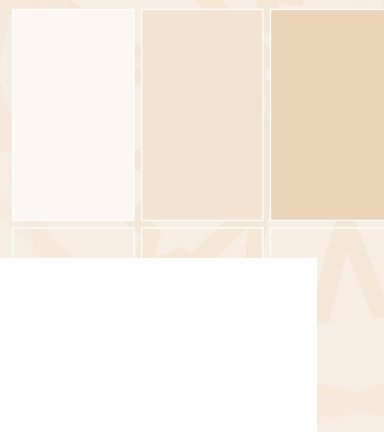


ANNUAL REPORT 2007



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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

Phong Hon Voon

Non-Independent Non-Executive Director

Khaled H Mohareb Al-Hayen

Non-Independent Non-Executive Director

Yong Kar Seng, Peter

Chief Executive Officer

Executive Director

David Hii Chin Yun

Chief Technology Officer

Executive Director

COMPANY SECRETARIES

Loh Yin Fun (MAICSA 0862905)

Woo Ying Pun (MAICSA 7001280)

AUDIT COMMITTEE

Datuk Ali Bin Abdul Kadir

Datuk Zainun Aishah Binti Ahmad

Chok Kwee Bee

MANAGEMENT COMMITTEE

Yong Kar Seng, Peter

Phong Hon Voon

David Hii Chin Yun

Wong Kim Ming

Chok Kwee Bee

NOMINATION COMMITTEE

Datuk Ali Bin Abdul Kadir

Datuk Zainun Aishah Binti Ahmad

Chok Kwee Bee

REMUNERATION COMMITTEE

Chok Kwee Bee

Yong Kar Seng, Peter

Datuk Zainun Aishah Binti Ahmad

OPTION COMMITTEE

Chok Kwee Bee

Yong Kar Seng, Peter

David Hii Chin Yun

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

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

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

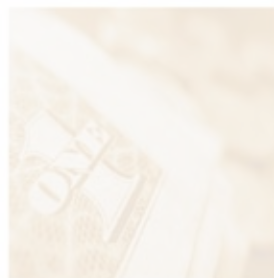
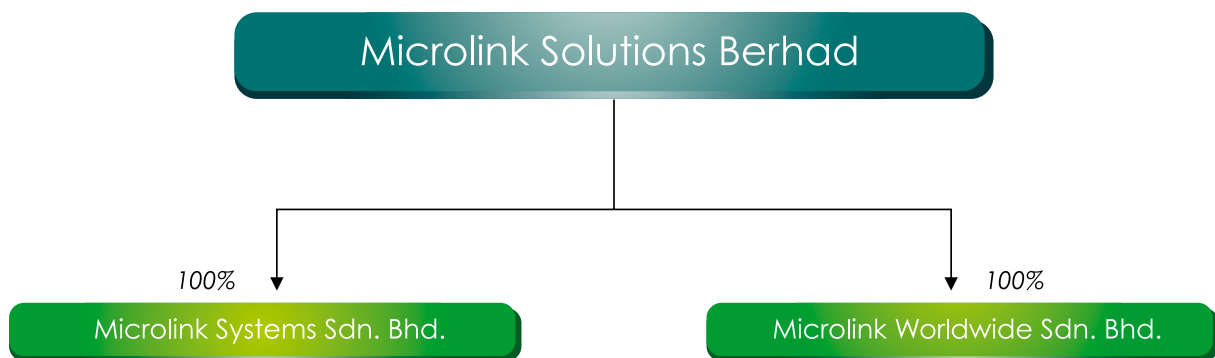
Malayan Banking Berhad

Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE



CORPORATE HIGHLIGHTS



Islamic Finance Asia 2007, Singapore February 2007

The Islamic Finance Asia 2007 was held in Singapore from 13th to 14th February 2007. The event was supported by the Association for Sustainable & Responsible Investment in Asia (ASRIA) with the theme: *Capitalising on Asia's strengths and opportunities to meet the demand for Shari'ah compliant products and services.*

Microlink Solutions Berhad ("Microlink") participated in the event as an exhibitor, where it showcased its comprehensive end-to-end banking solutions for conventional and Islamic banking.

Analysts Briefing, Kuala Lumpur April 2007

Microlink's first analysts briefing was held at the Crowne Plaza Hotel, Kuala Lumpur on 12th April 2007. There were more than 20 participants from various investment firms attended the event where the then CEO, Mr. Edward Phong briefed the investment community on the company's 2006 4th quarter results and plan for 2007 and beyond. The response to the analysts briefing session was good and many positive feedbacks were received.



To Be A Technical Leader Training, Genting Highlands April 2007

Microlink has always believed in empowering its employees by providing them with continuous training to improve their skills. A 3-day internal training was conducted for its technical staff at Genting Highlands from 20th - 22nd April 2007. Taking the theme: *To Be A Technical Leader*, the training aimed to provide attendees an introduction to the various products of the company together with the knowledge and skills to maximize utilization of the technologies available.



4th Annual General Meeting, Kuala Lumpur April 2007

Microlink's 4th Annual General Meeting ("AGM") was held at Hotel Maya on 26th April 2007. Many shareholders attended the event and 8 resolutions were passed on that day. Microlink's Chairman, Datuk Ali Bin Abdul Kadir gave the shareholders a briefing on the past year's activities as well as financial highlights of the company. The highlight of the event is the announcement of dividend payment of 1 sen per share to its shareholders.

The Chairman told the shareholders that the company will remain focus on its business of providing banking solutions to the financial services industry as well as investing in R&D which is vital to remain competitive within the industry.



CORPORATE HIGHLIGHTS (CONT'D)



World Halal Forum 2007, Kuala Lumpur May 2007

After a successful event last year, the World Halal Forum returned for the 2nd time in year 2007 at the Kuala Lumpur Convention Centre and received an overwhelming response. More than 800 delegates from over 33 countries attended the event. The forum, with the theme of *"Harmonising the Global Halal Market, Manufacturing, Trade and Investment - Standards, Syariah and Science"*, also showcased business and trade information on halal products and services from 24 companies. Microlink is dedicated to supporting the halal industry by being a sponsor of the event.

Microlink Strategic Plan Retreat, Port Dickson May 2007

Microlink conducted a Strategic Plan Retreat at Guoman Resort, Port Dickson from 25th to 26th May for its key management staff to aim at boosting morale and improving team work among its management team members. Another agenda of the retreat is to discuss on how to further improve on some of the issues of the organization and system.

The retreat was a great success as participants were inspired to work together towards the vision of the company.



Microlink Innovation Forum, Ho Chi Minh June 2007

Microlink Innovation Forum was held at the New World Hotel, Ho Chi Minh City, Vietnam from 22nd - 24th June 2007 as a form of appreciation and recognition to Microlink's valued clients. In the event, Microlink's then CEO Mr. Edward Phong and Chairman, Datuk Ali Bin Abdul Kadir were there to launch Microlink Banking Solutions Release 9.

Over 60 participants from more than 15 banks and finance institutions locally and internationally attended the event. The 3 day 2 night event in Vietnam also features a gala dinner at a 5 star hotel and 1/2 day city tour for the participants. The participants left Vietnam with fond memories and are already looking forward to the next forum.





14th Annual The World Islamic Banking Conference December 2007

Microlink participated as a Sponsor in the 14th Annual The World Islamic Banking Conference ("WIBC") held from 8th - 10th December 2007 in Bahrain. This event has firmly established itself as the largest and most significant gathering of Islamic banking and finance industry leaders in the world. It was again supported by the Central Bank of Bahrain with the theme: *Combating Competition and Capturing New International Growth Markets*.



MAJOR MILESTONES & ACHIEVEMENTS

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1995		Developed MiBS, a comprehensive application suite of modules to cater to both conventional and Islamic banking.
1996		Launched MiBS release 1.2 with the comprehensive Islamic banking features, taking advantage of the new generation Windows 32-bits clients.
		Microlink implemented first Islamic banking software solution.
1999		Launched MiBS release 2.2 with 24x7 electronic banking services by cutting daily batch downtime to near zero.
		Awarded "System Integrator with the Most Strategic Win of the Year" by Sun Microsystems (M) Sdn. Bhd.
		Awarded "The Most Strategic Partner of the Year" by Oracle Corporation (M) Sdn. Bhd.
2000		Launched MiBS release 7 with 64-bits RISC processor based Unix operating systems compliance. In addition to English and Bahasa Malaysia, MiBS is also available in other languages commonly used in the Southeast Asia region.
2001		Awarded "Sales Performance Excellence (Banking) Award" by Sun Microsystems (M) Sdn. Bhd. in recognition of its highest sales recorded for the banking and financial sector in year 2001.
2003		Microlink was designated by IBM Corporation as an IBM Advanced Business Partner.
		Launched MiBS release 7.3 with Linux OS compliance. Together with IBM Malaysia, it jointly marketed the MiBS running on IBM eServers, particularly the zSeries (formerly known as Mainframe) and iSeries (formerly known as AS/400) in the Southeast Asia and Middle East region.
		Awarded "ICT Software of the Year" by Association of the Computer and Multimedia Industry of Malaysia or PIKOM Computimes.
2004		Microlink received Multimedia Supercorridor (MSC) status from the Government of Malaysia.
		Awarded "Best Application – Islamic Banking System" by Sun Microsystems (M) Sdn. Bhd.
		Awarded "Best System Integrator" by Sun Microsystems (M) Sdn. Bhd.
		Awarded "Premier System Integrator Malaysia" by Sun Microsystems (M) Sdn. Bhd.

MAJOR MILESTONES & ACHIEVEMENTS (CONT'D)

2005		Microlink set up representative offices and support centers in Jakarta, Indonesia and the Middle East.
		Launched MiBS release 8 supports the latest Open Systems, J2EE, Open Source and Grid Computing technologies, Internet and electronic channels ready.
		Microlink was admitted as an observer member of the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI).
		Awarded "Special Recognition for Outstanding Contribution to Islamic Finance Industry for IT Solutions" by Deloitte and International Institute of Islamic Finance Inc. during KLIFF 2005.
2006		Microlink listed on the MESDAQ Market of Bursa Malaysia Securities Bhd.
		Microlink certified as CMMi Level 3 status company.
		Awarded "Best Islamic Financial Service or Product" by Halal Journal during World Halal Forum 2006.
		Deloitte Technology Fast 500 Asia Pacific 2006 Winner.
		Recognised as one of the top contenders in the Best Islamic Finance Technology Provider category at the Islamic Finance News Awards - Best Islamic Banks Poll 2006.
2007		Awarded "Export Excellence Award (Services) 2006" at the Industry Excellence Awards 2006 by the Malaysia Ministry of International Trade and Industry (MITI).
		Awarded "Best of Financial Applications" by Malaysia APICTA (Asia Pacific ICT Award) at the International APICTA 2007.



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 58, 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 Airocom Technology Berhad, Jobstreet Corporation Berhad and Milux Corporation Berhad.

YONG KAR SENG, PETER

CEO/Executive Director

Yong Kar Seng, Peter, a Singaporean, aged 43, is our Chief Executive Officer 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, a company listed on the Main Board of Bursa Securities and several private limited companies.



PROFILE OF BOARD OF DIRECTORS (CONT'D)



DAVID HII CHIN YUN
CTO/Executive Director

David Hii Chin Yun, a Malaysian, aged 37, 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. David is also the founder and Chief Operating Officer of a logistic web portal.

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



DATUK ZAINUN AISHAH BINTI AHMAD
Independent Non-Executive Director

Datuk Zainun Aishah Binti Ahmad, a Malaysian, aged 61, is our Independent Non-Executive Director and she was appointed to our Board on 29 April 2005. Datuk Zainun began her career with Malaysian Industrial Development Authority ("MIDA"), the Malaysian government's principal agency for the promotion and coordination of industrial development in the country, as an economist upon her graduation from Universiti Malaya with an Honours Degree in Economics. In her 35 years of service in MIDA, she held various key positions in MIDA as well as in some of the country's strategic council, notably her pivotal role as National Project Director in the formulation of Malaysia's first Industrial Master Plan. Datuk Zainun is also a member of the Industrial Coordination Council in the implementation of the Second Industrial Master Plan, Industrial Coordination Act Advisory Council, Defence Industry Council, National Committee on Business Competitiveness Council, Malaysia Incorporated and the National Project for Majlis Penyalarsan Perindustrian ("ICC") before retiring in September 2004. Datuk Zainun was the Director-General of MIDA for 9 years and Deputy Director-General for 11 years.

Datuk Zainun holds directorships in Malayan Banking Berhad, Degem Berhad, Scomi Engineering Berhad and Pernec Corporation Berhad. Save for Pernec Corporation Berhad, all the above companies are listed on Bursa Malaysia Securities Berhad.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

CHOK KWEE BEE

Non-Independent Non-Executive Director

Chok Kwee Bee, a Malaysian, aged 55, 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 AmlInvestment Bank Berhad. She was previously a Director of Malaysian Exchange of Securities Dealing & Automated Quotation Bhd., the Chairman of the Corporate Finance Sub-Committee of Association of Merchant Banks, the Chairman of Malaysian Issuing House, member of the Capital Market Advisory Council of the Securities Commission and Chairman of Malaysian Venture Capital and Private Equity Association.

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

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.



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KHALED H MOHAREB AL-HAYEN

Non-Independent Non-Executive Director

Khaled H Mohareb Al-Hayen, a Kuwaiti, aged 53, 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 has been appointed as Director on Board of Investment World for Development & Technology, Jordan a newly incorporated TWC subsidiary in 2007. Mr. Khaled also served as Director on Board of Educational Holding Group ("EDU"), a company listed on Kuwait Stock Exchange for more than 5 years till 2007.

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



PROFILE OF BOARD OF DIRECTORS (CONT'D)



PHONG HON VOON

Non-Independent Non-Executive Director

Phong Hon Voon, a Malaysian, aged 42, is our Non-Independent Non-Executive Director and he was appointed to our Board on 27 August 2004. He began his career as an application programmer with a Japanese electronic manufacturer in Taiwan in 1988 and joined a Taiwanese computer company a year later. He worked with a Japanese electrical manufacturer in Malaysia between 1990 and 1993 and subsequently joined Lion Group, Malaysia between 1993 and 1994 as a senior management information systems executive. He joined us in 1994.

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

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 2007.*



INDUSTRY OUTLOOK

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The Ninth Malaysia Plan for 2006 – 2010 projected that 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. There has been a significant development of the Malaysia International Islamic Financial Centre ("MIFC") initiative which aims to position Malaysia as a centre in the origination and trading of Islamic financial instruments. The MIFC initiative will project Malaysia as a centre of excellence in education, training, consultancy and research in Islamic finance.

The Islamic financial sector will therefore, continue to grow as an integral component of the Malaysian financial system. As of July 2007, there were eleven Islamic banks comprising six Islamic subsidiaries (previously Islamic banking windows), two domestic Islamic banks and three new foreign banks.

FINANCIAL PERFORMANCE

For the year ended 31 December 2007, the Group had a very difficult year and only recorded RM15.75 million revenue compared to RM21.98 million for the year ended 31 December 2006, representing a decrease of 28.3%, mainly due to the cancellation of a couple of existing projects.

Despite a marginal setback in year 2007, the Group is still very optimistic that the banking industry locally, and in the ASEAN and Middle East and North Africa ("MENA") regions will continue to be positive in coming years. The Group will be vigilant on the cost structure and ensure that improvements are made in the forthcoming and future quarters. The Group continues to identify and secure more projects within the banking industry.

The Group reported a profit before taxation and a profit after taxation of RM0.27 million and RM0.63 million respectively. Net earnings per share for the year ended 31 December 2007 at 0.5 sen per share was higher than gross earnings per share of 0.2 sen per share due to over provision of tax and the adjustment of the deferred tax.

REVIEW OF OPERATION

On 23 June 2007, the Group launched the new MiBS release 9 which continues to support Open Source platform development and deployment. As part of its product awareness plan, the Group also sponsored the Islamic Finance News Awards Night and this enabled the Group to market itself to global Islamic bankers.

CHAIRMAN'S STATEMENT (CONT'D)

REVIEW OF OPERATION (CONT'D)

In addition to the above, the Group is also vigorously involved in promoting outsourcing and managed services in Malaysia and Indonesia. With the nature of client demands changing, outsourcing is beginning to play a key role in meeting customer requirements today. The Group is actively engaging in identifying and securing multi-year outsourcing projects within the banking industry to ensure strong recurring income to even out and reduce the volatility of the project based revenue.

On 25 October 2007, the Group was awarded the winner of "The Best Financial Applications" Malaysia in APICTA 2007. APICTA 2007 was hosted by Singapore infocomm Technology Federation (SITF) which was also the organiser for the ASOCIO ICT Summit which had been held in parallel to APICTA 2007.

On 21 November 2007, Mr. Phong Hon Voon tendered his resignation as the Chief Executive Officer ("CEO") of the Group but remained as a director on the Board. The Board of Directors accepted his resignation and at the same time, appointed Mr. Yong Kar Seng, Peter to assume the role of an interim CEO to lead the management team of the Group during the transition period. All the stakeholders of the Group are rest assured that the change in CEO of the Group will not have significant impact on the management, operation and strategic direction of the Group.

PROSPECTS

Continuing its effort from previous year, the Group's product developments and marketing campaigns in Malaysia, Indonesia, MENA region are expected to provide a middle to long-term contribution to its financial results.

The Group's Islamic core banking contract secured in North Africa has opened the door for the Group to penetrate into this growing region with a number of new Islamic financial institutions that are being set-up. The Group has also launched another suite of its Islamic banking software solution offering targeted at investment and leasing financial institutions.

UPDATE ON RESEARCH AND DEVELOPMENT

The Group continues to provide updates to MiBS Release 9 and to support its implementation in existing and new clients. MiBS Release 9 offers a batch of features and functionalities to existing clients allowing them to meet their new business needs within a short period.

The Group also launched new R&D initiatives to refresh the technology platform of MiBS designed to fully support Service Oriented Architecture ("SOA") and is more flexible to support the business needs of clients. Open Source platform support and usage of Open Source components will continue in the new technology platform. The new technology platform is designed to better support changing business requirements. Recent development in technology has opened up these possibilities and the Group has decided to take advantage of it.

Meanwhile the Software Process Improvement ("SPI") initiatives continue to improve development process in order to deliver quality software in a timely manner. The process emphasis has shifted heavily towards software quality and stability.

For the year ended 31 December 2007, the Group has incurred approximately RM1.76 million on research and development.

DIVIDENDS

There was no interim dividend declared and paid in respect of the financial year ended 31 December 2007. However, the Board of Directors of the Company has proposed the payment of a tax-exempt final dividend, subject to shareholders' approval at the forthcoming AGM, of 1 sen per share in respect of the financial year ended 31 December 2007 amounting to RM1,274,060. The entitlement and payment dates for the proposed final dividend are 5 May 2008 and 19 May 2008 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.

DATUK ALI BIN ABDUL KADIR
Chairman



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 seven (7) members as follows:

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

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

The composition of the Board ensures that Independent Non-Executive Directors provide an element of objectivity, independent judgments and check and balance to the decision making process of the Board. The Independent Non-Executive Directors also ensure that the Group's development plans and business strategies are fully deliberated upon and all decisions taken are in the best interest of the shareholders, employees, customers and other stakeholders of the Group. On 21 November 2007, a new interim Chief Executive Officer was appointed to assume overall responsibilities over the business operations, organizational effectiveness and implementation of Board policies and decision.

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

Duties and Responsibilities

The Board has overall responsibility for the strategic direction and retains full and effective control over the Group. 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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 five (5) 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	5/5
Datuk Zainun Aishah Binti Ahmad	4/5
Chok Kwee Bee	5/5
Yong Kar Seng, Peter	5/5
Phong Hon Voon	5/5
David Hii Chin Yun	5/5
Khaled H Mohareb Al-Hayen	3/4
Wong Kim Ming (resigned on 19 June 2007)	2/3

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

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

Directors Training

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

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

The Directors 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

THE BOARD OF DIRECTORS (CONT'D)

Board Committees

(a) Audit Committee

The terms of reference of the Audit Committee are set out on pages 20 to 22 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
Chok Kwee Bee	Member

(c) Remuneration Committee

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

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

The Remuneration Committee comprises the following members:

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

The remuneration packages for the Directors for the financial year ended 31 December 2007 are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries and other emoluments	787	–
Fees	–	70

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

	Executive	Non-Executive
Below RM50,000	1	4
RM50,001 – RM100,000	–	–
RM100,001 – RM150,000	1	–
RM150,001 – RM200,000	–	–
RM200,001 – RM250,000	1	–
RM250,001 – RM300,000	–	–
RM300,001 – RM350,000	–	–
RM350,001 – RM400,000	–	–
RM400,001 – RM450,000	–	1

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

THE BOARD OF DIRECTORS (CONT'D)

Board Committees (cont'd)

(d) *Option Committee*

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

The Option Committee comprises the following members:

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

As at 31 December 2007, the Company had offered 6,365,300 ESOS options to eligible Directors and employees of the Group. Options granted under the scheme, subject to the provision of By-Laws 10, 11, 20 and 24, is 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 of Executive, Non-Executive Directors as well as senior management personnel as follows:

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



STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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.

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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.



STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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 AGM.

Corporate Social Responsibility

Apart from giving some token donations to certain unfortunate groups in the society, the Company has not carried out other major social activities during the year ended 31 December 2007.



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.

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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.

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 held or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates.

The books containing the minutes of proceedings of Audit 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; and
- (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 five (5) meetings during the financial year ended 31 December 2007. The record of attendance of these meetings by the current Board is as follows:

22 Directors	Number of Meetings Attended
Datuk Ali Bin Abdul Kadir	5/5
Datuk Zainun Aishah Binti Ahmad	4/5
Chok Kwee Bee	5/5

During the financial year ended 31 December 2007, 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 Securities Malaysia Berhad;
- (b) Reviewed with external auditors on the audit planning memorandum of the Group for the financial year ended 31 December 2007;
- (c) Reviewed with external auditors on the Group's results before recommending to the Board of Directors for their approval and release to Bursa Securities Malaysia Berhad;
- (d) Reviewed with external auditors on the impact of new accounting standards on the Group's performance;
- (e) Reviewed the recurrent related party transactions to ensure compliance with laws and regulations and the renewal of shareholders mandate; and
- (f) Recommend to the Board of Directors on the re-appointment of the external auditors.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES (CONT'D)

Statement by Audit Committee on the Group Employee Share Option Scheme ("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
(1) Datuk Ali Bin Abdul Kadir	1,000,000	–
(2) Datuk Zainun Aishah Binti Ahmad	1,000,000	–
(3) Phong Hon Voon	108,000	–
(4) Chok Kwee Bee	99,000	–
Total	2,207,000	–

An additional 936,300 options approved by the Option Committee were granted in year 2007 and may be exercised from 27 April 2008 to 26 April 2011, subject to the terms and conditions of the By-Laws.

Internal Audit Function

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

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 controls 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.

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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:

- Establishment of an internal audit function to ensure all internal controls systems are in place;
- 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;
- Review of employee handbook in order to provide clear policies and guidelines to all employees of the Group; and
- Outsourced internal audit function to professional internal auditors for effective and efficient reporting procedures to Audit Committee members.

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 2007.

Utilisation of Proceeds

As at 31 December 2007, 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	2,225	–	–
(2) Working capital requirements *	3,515	3,739	63	2
(3) Listing expenses *	1,500	1,213	–	–
	7,240	7,177	63	2

* 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 29 of the Annual Report, the Company has not issued any options, warrants or convertible securities during the financial year under review.

American Depositary Receipt (ADR) or Global Depositary 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

There were no fees paid or payable to the external auditors by the Group for the financial year ended 31 December 2007 for non-audit related work.

Profit Estimates, Forecast or Projection

There was no profit forecast issued by the Company and/or its subsidiaries in respect of the financial year.

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.



OTHER COMPLIANCE INFORMATION (CONT'D)

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 59 to 60 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 2007.

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 EVENT

Significant event during the financial year is disclosed in Note 27 to the Financial Statements.

RESULTS OF OPERATIONS

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

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	The Group RM	The Company RM
Profit before tax	271,667	6,940,086
Income tax credit/(expense)	353,561	(5,861)
Net profit for the year	625,228	6,934,225

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

DIVIDENDS

A final dividend of 1 sen per share, tax-exempt, amounting to RM1,274,060 proposed in the previous financial year and dealt with in the previous directors' report, was paid on 18 May 2007.

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 proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS' REPORT (CONT'D)

SHARE OPTIONS

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

The salient features of the ESOS are as follows:

- (i) the total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;
- (ii) the ESOS shall be in force for a period of 5 years from the effective implementation date of the ESOS, subject to any extension or renewal for a further period of 5 years commencing 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 per ordinary share RM	Number of options over ordinary shares of RM0.10 each				Balance as of 31.12.2007
		Balance as of 1.1.2007	Granted	Exercised	Lapsed	
27.4.2007	0.49	5,818,900	–	–	(389,900)	5,429,000
27.4.2008	0.46	–	936,300	–	–	936,300

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:

	Number of options granted (more than 108,000 options granted)
Directors	
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
Employees	
Wong Kim Ming	108,100
Lee King You	108,100
Azidah Binti M.O.B. Hassan	108,100



DIRECTORS' REPORT (CONT'D)

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.

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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' REPORT (CONT'D)

DIRECTORS

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

Datuk Ali Bin Abdul Kadir
 Datuk Zainun Aishah Binti Ahmad
 Chok Kwee Bee
 Yong Kar Seng, Peter
 Phong Hon Voon
 David Hii Chin Yun
 Khaled H Mohareb Al-Hayen
 Wong Kim Ming (resigned on 19.06.2007)

In accordance with Article 70 of the Company's Articles of Association, Messrs. Chok Kwee Bee and Yong Kar Seng, Peter retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1.2007	Bought	Sold	Balance as of 31.12.2007
Shares in the Company				
Direct Interest				
Datuk Ali Bin Abdul Kadir	50,000	2,000,000	–	2,050,000
Datuk Zainun Aishah Binti Ahmad	50,000	–	–	50,000
Chok Kwee Bee	50,000	–	–	50,000
Yong Kar Seng, Peter	7,709,170	–	–	7,709,170
Phong Hon Voon	13,844,803	495,188	–	14,339,991
David Hii Chin Yun	11,811,478	266,713	–	12,078,191
	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1.2007	Bought	Sold	Balance as of 31.12.2007
Indirect Interest				
Datuk Ali Bin Abdul Kadir	2,950,000	–	–	2,950,000
Yong Kar Seng, Peter	211,000	–	–	211,000
Phong Hon Voon	15,827,381	–	(4,472,146)	11,355,235
David Hii Chin Yun	15,827,381	–	(4,472,146)	11,355,235



DIRECTORS' REPORT (CONT'D)

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:

	Number of options over ordinary shares of RM0.10 each			Balance as of 31.12.2007
	Balance as of 1.1.2007	Granted	Exercised	
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
Yong Kar Seng, Peter	99,000	–	–	99,000
Phong Hon Voon	108,100	–	–	108,100
David Hii Chin Yun	108,100	–	–	108,100

DIRECTORS' BENEFITS

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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 benefits 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 the options granted 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,

YONG KAR SENG, PETER

PHONG HON VOON

Kuala Lumpur,
19 March 2008



REPORT OF THE AUDITORS TO THE MEMBERS OF MICROLINK SOLUTIONS BERHAD

We have audited the accompanying balance sheets as at 31 December 2007 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 2007 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

TAN BUN POO
1304/05/08 (J/PH)
Partner

19 March 2008



INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note(s)	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	5 & 6	15,753,887	21,979,817	11,386,849	12,608,790
Cost of sales		(8,751,481)	(10,484,298)	(1,419,351)	(1,345,302)
Gross profit		7,002,406	11,495,519	9,967,498	11,263,488
Distribution costs		(882,009)	(703,961)	–	–
Administrative expenses		(5,239,845)	(3,578,150)	(2,798,649)	(1,331,905)
Other operating expenses		(962,594)	(835,139)	(323,842)	(250,951)
Other operating income		353,709	253,931	95,079	62,164
Profit before tax	7	271,667	6,632,200	6,940,086	9,742,796
Income tax credit/(expense)	8	353,561	(189,171)	(5,861)	(3,620)
Net profit for the year		625,228	6,443,029	6,934,225	9,739,176

Earnings per share attributable to ordinary equity holders of the Company

Basic (sen)	9	0.49	5.31
Diluted (sen)	9	0.49	5.28



BALANCE SHEETS

AS AT 31 DECEMBER 2007

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
ASSETS					
Non-current Assets					
Property, plant and equipment	10	949,408	778,361	171,367	230,181
Software development expenditure	11	6,475,378	5,457,992	11,014,221	8,276,210
Investment in subsidiaries	12	–	–	9,116,894	9,116,894
Goodwill on consolidation	13	2,817,852	2,817,852	–	–
Total non-current assets		10,242,638	9,054,205	20,302,482	17,623,285
Current Assets					
Trade receivables	14	3,374,558	7,243,021	–	–
Other receivables, deposits and prepaid expenses	14	1,232,120	706,385	29,523	160,787
Amount owing by subsidiaries	12	–	–	9,957,448	11,135,485
Amount due from contract customers	15	731,841	3,437,771	–	–
Short-term investments	16	9,922,364	7,780,833	6,564,660	2,251,335
Fixed deposits with licensed financial institutions	17	2,526,779	2,566,130	–	–
Cash and bank balances		3,158,603	2,107,805	347,596	416,875
Total current assets		20,946,265	23,841,945	16,899,227	13,964,482
Total Assets		31,188,903	32,896,150	37,201,709	31,587,767
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	18	12,740,600	12,740,600	12,740,600	12,740,600
Reserves	19	15,182,514	15,799,133	23,524,244	17,831,866
Total equity		27,923,114	28,539,733	36,264,844	30,572,466
Deferred Liability					
Deferred tax liabilities	20	–	374,000	–	–
Current Liabilities					
Trade payables	21	146,028	870,578	–	–
Other payables and accrued expenses	21	891,098	1,034,309	136,759	275,552
Deferred maintenance income		2,228,663	2,041,230	800,106	739,749
Tax liabilities		–	36,300	–	–
Total current liabilities		3,265,789	3,982,417	936,865	1,015,301
Total Liabilities		3,265,789	4,356,417	936,865	1,015,301
Total Equity and Liabilities		31,188,903	32,896,150	37,201,709	31,587,767



STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

The Group	Note	Issued capital		Distributable reserve - Unappropriated profit RM	Non-distributable reserve		Total RM
		Ordinary shares RM	Redeemable convertible preference shares ("RCPS") RM		Share premium RM	Equity compensation reserve RM	
Balance as at							
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)	-	-	(1,274,060)
ESOS expenses		-	-	-	-	55,104	55,104
Total recognised income and expense - profit for the financial year		-	-	6,443,029	-	-	6,443,029
Balance as at 31 December 2006/1 January 2007		12,740,600	-	12,277,301	3,466,728	55,104	28,539,733
Dividend	22	-	-	(1,274,060)	-	-	(1,274,060)
ESOS expenses		-	-	-	-	32,213	32,213
Total recognised income and expense - profit for the financial year		-	-	625,228	-	-	625,228
Balance as at 31 December 2007		12,740,600	-	11,628,469	3,466,728	87,317	27,923,114
The Company							
Balance as at							
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 31 December 2006/1 January 2007		12,740,600	-	14,310,034	3,466,728	55,104	30,572,466
Dividend	22	-	-	(1,274,060)	-	-	(1,274,060)
ESOS expenses		-	-	-	-	32,213	32,213
Total recognised income and expense - profit for the financial year		-	-	6,934,225	-	-	6,934,225
Balance as at 31 December 2007		12,740,600	-	19,970,199	3,466,728	87,317	36,264,844



CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

		The Group		The Company	
	Note	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Receipts from customers		21,491,226	16,663,746	13,870,355	6,718,469
Payments to suppliers and employees		(14,828,385)	(13,593,521)	(4,559,882)	(3,050,362)
Payments of income tax expense		(333,510)	(200,656)	(5,546)	(4,193)
Net Cash From Operating Activities		6,329,331	2,869,569	9,304,927	3,663,914
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Placement of short-term investments		(2,141,531)	(7,780,833)	(4,313,325)	(2,251,335)
Purchase of property, plant and equipment		(437,749)	(313,132)	–	(16,296)
Proceeds from disposal of property, plant and equipment		–	100	–	–
Software development expenditure incurred		(1,761,905)	(2,680,185)	(3,827,526)	(6,451,167)
Interest received		336,736	252,775	80,080	62,284
Net Cash Used In Investing Activities		(4,004,449)	(10,521,275)	(8,060,771)	(8,656,514)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		–	7,240,177	–	7,240,177
Share issue expenses		(39,375)	(1,161,625)	(39,375)	(1,161,625)
Dividend paid		(1,274,060)	(1,274,060)	(1,274,060)	(1,274,060)
Net Cash (Used In)/From Financing Activities		(1,313,435)	4,804,492	(1,313,435)	4,804,492
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		1,011,447	(2,847,214)	(69,279)	(188,108)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
		4,673,935	7,521,149	416,875	604,983
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	24	5,685,382	4,673,935	347,596	416,875

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 19 March 2008.

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 Standard 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 ("FRS") issued by MASB that are relevant to their operations and effective for annual periods beginning on or after 1 January 2007 as follows:

FRS 117	Leases
FRS 124	Related Party Disclosures
Amendments to FRS 119 ₂₀₀₄	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the abovementioned revised FRSs has not resulted in substantial changes to the Group's and the Company's accounting policies and does not have any material financial effect on the financial statements of the Group and of the Company for the current and prior financial years.

Accounting Standards Issued but Not Effective

At the date of authorisation of the financial statements, the following FRSs, amendments to FRS and Interpretations were in issue but are not yet effective until future periods:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provision, Contingent Liabilities and Contingent Assets
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Accounting Standards Issued but Not Effective (Cont'd)

IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The directors anticipate that the adoption of these FRSs, amendments to FRS and Interpretations in future periods will have no material financial effect on the financial statements of the Group and of the Company.

The effective adoption date of FRS 139 is yet to be determined by MASB. The adoption of FRS 139 is not expected to have any significant financial effect on the results of operations of the Group and of the Company.

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

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

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

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

Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue

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

Revenue in respect of sales of 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.

Leases

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

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

Contracts

Revenue from and expenses of contracts that are of longer duration are recognised by reference to the stage of completion of the contract activity. Contract costs consist of costs that relate directly to the specific project, costs that are attributable to contract activity in general and can be allocated to the project and such other costs as are specifically chargeable to the customer under 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 of the Company. Sick leaves are recognised when the absences occur.

(b) *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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 period 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 statement, 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

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statements for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statements for the year except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Impairment of Assets

The carrying amounts of property, plant and equipment, software development expenditure 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 carrying 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

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

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

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

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-term equity investment of more than 50% and/or power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

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

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

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.

5. REVENUE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Projects	7,602,240	14,545,627	–	–
Maintenance income:				
Third parties	5,848,517	5,855,719	–	–
Subsidiaries	–	–	1,639,965	1,852,070
Small scale projects and integration charges:				
Third parties	2,303,130	1,578,471	–	–
Subsidiaries	–	–	8,440,212	7,769,285
Software licensing fee charged to subsidiaries	–	–	1,306,672	2,987,435
	15,753,887	21,979,817	11,386,849	12,608,790

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. OPERATING COSTS APPLICABLE TO REVENUE

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cost of software and hardware	1,099,100	4,197,726	–	–
Contract costs recognised	4,530,048	3,316,577	–	–
Information technology solutions services received	–	1,477,868	–	–
Directors' remuneration:				
Emoluments	787,938	832,489	769,951	832,489
Contributions to EPF	69,269	75,312	69,269	75,312
Staff costs	857,207	907,801	839,220	907,801
Depreciation of property, plant and equipment	5,833,260	3,341,240	1,962,724	1,252,278
Amortisation of software development expenditure	266,679	223,763	58,814	58,272
Other operating expenses	663,679	556,273	241,596	154,398
	2,585,956	1,580,300	1,439,488	555,409
	15,835,929	15,601,548	4,541,842	2,928,158

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 RM833,710 (RM514,707 in 2006) and RM366,424 (RM218,127 in 2006) respectively.

The remunerations of the key management personnel, which are the directors' remuneration, are as disclosed above.

7. PROFIT BEFORE TAX

This is arrived at:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
After charging:				
Rental of office	271,370	222,293	48,798	–
Realised loss on foreign exchange	99,380	31,435	–	–
Auditors' remuneration:				
Current year	50,000	30,960	25,000	7,980
Under provision in prior years	15,040	–	10,020	4,000
Loss on disposal of property, plant and equipment	23	–	–	–
And crediting:				
Interest income	338,709	247,998	80,080	62,164
Gain on disposal of property, plant and equipment	–	100	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense consists of the following:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Estimated tax payable:				
Current year	5,316	359,202	3,816	3,701
(Over)/Underprovision in prior years	15,123	(25,031)	2,045	(81)
	20,439	334,171	5,861	3,620
Deferred tax (Note 20):				
Current year	(374,000)	(79,500)	–	–
Overprovision in prior years	–	(65,500)	–	–
	(374,000)	(145,000)	–	–
	(353,561)	189,171	5,861	3,620

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 2007, the Company has tax-exempt income of RM18,990,000 (RM15,489,000 in 2006) 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	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before tax	271,667	6,632,200	6,940,086	9,742,796
Tax at applicable tax rates of:				
20% on first RM500,000 of profit	–	100,000	–	–
27% (28% in 2006) thereafter	73,350	1,717,016	1,873,823	2,727,983
Tax effects of non-deductible expenses	113,966	133,108	46,993	90,015
Pioneer status tax-exempt income	(908,000)	(1,651,422)	(1,325,000)	(2,707,297)
Deferred tax liabilities not recognised	(592,000)	(107,000)	(592,000)	(107,000)
Deferred tax assets not recognised	944,000	88,000	–	–
(Over)/Underprovision in prior years:				
Estimated tax payable	15,123	(25,031)	2,045	(81)
Deferred tax	–	(65,500)	–	–
	(353,561)	189,171	5,861	3,620

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 number of/weighted average number of ordinary shares in issue during the year.

	The Group	
	2007 RM	2006 RM
Profit attributable to ordinary equity holders of the Company	625,228	6,443,029
Number of/Weighted average number of ordinary shares of RM0.10 each in issue	127,406,000	121,353,485
Basic earnings per share (sen)	0.49	5.31

(b) Diluted earnings per share

For the diluted earnings per share calculation, the number of/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	
	2007 RM	2006 RM
Profit attributable to ordinary equity holders of the Company	625,228	6,443,029
Number of/Weighted average number of ordinary shares of RM0.10 each in issue	127,406,000	121,353,485
Adjustments for share options	–	727,761
	127,406,000	122,081,246
Diluted earnings per share (sen)	0.49	5.28

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. PROPERTY, PLANT AND EQUIPMENT

The Group	Furniture and fittings RM	Office equipment RM	Computer software and hardware RM	Motor vehicles RM	Renovations RM	Total RM
Cost						
Balance as of						
1 January 2006	226,299	285,734	2,506,823	125,019	119,837	3,263,712
Additions	546	50	278,016	–	34,520	313,132
Disposals	–	–	(29,949)	(125,019)	–	(154,968)
Balance as of						
1 January 2007	226,845	285,784	2,754,890	–	154,357	3,421,876
Reclassification	–	4,020	(4,020)	–	–	–
Additions	25,437	28,950	325,138	–	58,224	437,749
Disposals	(44,980)	(12,774)	(137,522)	–	–	(195,276)
Balance as of						
31 December 2007	207,302	305,980	2,938,486	–	212,581	3,664,349
Accumulated Depreciation						
Balance as of						
1 January 2006	144,416	260,274	2,031,978	123,139	14,913	2,574,720
Charge for the year	24,662	9,340	175,321	1,880	12,560	223,763
Disposals	–	–	(29,949)	(125,019)	–	(154,968)
Balance as of						
1 January 2007	169,078	269,614	2,177,350	–	27,473	2,643,515
Reclassification	(475)	5	470	–	–	–
Charge for the year	24,160	10,083	214,082	–	18,354	266,679
Disposals	(44,958)	(12,774)	(137,521)	–	–	(195,253)
Balance as of						
31 December 2007	147,805	266,928	2,254,381	–	45,827	2,714,941
Net Book Value						
Balance as of						
31 December 2007	59,497	39,052	684,105	–	166,754	949,408
Balance as of						
31 December 2006	57,767	16,170	577,540	–	126,884	778,361

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

The Company	Furniture and fittings RM	Office equipment RM	Computer software and hardware RM	Renovations RM	Total RM
Cost					
Balance as of 1 January 2006	79,178	14,360	123,754	116,651	333,943
Additions	16,296	–	–	–	16,296
Balance as of 1 January 2007	95,474	14,360	123,754	116,651	350,239
Reclassification	(16,296)	–	16,296	–	–
Balance as of 31 December 2007	79,178	14,360	140,050	116,651	350,239
Accumulated Depreciation					
Balance as of 1 January 2006	24,297	3,271	19,437	14,781	61,786
Charge for the year	15,836	2,872	27,899	11,665	58,272
Balance as of 1 January 2007	40,133	6,143	47,336	26,446	120,058
Charge for the year	15,836	2,872	28,441	11,665	58,814
Balance as of 31 December 2007	55,969	9,015	75,777	38,111	178,872
Net Book Value					
Balance as of 31 December 2007	23,209	5,345	64,273	78,540	171,367
Balance as of 31 December 2006	55,341	8,217	76,418	90,205	230,181

Included in the cost of property, plant and equipment of the Group is an amount of approximately RM2,029,000 (RM2,224,000 in 2006), representing fully depreciated property, plant and equipment which are still in use by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. SOFTWARE DEVELOPMENT EXPENDITURE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At cost:				
At beginning of year	10,548,184	7,867,999	12,302,707	5,851,540
Incurred during the year	1,761,905	2,680,185	3,827,526	6,451,167
Write off during the year	(80,840)	–	(847,919)	–
At end of year	12,229,249	10,548,184	15,282,314	12,302,707
Cumulative amortisation:				
At beginning of year	(5,090,192)	(4,533,919)	(4,026,497)	(3,872,099)
Current year amortisation	(663,679)	(556,273)	(241,596)	(154,398)
At end of year	(5,753,871)	(5,090,192)	(4,268,093)	(4,026,497)
Net book value	6,475,378	5,457,992	11,014,221	8,276,210

Current charges to software development expenditure include the following:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Staff costs:				
Salaries, bonuses and all other staff related expenses	1,453,570	2,264,406	1,086,919	1,640,762
Contributions to EPF	131,991	191,691	100,042	142,243
Rental of office	–	43,240	–	43,240
Provision of information technology solutions by subsidiaries (Note 25)	–	–	2,432,273	3,770,982

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INVESTMENT IN SUBSIDIARIES

	The Company	
	2007	2006
	RM	RM
Unquoted shares - at cost	9,116,894	9,116,894

The details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activity
		2007	2006	
		%	%	
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. Bhd.	Malaysia	100	100	Provision of information technology solutions to the financial services industry and dealing in related products.

The financial statements of the abovementioned subsidiaries are audited by Deloitte & Touche.

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	
	2007	2006
	RM	RM
At beginning and 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	
	2007	2006
	RM	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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 discount rate used is 15.3% (12.1% in 2006). 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% (13.6% in 2006). 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 2006).

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Refundable deposits	122,099	101,720	26,799	22,326
Prepaid expenses	832,871	460,548	2,660	5,168
Tax recoverable	277,150	379	64	379
Other receivables	–	143,738	–	132,914
	1,232,120	706,385	29,523	160,787

15. AMOUNT DUE FROM CONTRACT CUSTOMERS

	The Group	
	2007 RM	2006 RM
Contract costs incurred plus recognised profits	3,500,253	7,373,220
Progress billings received and receivable	(2,768,412)	(3,935,449)
Due from contract customers	731,841	3,437,771
Retention sum held by contract customers (included under trade receivables)	280,677	84,675

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. SHORT-TERM INVESTMENTS

Short-term investments are as follows:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Quoted in Malaysia				
At cost	9,922,364	7,780,833	6,564,660	2,251,335
Market value	9,922,364	7,780,833	6,564,660	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 3.00% to 3.10% (2.70% to 2.95% in 2006) per annum.

Fixed deposits of the Group have an average maturity of 1 month (1 month in 2006).

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Included in fixed deposits of the Group is an amount of RM2,515,526 (RM2,563,449 in 2006) pledged to a licensed bank as security for banking facilities granted.

As at 31 December 2007, the Group has unutilised credit facilities totalling RM2,500,000 (RM2,500,000 in 2006) obtained from a licensed bank. These facilities are secured by way of lien over fixed deposits of a subsidiary supported by letter of set-off. The credit facilities bear interest at rate of 8.10% (2.70% to 7.73% in 2006) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. SHARE CAPITAL

	The Group and The Company	
	2007 RM	2006 RM
Authorised:		
Ordinary shares of RM1.00/RM0.10 each		
At beginning of year:		
250,000,000 ordinary shares of RM0.10 each in 2007; 4,000,000 ordinary shares of RM1.00 each in 2006	25,000,000	4,000,000
Reclassified from RCPS of RM1.00 each:		
Nil in 2007; 1,000,000 ordinary shares of RM1.00 each in 2006	–	1,000,000
Created during the year:		
Nil in 2007; 20,000,000 ordinary shares of RM1.00 each in 2006	–	20,000,000
Share split*	–	–
At end of year:		
250,000,000 ordinary shares of RM0.10 each	25,000,000	25,000,000
Redeemable convertible preference shares of RM1.00 each ("RCPS"):		
At beginning of year	–	1,000,000
Reclassified to ordinary shares	–	(1,000,000)
At end of year	–	–
Total	25,000,000	25,000,000
Issued and fully paid:		
Ordinary shares of RM1.00/RM0.10 each		
At beginning of year:		
127,406,000 ordinary shares of RM0.10 each in 2007; 660,000 ordinary shares of RM1.00 each in 2006	12,740,600	660,000
Conversion of RCPS of RM1.00 each:		
Nil in 2007; 440,000 ordinary shares of RM1.00 each in 2006	–	440,000
Restricted issue:		
Nil in 2007; 114,800 ordinary shares of RM1.00 each in 2006	–	114,800
Share split*	–	–
Bonus issue:		
Nil in 2007; 103,258,000 ordinary shares of RM0.10 each in 2006	–	10,325,800
Public issue:		
Nil in 2007; 12,000,000 ordinary shares of RM0.10 each in 2006	–	1,200,000
At end of year:		
127,406,000 ordinary shares of RM0.10 each	12,740,600	12,740,600
RCPS of RM1.00 each:		
At beginning of year	–	440,000
Conversion during the year	–	(440,000)
At end of year	–	–
Total	12,740,600	12,740,600

* 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. RESERVES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Distributable:				
Unappropriated profit	11,628,469	12,277,301	19,970,199	14,310,034
Non-distributable:				
Share premium	3,466,728	3,466,728	3,466,728	3,466,728
Equity compensation reserve	87,317	55,104	87,317	55,104
	15,182,514	15,799,133	23,524,244	17,831,866

	The Group and the Company	
	Share premium RM	Equity compensation reserve RM
Balance as at 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 2006/1 January 2007	3,466,728	55,104
Recognition of share-based payments	–	32,213
Balance as at 31 December 2007	3,466,728	87,317

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 out of its entire unappropriated profit as at 31 December 2007 without additional tax liabilities being incurred.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Company is given an irrevocable option to disregard the balance of dividend franking credit that is available in order to switch to the new single tier system from the year of assessment 2008. Upon such election, the Company will only be allowed to distribute single tier exempt dividend (without tax credit attached) to shareholders and the recipient of the dividend will not be able to claim tax credit as in the previous imputation system. As at the end of the financial year, the Company has not elected to switch to the single tier tax system.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. DEFERRED TAX LIABILITIES

	The Group	
	2007	2006
	RM	RM
At beginning of year	374,000	519,000
Transfer to income statements (Note 8)	(374,000)	(145,000)
At end of year	–	374,000

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

	The Group	
	2007	2006
	RM	RM
Software development expenditure	–	267,000
Property, plant and equipment	–	107,000
	–	374,000

As at 31 December 2007, 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	
	2007	2006
	RM	RM
Tax effects of temporary differences arising from:		
Property, plant and equipment	132,000	24,000
Software development expenditure	134,000	165,000
	266,000	189,000

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 2007, 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 Group Deferred Tax Asset	
	2007	2006
	RM	RM
Tax effects of unused tax losses	1,032,000	88,000

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 2006).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	111,225	48,080	17,043	22,195
Accrued expenses	779,873	986,229	119,716	253,357
	891,098	1,034,309	136,759	275,552

22. DIVIDEND

	The Group and the Company	
	2007 RM	2006 RM
In respect of financial year ended 31 December 2006:		
Interim dividend of 1 sen per share, tax-exempt	–	1,274,060
Final dividend of 1 sen per share, tax-exempt	1,274,060	–
	1,274,060	1,274,060

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances				
Ringgit Malaysia	3,101,513	1,659,657	347,596	416,875
United States Dollar	57,090	448,148	–	–
	3,158,603	2,107,805	347,596	416,875
Trade receivables				
Ringgit Malaysia	2,449,878	5,753,266	–	–
Brunei Dollar	102,127	–	–	–
United States Dollar	822,553	1,489,755	–	–
	3,374,558	7,243,021	–	–

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 of 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		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	3,158,603	2,107,805	347,596	416,875
Fixed deposits with licensed financial institutions	2,526,779	2,566,130	–	–
	5,685,382	4,673,935	347,596	416,875

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. RELATED PARTY TRANSACTIONS

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Subsidiaries				
Provision of information technology solutions to subsidiaries	–	–	10,080,177	9,621,355
Software licensing fee charged to subsidiaries	–	–	1,306,672	2,987,435
Provision of information technology solutions by subsidiaries (Note 11)	–	–	2,432,273	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	23,272	10,040	–	–

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 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	985,711	1,136,350	108,507	252,131

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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	
	2007	2006
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
Yong Kar Seng, Peter	99,000	99,000
Phong Hon Voon	108,100	108,100
David Hii Chin Yun	108,100	108,100

26. SEGMENTAL REPORTING

Geographical Segments

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

	2007 RM	2006 RM
Revenue		
Malaysia	13,828,420	19,202,153
Middle East and North Africa Region	1,925,467	2,777,664
	15,753,887	21,979,817
Total assets		
Malaysia	31,188,903	32,896,150
Total liabilities		
Malaysia	3,265,789	4,356,417
Capital expenditure		
Malaysia	437,749	313,132

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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. SIGNIFICANT EVENT

On 25 May 2007, Microlink Worldwide Sdn. Bhd. ("MWSB"), a wholly-owned subsidiary of the Company, entered into a Joint Venture Agreement with Technology World Company ("TWC") whereby MWSB and TWC have agreed to collaborate in distributing Microlink Banking Solutions ("MiBS") in the Middle East and North Africa Region (the "Territory") via a new joint-venture company ("JV") which will be established for the purpose of providing sales and support services for MiBS within the Territory.

The JV shall be incorporated in the State of Kuwait, with an authorised share capital of USD200,000 comprising 200,000 shares of USD1.00 each which shall be held in proportion of 50% each by MWSB and TWC respectively. As at 31 December 2007, the JV has yet to be incorporated, pending the approval of certain legal documentation from the respective authorities of the State of Kuwait.



STATEMENT BY DIRECTORS

The Directors of **MICROLINK SOLUTIONS BERHAD** state that, in their opinion, the accompanying balance sheets and the related 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 2007 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,

YONG KAR SENG, PETER

PHONG HON VOON

Kuala Lumpur,
19 March 2008

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DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG KIM MING**, the Officer primarily responsible for the financial management of **MICROLINK SOLUTIONS BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related 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 19th day of
March 2008.

Before me,

COMMISSIONER FOR OATHS



ANALYSIS OF SHAREHOLDINGS

AS AT 17 MARCH 2008

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

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	11	1.71	518	0.00
100-1,000	106	16.51	98,766	0.08
1,001-10,000	278	43.30	1,502,976	1.18
10,001-100,000	196	30.53	6,848,845	5.38
100,001 to less than 5% of issued shares	43	6.70	27,955,358	21.94
5% and above of issued shares	8	1.25	90,999,537	71.42
Total	642	100	127,406,000	100

DIRECTORS' SHAREHOLDING

No.	Name of Directors	Direct Interest		Indirect Interest	
		No. of Shares held	%	No. of Shares held	%
1	Datuk Ali Bin Abdul Kadir	2,050,000	1.61	2,950,000 ¹	2.32
2	Phong Hon Voon	12,639,991	9.92	10,555,235 ²	8.28
3	David Hii Chin Yun	11,628,191	9.13	10,555,235 ²	8.28
4	Datuk Zainun Aishah Binti Ahmad	50,000	0.04	—	—
5	Chok Kwee Bee	50,000	0.04	—	—
6	Yong Kar Seng, Peter	7,709,170	6.05	211,000	0.17
7	Khaled H Mohareb Al-Hayen	—	—	—	—

SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	Direct Interest		Indirect Interest	
		No. of Shares held	%	No. of Shares held	%
1	HDM Nominees (Asing) Sdn. Bhd. Technology World Company (KSC)	25,483,100	20.00	—	—
2	Phong Hon Voon	12,639,991	9.92	10,555,235 ²	8.28
3	BI Walden Ventures Ketiga Sdn. Bhd.	11,437,500	8.98	—	—
4	MiBS Systems Sdn. Bhd.	10,555,235	8.28	—	—
5	Wong Kim Ming	8,827,793	6.93	10,555,235 ²	8.28
6	Yong Kar Seng, Peter	7,709,170	6.05	211,000	0.17
7	David Hii Chin Yun	11,628,191	9.13	10,555,235 ²	8.28
8	Insas Plaza Sdn. Bhd.	6,988,200	5.48	—	—
9	Bank Perusahaan Kecil & Sederhana Malaysia Berhad	—	—	11,437,500 ³	8.98
10	Malayan Banking Berhad	—	—	11,437,500 ³	8.98
11	Khazanah Nasional Berhad	—	—	11,437,500 ³	8.98

Note:

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

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

³ 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 17 MARCH 2008

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	%
1	HDM Nominees (Asing) Sdn. Bhd. Technology World Company (KSC)	25,483,100	20.00
2	Phong Hon Voon	12,639,991	9.92
3	BI Walden Ventures Ketiga Sdn. Bhd.	11,437,500	8.98
4	MiBS Systems Sdn. Bhd.	10,555,235	8.28
5	Wong Kim Ming	8,827,793	6.93
6	Yong Kar Seng, Peter	7,709,170	6.05
7	David Hii Chin Yun	7,358,548	5.78
8	Insas Plaza Sdn. Bhd.	6,988,200	5.48
9	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For David Hii Chin Yun (SFC)	4,269,643	3.35
10	Oxfordtrax Sdn. Bhd.	2,950,000	2.32
11	Kenanga Nominees (Asing) Sdn. Bhd. UOB Kay Hian Pte. Ltd. For Ng Kiang Tong	2,639,165	2.07
12	Ambank (M) Berhad Pledged Securities Account For Ali Bin Abdul Kadir (Smart)	2,000,000	1.57
13	Lee King You	1,952,196	1.53
14	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For Credit Suisse (HK BR-TST-ASING)	1,873,000	1.47
15	HDM Nominees (Asing) Sdn. Bhd. Amfraser Securities Pte. Ltd. For Zheng Liyan (108153A)	1,521,300	1.19
16	Multi-Purpose Insurans Bhd.	1,070,300	0.84
17	HLG Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account For Ong Chin Seong	809,000	0.63
18	Azidah Binti M.O.B. Hassan	781,806	0.61
19	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For Credit Suisse (SG BR-TST-ASING)	631,900	0.50
20	Chen Kwee Ling	503,785	0.40
21	Kenanga Nominees (Asing) Sdn. Bhd. UOB Kay Hian Pte. Ltd. For Ng Chew Gek	496,400	0.39
22	Khalid Bin Sufat	458,000	0.36
23	Jaganath Derek Steven Sabapathy	400,000	0.31
24	Yeong Kok Hee	390,000	0.31
25	M & A Nominee (Tempatan) Sdn. Bhd. Titan Express Sdn. Bhd.	319,300	0.25
26	Ong Lay Beng	311,600	0.24
27	Tay Jui Seng	300,000	0.24
28	M & A Nominee (Asing) Sdn. Bhd. Anglo Asia Investments Limited	300,000	0.24
29	Sam Kwai Kuen	290,000	0.23
30	HSBC Nominees (Tempatan) Sdn. Bhd. Malachakravarthy Odhayakumar (HBMB301-49)	261,000	0.20

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of Microlink Solutions Berhad will be held at Alamanda Room, Dorsett Regency Hotel, 172, Jalan Imbi, 55100 Kuala Lumpur on Friday, 25 April 2008 at 11.30 a.m. for the following purposes:

AGENDA

As Ordinary Business

- | | |
|--|------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 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 2007. | 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 2007 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) Yong Kar Seng, Peter | Ordinary Resolution 4 |
| (ii) Chok Kwee Bee | Ordinary Resolution 5 |
| 5. To re-appoint Messrs. Deloitte & Touche as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

As Special Business

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

- | | |
|--|------------------------------|
| 6. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 | Ordinary Resolution 7 |
| <p>"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."</p> | |
| 7. To transact any other business that may be transacted at an Annual General Meeting of which, due notice shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association. | |

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 2007, if approved at the Fifth Annual General Meeting of the Company, will be payable on 19 May 2008 to Depositors registered in the Record of Depositors at the close of business on 5 May 2008.

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 5 May 2008 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.

BY ORDER OF THE BOARD

WOO YING PUN
LOH YIN FUN
 Company Secretaries

4 April 2008
 Kuala Lumpur

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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.
5. Explanatory Notes on Special Business:
 - (a) The proposed Ordinary Resolution 7, 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Statement Accompanying Notice of Annual General Meeting

1. The Fifth Annual General Meeting of the Company will be held at Alamanda Room, Dorsett Regency Hotel, 172, Jalan Imbi, 55100 Kuala Lumpur on Friday, 25 April 2008 at 11.30 a.m

2. **Directors who are standing for re-election at the Fifth 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) Yong Kar Seng, Peter
- (ii) Chok Kwee Bee

The detail of the above Directors standing for re-election are set out on pages 8 to 10 and page 15 of this Annual Report.

Their shareholdings in the Company are set out in the Analysis of Shareholdings which appeared on pages 63 and 64 of this Annual Report.

3. **Board Meeting held in the Financial Year Ended 31 December 2007**

A total of five (5) Board Meeting were held during the financial year ended 31 December 2007. Details of attendance of the Directors at the Board Meetings as disclosed on page 15 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

I/We _____ 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 Fifth Annual General Meeting of the Company to be held at Alamanda Room, Dorsett Regency Hotel, 172, Jalan Imbi, 55100 Kuala Lumpur on Friday, 25 April 2008 at 11.30 a.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2007 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 2007.		
3.	To declare a Final Tax-Exempt Dividend of 1.0 sen per share in respect of the financial year ended 31 December 2007 as recommended by the Directors.		
4.	To re-elect Yong Kar Seng, Peter as Director who retires pursuant to Article 70 of the Company's Articles of Association.		
5.	To re-elect Chok Kwee Bee as Director who retires pursuant to Article 70 of the Company's Articles of Association.		
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.		
7.	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		

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

Signed this _____ day of _____ 2008

.....
Signature/Common Seal of Shareholder(s)

*[*Delete if not applicable]*

Notes :

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and if he is not a member of the Company, Section 149(1) (b) of the Companies Act, 1965 shall not be applicable.
2. 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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