -144,416 24,662 -260,274 9,340 -2,031,978 175,321 1,880 (125,019)123,139 1,880 12,560 -14,913 12,560169,078269,6142,177,350-27,47357,76716,170577,540-126,884



### **10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

fittings     equipm       The Company     RM       Cost     Balance as of	RM         RM         RM         F           7,400         41,995         72,388         196,3           5,960         86,589         44,263         142,4
	5,960 86,589 44,263 142,4
Balance as of	5,960 86,589 44,263 142,4
	5,960 86,589 44,263 142,4
1 January 2005 74,570 7,	
Additions 4,608 6,	(1.000)
Disposals –	- (4,830) - (4,8
Balance as of	
1 January 2006 79,178 14,	4,360 123,754 116,651 333,9
Additions 16,296	16,2
Balance as of	
31 December 2006 95,474 14,	4,360 123,754 116,651 350,2
Accumulated Depreciation	
Balance as of	
	863 2,372 4,223 16,1
	2,408 17,387 10,558 45,9
Disposals –	- (322) - (3
Balance as of	
1 January 2006 24,297 3,	3,271 19,437 14,781 61,7
	2,872 27,899 11,665 58,2
Balance as of	
31 December 2006 40,133 6,	5,143 47,336 26,446 120,0
Net Book Value	
Balance as of	
31 December 2006 55,341 8,	3,217 76,418 90,205 230,1
Balance as of	
31 December 2005 54,881 11,	1,089 104,317 101,870 272,1

Included in the cost of property, plant and equipment of the Group is an amount of approximately RM2,224,000 (RM2,084,000 in 2005), representing fully depreciated property, plant and equipment which are still in use by the Group.



### 11. SOFTWARE DEVELOPMENT EXPENDITURE

	The Group		The C	Company
	2006	2005	2006	2005
	RM	RM	RM	RM
At cost:				
At beginning of year	7,867,999	6,271,664	5,851,540	4,255,205
Incurred during the year	2,680,185	1,596,335	6,451,167	1,596,335
At end of year	10,548,184	7,867,999	12,302,707	5,851,540
Cumulative amortisation:				
At beginning of year	(4,533,919)	(4,086,370)	(3,872,099)	(3,826,425)
Current year amortisation	(556,273)	(447,549)	(154,398)	(45,674)
At end of year	(5,090,192)	(4,533,919)	(4,026,497)	(3,872,099)
Net book value	5,457,992	3,334,080	8,276,210	1,979,441

Current charges to software development expenditure include the following:

	The Group		The Company		
	2006	2006	2005	2006	2005
	RM	RM	RM	RM	
Staff costs:					
Salaries, bonuses and all other staff					
related expenses	2,056,642	1,075,287	1,640,762	1,075,287	
Contributions to EPF	156,175	118,399	142,243	118,399	
Directors' remuneration:					
Emoluments	-	320,013	-	320,013	
Contributions to EPF	-	38,520	-	38,520	
Rental of office	43,240	23,247	43,240	23,247	
Provision of information technology					
solutions by subsidiaries (Note 25)	-	-	3,770,982	-	



#### 12. INVESTMENT IN SUBSIDIARIES

	The	Company		
	2006 RM			
Unquoted shares - at cost	9,116,894	9,116,894		

The details of the subsidiaries are as follows:

	Country of	tive Interest		
Name of Company	Incorporation	<b>2006</b> %	<b>2005</b> %	Principal Activity
Direct Subsidiaries				
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. Bh	nd. Malaysia	100	100	Provision of information technology solutions to the financial services industry and dealing in related products.

Amount owing by subsidiaries, which arose mainly from trade transactions and payments on behalf, is unsecured, interest-free and has no fixed repayment terms.

### 13. GOODWILL ON CONSOLIDATION

	The	Group
	2006 RM	2005 RM
At beginning of year Amortisation for the year	2,817,852	2,972,255 (154,403)
At end of year	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:

	The	Group
	2006 RM	2005 RM
Information technology solutions operations	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.



#### 13. GOODWILL ON CONSOLIDATION (CONT'D)

#### 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 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 estimated growth rate of 13.6%. 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 exceed their recoverable amounts.

#### 14. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group and of the Company 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 2005).

#### Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Other receivables	143,738	429,646	132,914	425,607
Refundable deposits	101,720	89,490	22,326	22,326
Prepaid expenses	460,548	436,315	5,168	8,896
Tax recoverable	379	98,288	379	-
	706,385	1,053,739	160,787	456,829

#### 15. AMOUNT DUE FROM CONTRACT CUSTOMERS

	The Group	
	2006 RM	2005 RM
Contract costs incurred plus recognised profits	7,373,220	3,095,145
Progress billings received and receivable	(3,935,449)	(1,554,029)
Due from contract customers	3,437,771	1,541,116
Retention sum held by contract customers		
(included under trade receivables)	84,675	168,755



#### 16. SHORT-TERM INVESTMENTS

Short-term investments is as follows:

	The G	The Group		npany
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Quoted in Malaysia</b> At cost	7,780,833	_	2,251,335	_
Market value	7,780,833	_	2,251,335	-

Short-term investments represent deposit placement with investment fund management companies mainly for investment in fixed income, money market and debt market instruments.

### 17. FIXED DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

Fixed deposits of the Group earn interest at rates ranging from 2.7% to 2.95% (3.00% in 2005) per annum.

Fixed deposits of the Group have an average maturity of 1 month (1 month in 2005).

Included in fixed deposits of the Group is an amount of RM2,563,449 (RM2,507,886 in 2005) pledged to a licensed bank as security for banking facilities granted.

As at 31 December 2006, the Group has unutilised credit facilities totalling RM2,500,000 (RM2,500,000 in 2005) 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 rates ranging from 2.7% to 7.73% (2.5% to 8.5% in 2005) per annum.

### 18. SHARE CAPITAL

	The Group and The Company 2006 200 RM R	
Authorised:		
Ordinary shares of RM1.00/RM0.10 each		
At beginning of year:		
4,000,000 ordinary shares of RM1.00 each in 2006 and 2005	4,000,000	4,000,000
Reclassified from RCPS of RM1.00 each:		
1,000,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Created during the year:	1,000,000	-
20,000,000 ordinary shares of RM1.00 each in 2006; Nil in 2005	20,000,000	_
Share split*	_	-
At end of year:		
250,000,000 ordinary shares of RM0.10 each in 2006;		
4,000,000 ordinary shares of RM1.00 each in 2005	25,000,000	4,000,000
Redeemable convertible preference shares of RM1.00 each ("RCPS")		
At beginning of year	1,000,000	1,000,000
Reclassified to ordinary shares	(1,000,000)	-
At end of year	_	1,000,000
	25,000,000	5,000,000
<b>Issued and fully paid:</b> Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005	25,000,000	5,000,000
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005		
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue:	660,000 440,000	
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005	660,000	
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue:	660,000 440,000	
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue: 103,258,000 ordinary shares of RM0.10 each in 2006; Nil in 2005	660,000 440,000	
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue:	660,000 440,000 114,800 –	
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue: 103,258,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 Public issue: 12,000,000 ordinary shares of RM0.10 each in 2006; Nil in 2005	660,000 440,000 114,800 – 10,325,800	
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue: 103,258,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 Public issue: 12,000,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 At end of year	660,000 440,000 114,800 – 10,325,800	
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue: 103,258,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 Public issue: 12,000,000 ordinary shares of RM0.10 each in 2006; Nil in 2005	660,000 440,000 114,800 – 10,325,800	
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue: 103,258,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 Public issue: 12,000,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 At end of year 127,406,000 ordinary shares of RM0.10 each in 2006;	660,000 440,000 114,800 - 10,325,800 1,200,000	660,000   
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue: 103,258,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 Public issue: 12,000,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 At end of year 127,406,000 ordinary shares of RM0.10 each in 2006; 660,000 ordinary shares of RM1.00 each in 2005	660,000 440,000 114,800 - 10,325,800 1,200,000	660,000     660,000
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue: 103,258,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 Public issue: 12,000,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 At end of year 127,406,000 ordinary shares of RM0.10 each in 2006; 660,000 ordinary shares of RM1.00 each in 2006;	660,000 440,000 114,800 - 10,325,800 1,200,000 12,740,600	660,000   
Issued and fully paid: Ordinary shares of RM1.00/RM0.10 each At beginning of year: 660,000 ordinary shares of RM1.00 each in 2006 and 2005 Conversion of RCPS of RM1.00 each: 440,000 ordinary shares of RM1.00 each in 2006; Nil in 2005 Restricted issue: 114,800 ordinary shares of RM1.00 in 2006; Nil in 2005 Share split* Bonus issue: 103,258,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 Public issue: 12,000,000 ordinary shares of RM0.10 each in 2006; Nil in 2005 At end of year 127,406,000 ordinary shares of RM0.10 each in 2006; 660,000 ordinary shares of RM1.00 each in 2005 RCPS of RM1.00 each At beginning of year	660,000 440,000 114,800 - 10,325,800 1,200,000 12,740,600 440,000	660,000     660,000

\* On 27 April 2006, the nominal value of each ordinary share of RM1.00 of the Company was sub-divided into ten ordinary shares of RM0.10 each.



#### 18. SHARE CAPITAL (CONT'D)

During the year, the authorised share capital of the Company was increased from RM5,000,000, comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 RCPS of RM1.00 each to RM25,000,000, comprising 250,000,000 ordinary shares of RM0.10 each by way of:

- (i) Reclassification of the authorised share capital of the Company of RM5,000,000, comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 RCPS of RM1.00 each to 5,000,000 ordinary shares of RM1.00 each;
- (ii) Creation of additional 20,000,000 ordinary shares of RM1.00 each; and
- (iii) Share split exercise, involving the sub-division of 25,000,000 ordinary shares of RM1.00 each into 250,000,000 ordinary shares of RM0.10 each.

Also, during the year, the issued and paid-up ordinary share capital of the Company was increased from RM660,000, comprising 660,000 ordinary shares of RM1.00 each to RM12,740,600, comprising 127,406,000 ordinary shares of RM0.10 each by way of:

- (i) Conversion of 440,000 RCPS of RM1.00 each to 440,000 ordinary shares of RM1.00 each on 13 April 2006;
- Restricted issue of 114,800 new ordinary shares of RM1.00 each, pursuant to the exercise of share options, to certain directors, key employees and promoters of the Group and an investor, Oxfordtrax Sdn. Bhd. at issued prices ranging from RM1.00 to RM25.00 per share, raising gross proceeds of approximately RM1.36 million on 27 April 2006 ("Restricted Issue");
- (iii) Share split exercise, involving the sub-division of every existing ordinary share of RM1.00 each into 10 ordinary shares of RM0.10 each on 27 April 2006, resulting in the then existing 1,214,800 ordinary shares of RM1.00 each being sub-divided into 12,148,000 ordinary shares of RM0.10 each;
- (iv) Bonus issue of 103,258,000 new ordinary shares of RM0.10 each on the basis of 8.5 new ordinary shares of RM0.10 each for every existing ordinary share of RM0.10 each held on 27 April 2006 via the capitalisation of share premium and unappropriated profit after the Restricted Issue amounting to RM9,145,376 and RM1,180,424 respectively; and
- (v) Public issue of 12,000,000 ordinary shares of RM0.10 each at an issued price of RM0.49 per ordinary share, payable in full on application on 2 June 2006 pursuant to the Company's Initial Public Offering.

The resulting share premium from the above issue of shares has been credited to share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

#### 18. SHARE CAPITAL (CONT'D)

The main characteristics of the RCPS are as follows:

- (i) The holders of the RCPS shall be entitled at any time and from time to time prior to redemption or immediately prior to the listing of the Company on a recognised stock exchange (in which event the rights of conversion shall be deemed to be exercised) (whichever is earlier) to convert each RCPS held by the holders ('Conversion Rights') into one ordinary share of RM1.00 each in the Company as adjusted from time to time in accordance with the conversion ratio.
- (ii) The new ordinary shares resulting from the exercise of the Conversion Rights shall from the date of conversion rank pari passu in all respects with the existing ordinary shares of the Company and shall cease to have any preference or priority or to be called RCPS.
- (iii) The new ordinary shares shall not be entitled to any dividends, rights, allotments and/or other distribution the entitlement date of which precedes the allotment date of the new ordinary shares.
- (iv) The holders of the RCPS shall be entitled to redeem all (but not part only) of the RCPS held by such holder at any time or after the occurrence of any of the following events at the respective conversion ratios as stipulated in Article 5A.5.5 of the Company's Articles of Association:
  - (a) a material breach by the Company and/or all or certain shareholders of any of the representations, warranties and undertakings in the Subscription Agreement and/or the Shareholders Agreement entered into between the Company, its shareholders and the holders of the RCPS of the Company; or
  - (b) the Company does not secure listing by 31 December 2005; or
  - (c) the Company can achieve listing by or after 31 December 2005 but all shareholders other than the said holders of the RCPS elect against such listing;

by giving the Company no less than seven days notice in writing of its intention.

On 16 November 2005, the Company and the holders of the RCPS mutually agreed to extend condition (iv) (b) above from 31 December 2005 to 30 September 2006.



### 19. RESERVES

	The Group		The	Company
	2006	2005	2006	2005
	RM	RM	RM	RM
Distributable:				
Unappropriated profit	12,277,301	8,288,756	14,310,034	7,025,342
Non-distributable:				
Share premium	3,466,728	7,900,000	3,466,728	7,900,000
Equity compensation reserve	55,104	-	55,104	-
	15,799,133	16,188,756	17,831,866	14,925,342

	The Group and the Company		
	Share premium RM	Equity compensation reserve RM	
Balance as at 1 January 2005, Balance as at 31 December 2005/1 January 2006	7,900,000	_	
Restricted issue of shares	1,245,377	-	
Bonus issue via capitalisation of share premium	(9,145,376)	-	
Public issue of shares	4,680,000	-	
Share issue expenses	(1,213,273)	-	
Recognition of share-based payments	-	55,104	
Balance as at 31 December 2006	3,466,728	55,104	

### **Unappropriated Profit**

Distributable reserves are those available for distribution as dividends. Taking into consideration the tax-exempt accounts as mentioned in Note 8, and based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the Company is able to frank the payment as dividends of its entire unappropriated profit as at 31 December 2006 without additional tax liabilities being incurred.

#### 20. DEFERRED TAX LIABILITIES

	The Group	
	2006 RM	2005 RM
At beginning of year	519,000	519,000
Transfer to income statements (Note 8)	(145,000)	-
At end of year	374,000	519,000

The deferred tax liabilities represent the tax effects of temporary differences arising from:

	The Group	
	2006 RM	2005 RM
Software development expenditure	267,000	380,000
Property, plant and equipment	107,000	139,000
	374,000	519,000

As at 31 December 2006, the tax effects of taxable temporary differences which would give rise to deferred tax liabilities that have not been recognised in the financial statements as the settlement of the liabilities are estimated to be within the pioneer period, are as follows:

The Group and the Company Deferred Tax Liability	
2006 RM	
24,000	22,000
165,000	60,000
189,000	82,000
	the Com Deferred Ta 2006 RM 24,000 165,000

As explained in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net 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 2006, the estimated amount of deferred tax asset calculated at current tax rate, which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:

	The Gi Deferred Tax	
	2006 RM	2005 RM
Tax effects of unused tax losses	88,000	-

The unused tax losses are subject to agreement by the tax authorities.



### 21. 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 2005).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Other payables	48,080	54,549	22,195	15,507
Accrued expenses	986,229	560,487	253,357	159,275
	1,034,309	615,036	275,552	174,782

### 22. DIVIDEND

	The Group and the Company	
	2006 RM	2005 RM
Interim dividend of 1 sen per share, tax-exempt (Nil in 2005)	1,274,060	_

#### 23. FINANCIAL INSTRUMENTS

#### **Financial Risk Management Objectives and Policies**

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities.

#### (i) Foreign currency risk

The Group undertakes certain trade transactions in foreign currencies where the amounts outstanding are exposed to foreign currency risk. The currency giving rise to this risk is primarily United States Dollar. Foreign exchange exposure is kept to an acceptable level.

Analysis of financial assets and liabilities of the Group and of the Company by foreign currency is as follows:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash and bank balances				
Ringgit Malaysia	1,659,657	2,953,660	416,875	604,983
United States Dollar	448,148	33,095	-	-
	2,107,805	2,986,755	416,875	604,983
Trade receivables				
Ringgit Malaysia	5,753,266	2,385,131	-	-
United States Dollar	1,489,755	1,217,909	-	-
	7,243,021	3,603,040	_	-

#### (ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on fixed deposits. The interest rates of the Group's fixed deposits are disclosed in Note 17.

#### (iii) Credit risk

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

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. 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.

#### (iv) Liquidity risk

The Group and the Company have sufficient funds to finance its ongoing working capital requirements.

#### (v) Cash flow risk

The Group and the Company review its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.



#### 23. FINANCIAL INSTRUMENTS (CONT'D)

#### **Financial Assets**

The principal financial assets of the Group are cash and bank balances, fixed deposits with licensed financial institutions, trade and other receivables and short-term investments.

The financial assets of the Company also include amount owing by subsidiaries.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

#### **Financial Liabilities and Equity Instruments**

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

Significant financial liabilities include trade and other payables, which are stated at their nominal values.

Equity instruments are recorded at the proceeds received net of direct issue costs.

#### **Fair Values**

Cash and cash equivalents, trade and other receivables, trade and other payables, inter-company indebtedness and short-term investments

The carrying amounts approximate fair values because of the short maturity period for these instruments.

## 24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group		oup The Compa	
	2006 RM	2005	2006	2005
		RM	RM	RM
Cash and bank balances Fixed deposits with	2,107,805	2,986,755	416,875	604,983
licensed financial institutions	2,566,130	4,534,394	-	-
	4,673,935	7,521,149	416,875	604,983

### 25. RELATED PARTY TRANSACTIONS

Significant transactions, undertaken with related parties during the financial year, are as follows:

	The Group		The Company														
	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2005	2006	2005
	RM	RM	RM	RM													
Subsidiaries																	
Provision of information																	
technology solutions to subsidiaries	-	-	9,621,355	3,117,816													
Software licensing fee charged to subsidiaries	-	-	2,987,435	2,943,242													
Provision of information technology																	
solutions by subsidiaries (Note 11)	-	-	3,770,982	-													
Related party																	
Purchase of computer																	
hardware and software																	
from a company																	
(Computer Systems																	
Advisers (M) Berhad)																	
in which a director																	
(Mr. Yong Kar Seng, Peter)																	
of the Company is also																	
a director and has																	
substantial financial																	
interests	10,040	1,413,267	-	-													

Significant related party balances as at the end of the financial year are as follows:

	The Group		The Company	
	2006 2005 2006	2006	2005	
	RM	RM	RM	RM
Included in bank balances				
Arose from maintaining				
of bank accounts with				
a financial institution				
(Maybank Berhad) in				
which a director				
(Datuk Zainun Aishah				
Binti Ahmad) of the				
Company is also				
a director	1,136,350	511,656	252,131	75,064



#### 25. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Number of unexercised options over ordinary shares of RM0.10 each in 2006/ RM1.00 each in 2005		
	2006	2005	
Direct Interest			
Datuk Ali Bin Abdul Kadir	1,000,000	_	
Datuk Zainun Aishah Binti Ahmad	1,000,000	-	
Chok Kwee Bee	99,000	-	
Phong Hon Voon	108,100	15,047	
Wong Kim Ming	108,100	13,932	
David Hii Chin Yun	108,100	12,817	
Yong Kar Seng, Peter	99,000	-	
Indirect Interest			
Phong Hon Voon	_	5,003	
Wong Kim Ming	-	5,003	
David Hii Chin Yun	_	5,003	

### 26. SIGNIFICANT EVENTS

- (1) During the year, the authorised share capital of the Company was increased from RM5,000,000, comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 RCPS of RM1.00 each to RM25,000,000, comprising 250,000,000 ordinary shares of RM0.10 each by way of:
  - (i) Reclassification of the authorised share capital of the Company of RM5,000,000, comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 RCPS of RM1.00 each to 5,000,000 ordinary shares of RM1.00 each;
  - (ii) Creation of additional 20,000,000 ordinary shares of RM1.00 each; and
  - (iii) Share split exercise, involving the sub-division of 25,000,000 ordinary shares of RM1.00 each into 250,000,000 ordinary shares of RM0.10 each.

#### 26. SIGNIFICANT EVENTS (CONT'D)

- (2) During the year, in conjunction with, and as an integral part of its listing on the MESDAQ Market of Bursa Malaysia Securities Berhad, the Company has undertaken the following exercises:
  - (i) Conversion of 440,000 RCPS of RM1.00 each to 440,000 ordinary shares of RM1.00 each on 13 April 2006;
  - Restricted issue of 114,800 new ordinary shares of RM1.00 each, pursuant to the exercise of share options, to certain directors, key employees and promoters of the Group and an investor, Oxfordtrax Sdn. Bhd. at issued prices ranging from RM1.00 to RM25.00 per share, raising gross proceeds of approximately RM1.36 million on 27 April 2006 ("Restricted Issue");
  - (iii) Share split exercise, involving the sub-division of every existing ordinary share of RM1.00 each into 10 ordinary shares of RM0.10 each on 27 April 2006, resulting in the then existing 1,214,800 ordinary shares of RM1.00 each being sub-divided into 12,148,000 ordinary shares of RM0.10 each;
  - (iv) Bonus issue of 103,258,000 new ordinary shares of RM0.10 each on the basis of 8.5 new ordinary shares of RM0.10 each for every existing ordinary share of RM0.10 each held on 27 April 2006 via the capitalisation of share premium and unappropriated profit after the Restricted Issue amounting to RM9,145,376 and RM1,180,424 respectively; and
  - (v) Public issue of 12,000,000 ordinary shares of RM0.10 each at an issued price of RM0.49 per ordinary share, payable in full on application on 2 June 2006 pursuant to the Company's Initial Public Offering.

The entire enlarged issued and paid-up share capital of the Company of 127,406,000 ordinary shares of RM0.10 each were listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 23 June 2006.

The Company also established the Employee Share Option Scheme ("ESOS") which entails the granting of options to the eligible directors and employees of the Group to subscribe for new shares of up to a maximum of 10% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS, subject to the terms and conditions of the ESOS By-Laws.

(3) On 28 November 2006, a wholly-owned subsidiary of the Company, Microlink Worldwide Sdn. Bhd., entered into a Memorandum of Understanding with Technology World Company ("TWC") to facilitate the negotiation and discussion on the proposed establishment of a joint venture company to provide sales and support services for Microlink Banking Solutions in the Middle East and North Africa Region.

TWC, a company incorporated in Kuwait, is a wholly-owned subsidiary of AREF Investment Group S.A.K, a company incorporated in Kuwait and listed on the Kuwait Stock Exchange. TWC specialises in the field of technology and business solutions. TWC is also a substantial shareholder of the Company.



### 27. SEGMENTAL REPORTING

### **Geographical Segments**

Segmental information about the Group's operations by geographical areas is presented as follows:

	2006 RM	2005 RM
Revenue		
Malaysia	19,202,153	18,039,459
Middle East and North Africa Region	2,777,664	1,780,997
	21,979,817	19,820,456
Total assets		
Malaysia	32,896,150	20,559,968
Total liabilities		
Malaysia	4,356,417	3,271,212
Capital expenditure		
Malaysia	313,132	426,529

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

# **STATEMENT BY DIRECTORS**

The Directors of **MICROLINK SOLUTIONS BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

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

**PHONG HON VOON** 

#### WONG KIM MING

Kuala Lumpur, 21 March 2007



## **DECLARATION BY THE DIRECTOR** PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG KIM MING**, the Director primarily responsible for the financial management of **MICROLINK SOLUTIONS BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, 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.

### WONG KIM MING

Subscribed and solemnly declared by the abovenamed **WONG KIM MING** at **KUALA LUMPUR** this 21st day of March 2007.

Before me,

**COMMISSIONER FOR OATHS** 



Authorised Share Capital	:	250,000,000 ordinary shares of RM0.10 each
Issued and Paid-Up Capital	:	127,406,000 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**

	No. of		No. of	
Size of Shareholdings	Shareholders	%	Shares	%
Less than 100	9	1.15	465	0.00
100-1,000	115	14.65	108,000	0.08
1,001-10,000	372	47.39	2,085,100	1.64
10,001-100,000	230	29.30	7,621,753	5.98
100,001 to less than 5% of issued shares	52	6.62	42,219,161	33.14
5% and above of issued shares	7	0.89	75,371,521	59.16
Total	785	100	127,406,000	100

### **DIRECTORS' SHAREHOLDING**

		Direct Interest		Indirect Interest	
		No. of		No. of	
No.	Name of Directors	Shares held	%	Shares held	%
1	Datuk Ali Bin Abdul Kadir	50,000	0.04	2,950,000 <sup>1</sup>	2.32
2	Phong Hon Voon	13,844,803	10.87	15,827,381 <sup>2</sup>	12.42
3	Wong Kim Ming	12,827,793	10.07	15,827,381 <sup>2</sup>	12.42
4	David Hii Chin Yun	11,811,478	9.27	15,827,381 <sup>2</sup>	12.42
5	Datuk Zainun Aishah Binti Ahmad	50,000	0.04	-	-
6	Chok Kwee Bee	50,000	0.04	-	-
7	Yong Kar Seng, Peter	7,709,170	6.05	-	-

### SUBSTANTIAL SHAREHOLDERS

		Direct Interest No. of		Indirect Interest No. of	
No.	Name of Shareholders	Shares held	%	Shares held	%
1	MiBS Systems Sdn Bhd	15,827,381	12.42	_	_
2	BI Walden Ventures Ketiga Sdn Bhd	11,437,500	8.98	-	-
3	Phong Hon Voon	13,844,803	10.87	-	-
4	Wong Kim Ming	12,827,793	10.07	-	-
5	David Hii Chin Yun	11,811,478	9.27	-	-
6	Yong Kar Seng, Peter	7,709,170	6.05	-	_
7	Technology World Company (KSC)	13,930,000	10.93	-	-
8	Khazanah Nasional Berhad	-	_	11,437,500 <sup>3</sup>	8.98
9	Bank Perusahaan Kecil & Sederhana Malaysia Berhad	-	_	11,437,500 <sup>3</sup>	8.98
10	Malayan Banking Berhad	-	-	11,437,500 <sup>3</sup>	8.98

#### Note:

<sup>1</sup> Deemed interest by virtue of interest in Oxfordtrax Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965
 <sup>2</sup> Deemed interest by virtue of interest in MiBS Systems Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965

<sup>3</sup> Deemed interest by virtue of interest in BI Walden Ventures Ketiga Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965

## ANALYSIS OF SHAREHOLDINGS (CONT'D) AS AT 15 MARCH 2007

### THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	%
1	MiBS Systems Sdn Bhd	15,827,381	12.42
2	HDM Nominees (Asing) Sdn Bhd	13,930,000	10.93
	Technology World Company (KSC)		
3	BI Walden Ventures Ketiga Sdn Bhd	11,437,500	8.98
4	Phong Hon Voon	9,837,545	7.72
5	Wong Kim Ming	8,821,377	6.92
6	David Hii Chin Yun	7,808,548	6.13
7	Yong Kar Seng, Peter	7,709,170	6.05
8	Insas Plaza Sdn Bhd	5,395,300	4.23
9	EB Nominees (Tempatan) Sendirian Berhad	4,007,258	3.15
	Pledged Securities Account for Phong Hon Voon (SFC)		
10	EB Nominees (Tempatan) Sendirian Berhad	4,006,416	3.14
	Pledged Securities Account for Wong Kim Ming (SFC)		
11	EB Nominees (Tempatan) Sendirian Berhad	4,002,930	3.14
	Pledged Securities Account for David Hii Chin Yun (SFC)		
12	Oxfordtrax Sdn Bhd	2,950,000	2.32
13	Lee King You	2,743,433	2.15
14	Kenanga Nominees (Asing) Sdn Bhd	2,639,165	2.07
	UOB Kay Hian Pte Ltd for Ng Kiang Tong		
15	Loi Tuan Ee	2,200,000	1.73
16	Multi-Purpose Insurans Bhd	1,070,300	0.84
17	Loi Tuan Kin	1,050,000	0.82
18	Azidah Binti M.O.B. Hassan	1,010,318	0.79
19	HSBC Nominees (Asing) Sdn Bhd	930,000	0.73
	Exempt An For Credit Suisse (HK BR-TST-ASING)		
20	HDM Nominees (Asing) Sdn Bhd	760,000	0.60
	Fraser Securities Pte Ltd for Zheng LiYan (108153A)		
21	Ong Lay Beng	742,600	0.58
22	Nexus ICT Consulting Sdn Bhd	639,165	0.50
23	Chen Kwee Ling	507,385	0.40
24	Kenanga Nominees (Asing) Sdn Bhd	496,400	0.39
	UOB Kay Hian Pte Ltd for Ng Chew Gek		
25	Mayban Nominees (Tempatan) Sdn Bhd	487,800	0.38
	Mayban Trustees Berhad for Future Goals Fund (N14011980050)		
26	Khalid Bin Sufat	458,000	0.36
27	Jaganath Derek Steven Sabapathy	400,000	0.31
28	M & A Nominee (Tempatan) Sdn Bhd	340,700	0.27
	Titan Express Sdn Bhd		
29	M & A Nominee (Asing) Sdn Bhd	300,000	0.24
	Anglo Asia Investments Limited		
30	JF Apex Nominees (Tempatan) Sdn Bhd	298,300	0.23
	Pledged Securities Account for Lee Chui Lan (Margin)		

# **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting of Microlink Solutions Berhad will be held at Ballroom 1, Hotel Maya, 138, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 26 April 2007 at 10.30 a.m. for the following purposes:

	AGENDA	
As O	rdinary Business	
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Directors' and Auditors' Reports thereon.	Ordinary Resolution 1
2.	To approve the payment of Directors' fees in respect of the financial year ended 31 December 2006.	Ordinary Resolution 2
3.	To declare a Final Tax Exempt Dividend of 1.0 sen per share in respect of the financial year ended 31 December 2006 as recommended by the Directors.	Ordinary Resolution 3
4.	To re-elect the following Directors who retire pursuant to Article 70 of the Company's Articles of Association:-	
	(i) Wong Kim Ming	Ordinary Resolution 4
	(ii) David Hii Chin Yun	Ordinary Resolution 5
5.	To re-elect Khaled H Mohareb Al-Hayen who retires pursuant to Article 75 of the Company's Articles of Association.	Ordinary Resolution 6
6.	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 S	pecial Business	
To co	onsider and, if thought fit, pass the following Resolutions:	
7.	AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965	Ordinary Resolution 8
	" <b>THAT</b> 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	

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."

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

#### 8. **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

**Special Resolution** 

"**THAT** the alterations, modifications or additions to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 5 April 2007 be and are hereby approved."

9. 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 DATE

**NOTICE IS HEREBY GIVEN THAT** a Final Tax Exempt Dividend of 1.0 sen per share in respect of the financial year ended 31 December 2006, if approved at the Fourth Annual General Meeting of the Company, will be payable on 18 May 2007 to Depositors registered in the Record of Depositors at the close of business on 8 May 2007.

A Depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the depositor's securities account before 4.00 p.m. on 8 May 2007 in respect of ordinary transfers;
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

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### **BY ORDER OF THE BOARD**

LOH YIN FUN Company Secretary

5 April 2007 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. When a member appoints more than one proxy, the member shall specify the proportions of his/her shareholdings to be represented by each proxy.
- 3. 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.
- 4. The instrument appointing a Proxy must be deposited at the Registered Office of the Company at 10th Floor, Wisma Havela Thakardas, No. 1, Jalan Tiong Nam, Off Jalan Raja Laut, 50350 Kuala Lumpur not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof.



# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

#### Notes: (Cont'd)

- 5. Explanatory Notes on Special Business:
  - (a) 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 is to avoid any delay and cost involved in convening a general meeting to approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next conclusion of the Annual General Meeting of the Company.
  - (b) The proposed Special Resolution is to amend the Articles of Association of the Company in line with the revamped Listing Requirements of the Bursa Malaysia Securities Berhad for the MESDAQ Market. The details of the Proposed Amendments to the Articles of Association are set out in the Circular to Shareholders dated 5 April 2007.

#### **Statement Accompanying Notice of Annual General Meeting**

1. The Fourth Annual General Meeting of the Company will be held at Ballroom 1, Hotel Maya, 138, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 26 April 2007 at 10.30 a.m.

#### 2. Directors who are standing for re-election at the Fourth Annual General Meeting of the Company

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

- (i) Wong Kim Ming
- (ii) David Hii Chin Yun

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

(i) Khaled H Mohareb Al-Hayen

The details of the above Directors standing for re-election are set out on page 9 to 12 and page 19 of this Annual Report.

Their shareholdings in the Company are set out in the Analysis of Shareholdings which appeared on page 75 and 76 of this Annual Report.

#### 3. Board Meetings held in the Financial Year Ended 31 December 2006

A total of four (4) Board Meetings were held during the financial year ended 31 December 2006. Details of attendance of the Directors at the Board Meetings are disclosed on page 19 of this Annual Report.

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## **MICROLINK SOLUTIONS BERHAD**

Company No: 620782-P (Incorporated in Malaysia)

## FORM OF PROXY

NUMBER OF SHARES HELD

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I/ VVe	

\_\_\_\_\_

of \_

being a member/members of Microlink Solutions Berhad hereby appoint Mr/Ms\_\_\_\_\_\_

of \_\_\_\_\_\_ or failing him, the Chairman of the Meeting as my/our proxy, to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Ballroom 1, Hotel Maya, 138, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 26 April 2007 at 10.30 a.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Directors' and Auditors' Reports thereon.		
2.	To approve the payment of Directors' fees in respect of the financial year ended 31 December 2006.		
3.	To declare a Final Tax Exempt Dividend of 1.0 sen per share in respect of the financial year ended 31 December 2006 as recommended by the Directors.		
4.	To re-elect Wong Kim Ming as Director who retires pursuant to Article 70 of the Company's Articles of Association.		
5.	To re-elect David Hii Chin Yun as Director who retires pursuant to Article 70 of the Company's Articles of Association.		
6.	To re-elect Khaled H Mohareb Al-Hayen as Director who retires pursuant to Article 75 of the Company's Articles of Association.		
7.	To re-appoint Messrs. Deloitte & Touche as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
8.	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		
	Special Resolution Proposed Amendment to the Articles of Association of the Company.		

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 2007

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

#### Notes :

- 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. When a member appoints more than one proxy, the member shall specify the proportions of his/her shareholdings to be represented by each proxy.
- 3. 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.
- 4. The instrument appointing a Proxy must be deposited at the Registered Office of the Company at 10th Floor, Wisma Havela Thakardas, No.1, Jalan Tiong Nam, Off Jalan Raja Laut, 50350 Kuala Lumpur not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof.

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AFFIX STAMP

THE COMPANY SECRETARY **MICROLINK SOLUTIONS BERHAD** Company No: 620782-P 10th Floor, Wisma Havela Thakardas, No. 1, Jalan Tiong Nam, Off Jalan Raja Laut, 50350 Kuala Lumpur.

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