

Interim Financial Report on Consolidated Results for the Financial Quarter Ended 31 March 2017

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND
OTHER COMPREHENSIVE INCOME**

(The figures have not been audited)

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	5,795	6,221	5,795	6,221
Cost of sales	(2,150)	(2,318)	(2,150)	(2,318)
Gross profit	3,645	3,903	3,645	3,903
Other income	156	122	156	122
Other operating expenses	(358)	(540)	(358)	(540)
Marketing expenses	(6)	(35)	(6)	(35)
Administrative expenses	(1,305)	(1,232)	(1,305)	(1,232)
Finance costs	-	-	-	-
Profit before tax	2,132	2,218	2,132	2,218
Tax expense	(475)	(613)	(475)	(613)
Profit for the period	1,657	1,605	1,657	1,605
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	1,657	1,605	1,657	1,605
Profit for the period attributable to:				
Owners of the parent	1,657	1,741	1,657	1,741
Non-controlling interests	-	(136)	-	(136)
	1,657	1,605	1,657	1,605
Earnings per share				
- Basic (sen)	0.80	0.84	0.80	0.84
- Diluted (sen)	N/A	N/A	N/A	N/A

(The unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Quarter Ended 31 March 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	Note	(Unaudited) 31.03.2017 RM'000	(Audited) 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		15,687	15,908
Development costs		9,955	9,832
Total non-current assets		25,642	25,740
Current assets			
Inventories		27	26
Trade and other receivables		4,659	3,962
Cash and cash equivalents	B7	22,271	23,329
Total current assets		26,957	27,317
TOTAL ASSETS		52,599	53,057
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		20,687	20,687
Share premium		57	-
Reserves		24,265	24,815
		45,009	45,502
Non-controlling interests		-	(81)
TOTAL EQUITY		45,009	45,421

(The unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Quarter Ended 31 March 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(The figures have not been audited)

	Note	(Unaudited) 31.03.2017 RM'000	(Audited) 31.12.2016 RM'000
EQUITY AND LIABILITIES			
(continued)			
Non-current liabilities			
Borrowings	B8	3,995	4,240
Deferred tax liabilities		63	63
Total non-current liabilities		4,058	4,303
Current liabilities			
Trade and other payables		2,355	2,291
Borrowings	B8	981	981
Current tax liabilities		196	61
Total current liabilities		3,532	3,333
TOTAL LIABILITIES		7,590	7,636
TOTAL EQUITY AND LIABILITIES		52,599	53,057
Net assets per share attributable to equity holders of the Company (RM)		0.22	0.21

(The unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Quarter Ended 31 March 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Total Attributable to the Owners of the Parent RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
<u>3 Months Period Ended</u>						
<u>31 March 2017</u>						
At 1 January 2017	20,687	57	24,758	45,502	(81)	45,421
Total comprehensive income for the period	-	-	1,657	1,657	-	1,657
NCI reclassification as result of acquisition of In sage	-	-	(81)	(81)	81	-
Dividend paid	-	-	(2,069)	(2,069)	-	(2,069)
At 31 March 2017	<u>20,687</u>	<u>57</u>	<u>24,265</u>	<u>45,009</u>	<u>-</u>	<u>45,009</u>
<u>3 Months Period Ended</u>						
<u>31 March 2016</u>						
At 1 January 2016	20,677		23,263	43,940	506	44,446
Total comprehensive income for the period	-		1,741	1,741	(136)	1,605
Dividend paid	-		(2,068)	(2,068)	-	(2,068)
At 31 March 2016	<u>20,677</u>		<u>22,936</u>	<u>43,613</u>	<u>370</u>	<u>43,983</u>

(The unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Quarter Ended 31 March 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(The figures have not been audited)

	3 Months Period Ended	
	31.03.2017	31.03.2016
Note	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,132	2,217
Adjustments for:		
Amortisation of development costs	519	475
Depreciation of property, plant and equipment	236	378
Unrealised loss/(gain) on foreign exchange	11	39
Gain on disposal of property, plant and equipment	-	(22)
Interest income from deposits with licensed banks	(148)	(121)
Operating profit before working capital changes	2,750	2,966
Changes in working capital:		
Increase in inventories	-	51
(Increase)/decrease in trade and other receivables	(607)	975
(Decrease) in trade and other payables	(31)	(264)
Increase in development cost	(641)	(747)
Cash generated from operations	1,471	2,981
Tax paid	(340)	(340)
Net cash from operating activities	1,131	2,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	148	121
Purchase of property, plant and equipment	(16)	(71)
Proceeds from disposal of property, plant and equipment	-	22
Net cash used in investing activities	132	72

Interim Financial Report on Consolidated Results for the Financial Quarter Ended 31 March 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(The figures have not been audited)

		3 Months Period Ended	
	Note	31.03.2017	31.03.2016
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of			
- Term loan		(245)	(245)
Interest paid		-	-
Dividend paid		(2,069)	(2,068)
Net cash used in financing activities		(2,314)	(2,313)
 Net decrease in cash and cash equivalents		 (1,051)	 400
Effects of exchange rate changes		(7)	(39)
 Cash and cash equivalents at 1 January		 23,329	 19,702
Cash and cash equivalents at 31 March	B7	22,271	20,063

Notes:

* Denotes amount less than RM1,000

(The unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”)

A1. Basis of Preparation

The unaudited interim financial statements, for the period ended 31 March 2017, have been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The unaudited interim financial statements should be read in conjunction with the annual audited financial statements of the Group for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

Since the previous annual audited financial statements as at 31 December 2016 were issued, the Group has adopted the Malaysia Financial Reporting Standards (“MFRS”) framework issued by MASB with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converged Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board.

At the date of issuance of this unaudited interim financial statements, the MFRSs, amendments to MFRSs and IC Interpretation have been issued by MASB but not yet effective are as listed below:

New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The Standards and Amendments that are issued but not yet effective up to the date of issuance of financial statements of the Group and the Company are disclosed below. The Group and the Company intend to adopt these Standards and Amendments, if applicable, when they become effective.

<u>Title</u>	<u>Effective date</u>
Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2017
Amendments to MFRS 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) (continued)

A1. Basis of Preparation (continue)

Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	See MFRS 4 Paragraphs 46 and 48
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Amendments and Standards, since the effects would only be observable for the future financial years.

A2. Auditors’ Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2016 was not qualified.

A3. Seasonality or Cyclicity of Interim Operations

There were no seasonal or cyclical factors affecting the results of the Group for the current financial quarter under review.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the current financial quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5. Material Changes in Accounting Estimates

There was no material changes in estimates of amounts reported in the prior financial year that has a material effect on the current financial quarter under review.

A6. Issuances, Cancellation, Repurchases, Resale and Repayments of Debts and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial quarter under review.

A7. Dividends Paid and Distributed

On 24 February 2017, the Board of Directors had declared a first interim tax exempt dividend of 1.0 sen per ordinary share, amounting to approximately RM2.06 million in respect of financial year ending 31 December 2017. The dividend was paid to the shareholders of EForce on 28 March 2017.

A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) (continued)

A7. Dividends Paid and Distributed (continue)

On 19 May 2017, the Board of Directors had declared a second interim tax exempt dividend of 1.5 sen per ordinary share, amounting to approximately RM3.09 million in respect of financial year ending 31 December 2017. The dividend will be paid to the shareholders of EForce on 16 June 2017.

A8. Segmental Reporting

Segment information is presented in respect of the Group’s business segments.

- (i) Application Solutions (“AS”)
 - Sales of software applications and product on an outright purchase basis.
- (ii) Application Services Providers (“ASP”)
 - Income from outsourcing service charge which is volume and transaction based.
- (iii) Maintenance Services
 - Provision of maintenance services.

(a) Individual quarter

<u>3 Months Period Ended</u> <u>31 March 2017</u>	AS RM’000	ASP RM’000	Maintenance Services RM’000	Total RM’000
Revenue				
Total revenue	1,399	3,977	498	5,874
Inter-segment revenue	-	(79)	-	(79)
Revenue from external customers	1,399	3,898	498	5,795
Results				
Segment results	632	1,122	231	1,985
Finance costs	-	-	-	-
Interest income from deposits with licensed bank	35	99	13	147
Profit before tax				2,132
Income tax expense				(475)
Net profit for the period / Total comprehensive income for the period				1,657

A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) (continued)

<u>3 Months Period Ended</u> <u>31 March 2016</u>	AS RM’000	ASP RM’000	Maintenance Services RM’000	Total RM’000
Revenue				
Total revenue	1,853	4,017	473	6,343
Inter-segment revenue	-	(122)	-	(122)
Revenue from external customers	1,853	3,895	473	6,221
Results				
Segment results	653	1,158	285	2,096
Finance costs	-	-	-	-
Interest income from deposits with licensed bank	36	77	9	122
Profit before tax				2,218
Income tax expense				(613)
Net profit for the period / Total comprehensive income for the period				1,605

A9. Subsequent Material Event

There was no material event subsequent to the current financial quarter ended 31 March 2017 up to the date of the announcement of this report which is likely to substantially affect the results of the operations of the Group for the current financial quarter under review.

A10. Changes in the Composition of the Group

The Board of Directors of Excel Force MSC Berhad (“EFORCE” or “the Company”) wishes to announce that the Company has on 31 March 2017 entered into a Share Sale Agreement to acquire its remaining shareholding of 80,000 ordinary shares in Insage MSC Sdn. Bhd. (“Insage”), representing 40% of the total issued and paid up share capital of Insage, from Mr. Kek Chin Wu and Ms. Kek Pei Chin holding an equal amount of 40,000 Insage Shares each for a total cash consideration of RM1.00 (“the Acquisition”). Upon the Acquisition, Insage shall be a wholly-owned subsidiary of EFORCE

A11. Changes in Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets for the current financial quarter under review.

A12. Recurrent Related Party Transactions (“RRPT”)

There were no RRPT in the Group during the current financial quarter under review.

A13. Capital Commitments

As at 31 March 2017, the Group has no material capital commitment in respect of property, plant and equipment.

B. EXPLANATORY NOTES AS PER MAIN MARKET LISTING REQUIREMENTS (APPENDIX 9B)

B1. Review of Group's Performance

Current Year -to date vs. Previous Year-to date

For the 3 months ended 31 March 2017, the Group registered a turnover of RM5.8 million, decrease by 7% or RM425K compared to the same corresponding period a year ago. The decrease in revenue is mainly due to lower contribution from Application Solution (AS) segment. The disposal of subsidiaries (CMRA and Winvest) last year also attributed to the lower revenue.

The profit before tax (PBT) for the period under review stood at RM2.1 million, lower by RM85K or 4% as compared to the same period last year. The decrease in revenue was mainly attributed by lower revenue, partly offset by lower cost of sales and operating expenditure.

The profit after tax (PAT) recorded at RM1.7 million, an increase of RM52K or 3% compared to same corresponding period last year.

B2. Variation of Results against Preceding Quarter

	Q1 2017	Q4 2016	< ----- Increase ----- >	
	RM'000	RM'000	RM'000	%
Revenue	5,795	5,170	626	12
PBT	2,132	1,986	146	7
PAT	1,657	1,551	106	7

The Group's revenue for current quarter record at RM5.8 million, increase by RM626K or 12% compared to immediate preceding quarter. This was attributed by higher sales recorded in Maintenance segment and Application Service providers (ASP).

PBT in current quarter stood at RM2.1 million, increase of 7% or RM146K compared to immediate preceding quarter. This was mainly attributed by higher revenue recorded for the quarter, but was offset partly by higher operating expenditure.

PAT recorded at RM1.7 million, increase of 7% or RM106K as compared to immediate preceding quarter due to higher provision for taxation.

B3. Prospects for 2017

Our business performance is closely linked to the performance of our stockbroking and investment banking customers. They had a good start in 2017 as the value of shares traded on Bursa had increased by 26% when compared to the same quarter last year. MIDF Equities Research reported strong foreign buying momentum. We are cautiously optimistic of our business outlook if this trend continues.

Our quest for efficiency and productivity gain is gathering pace within our company. We are streamlining processes and procedures by removing activities that no longer add value, and realigning workflow to increase speed of work output with high quality standard. Our goal is to free up capacity within our existing resource pool to contribute more effectively to our business goals.

B. EXPLANATORY NOTES AS PER MAIN MARKET LISTING REQUIREMENTS (APPENDIX 9B) (continued)

B4. Variance of Profit Forecast and Shortfall in Profit Guarantee

The Group has not issued any profit forecast nor profit guarantee for the current financial quarter under review and the financial period to-date.

B5. Taxation

The taxation charge for the individual financial quarter and the cumulative financial quarter are as follows:

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31.03.17 RM'000	31.03.16 RM'000	31.03.17 RM'000	31.03.16 RM'000
Income tax	475	613	475	613
Deferred tax	-	-	-	-
	<u>475</u>	<u>613</u>	<u>475</u>	<u>613</u>

B6. Status of Corporate Proposals

There were no corporate proposals announced as at the date of this quarterly report.

B7. Cash and cash equivalents

The Group cash and cash equivalents as at 31 March 2017 comprise of:-

	RM'000
Cash in hand	17
Cash at banks	6,506
Short term fund - Investment in fixed income trust funds	15,748
	<u>22,271</u>

B8. Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2017 were as follow:-

	Term Loan RM'000	Finance Lease RM'000	Hire Purchase RM'000	Total RM'000
Current	981	-	-	981
Non-current	3,995	-	-	3,995
	<u>4,976</u>	<u>-</u>	<u>-</u>	<u>4,976</u>

B. EXPLANATORY NOTES AS PER MAIN MARKET LISTING REQUIREMENTS (APPENDIX 9B) (continued)

B9. Off Balance Sheet Financial Instruments

The Company does not have any off balance sheet financial instruments as at the date of this report.

B10. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B11. Dividends

On 24 February 2017, the Board of Directors had declared a first interim tax exempt dividend of 1.0 sen per ordinary share, amounting to approximately RM2.06 million in respect of financial year ending 31 December 2017. The dividend was paid to the shareholders of EForce on 28 March 2017.

On 19 May 2017, the Board of Directors had declared a second interim tax exempt dividend of 1.5 sen per ordinary share, amounting to approximately RM3.09 million in respect of financial year ending 31 December 2017. The dividend will be paid to the shareholders of EForce on 16 June 2017.

B12. Earnings per Share ("EPS")

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31.03.17	31.03.16	31.03.17	31.03.16
<u>(a) Basic EPS</u>				
Net profit attributable to the equity holders of the Company (RM'000)	1,657	1,741	1,657	1,741
Weighted average number of ordinary shares in issue ('000)	206,866	206,768	206,866	206,768
Basic EPS (sen)	<u>0.80</u>	<u>0.84</u>	<u>0.80</u>	<u>0.84</u>

The calculation of the basic EPS is based on the net profit attributable to equity holders of the parent for the current financial quarter ended 31 March 2017, divided by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted EPS

The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the reporting period.

B. EXPLANATORY NOTES AS PER MAIN MARKET LISTING REQUIREMENTS (APPENDIX 9B) (continued)

B13. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at 31 March 2017 into realised and unrealised profits, pursuant to the directive issued by Bursa Securities dated 25 March 2010, is as follow:

	As at 31.03.17 RM'000	As at 31.03.16 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	24,147	22,645
- Unrealised (loss) / profit	(75)	(38)
	<u>24,072</u>	<u>21,607</u>
Add: Consolidation adjustments	193	329
Total Group retained profits as per consolidated accounts	<u><u>24,265</u></u>	<u><u>22,936</u></u>

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

B14. Profit for the Period

	Individual Financial Quarter Ended 31.03.17 RM'000	31.03.16 RM'000	Cumulative Financial Quarter Ended 31.03.17 RM'000	31.03.16 RM'000
Profit for the period is arrived after charging:				
Amortisation of development costs	519	475	519	457
Amortisation of intangible assets	-	-	-	-
Depreciation of property, plant and equipment	236	378	236	378
Finance costs	-	-	-	-
Loss on foreign exchange	<u>7</u>	<u>66</u>	<u>7</u>	<u>66</u>
and after crediting:				
Gain on disposal of property, plant and equipment	-	22	-	22
Gain on foreign exchange	-	-	-	-
Interest income from deposits with licensed bank	148	121	148	121
Rental income	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>

Notes:

* Denotes amount less than RM1,000