

Interim Financial Report on Consolidated Results for the Financial Quarter Ended 31 March 2018

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	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Revenue	5,802	5,795	5,802	5,795
Cost of sales	(1,940)	(2,150)	(1,940)	(2,150)
Gross profit	<u>3,862</u>	<u>3,645</u>	<u>3,862</u>	<u>3,645</u>
Other income	167	156	167	156
Other operating expenses	(391)	(358)	(391)	(358)
Marketing expenses	(5)	(6)	(5)	(6)
Administrative expenses	(1,560)	(1,305)	(1,560)	(1,305)
Finance costs	-	-	-	-
Profit before tax	<u>2,073</u>	<u>2,132</u>	<u>2,073</u>	<u>2,132</u>
Tax expense	(422)	(475)	(422)	(475)
Profit for the period	<u>1,651</u>	<u>1,657</u>	<u>1,651</u>	<u>1,657</u>
Other comprehensive income for the period, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>1,651</u>	<u>1,657</u>	<u>1,651</u>	<u>1,657</u>
Profit for the period attributable to:				
Owners of the parent	<u>1,651</u>	<u>1,657</u>	<u>1,651</u>	<u>1,657</u>
Earnings per share				
- Basic (sen)	<u>0.40</u>	<u>0.80</u>	<u>0.40</u>	<u>0.80</u>
- Diluted (sen)	<u>0.27</u>	<u>0.53</u>	<u>0.27</u>	<u>0.53</u>

(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 2017 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Quarter Ended 31 March 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	Note	(Unaudited) 31.03.2018 RM'000	(Audited) 31.12.2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,211	3,393
Development costs		10,613	10,431
Total non-current assets		13,824	13,824
Current assets			
Inventories		26	26
Trade and other receivables	B8	8,021	5,673
Cash and cash equivalents	B7	20,795	21,542
Total current assets		28,842	27,241
Assets held for sale		13,310	13,381
TOTAL ASSETS		55,976	54,446
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		20,981	20,743
Reserves		27,480	25,829
		48,461	46,572
Non-controlling interests		-	-
TOTAL EQUITY		48,461	46,572

(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 2017 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) 31.03.2018 RM'000	(Audited) 31.12.2017 RM'000
EQUITY AND LIABILITIES			
(continued)			
Non-current liabilities			
Borrowings	B9	3,014	3,259
Deferred tax liabilities		37	37
Total non-current liabilities		3,051	3,296
Current liabilities			
Trade and other payables		3,131	3,347
Borrowings	B9	981	981
Current tax liabilities		352	250
Total current liabilities		4,464	4,578
TOTAL LIABILITIES		7,515	7,874
TOTAL EQUITY AND LIABILITIES		55,976	54,446
Net assets per share attributable to equity holders of the Company (RM)		0.12	0.11

(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 2017 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 2018</u>						
At 1 January 2018	20,743	-	25,829	46,572	-	46,572
Total comprehensive income for the period	-	-	1,651	1,651	-	1,651
Issuance of ordinary shares pursuant to exercise of warrants	238	-	-	238	-	238
At 31 March 2018	<u>20,981</u>	<u>-</u>	<u>27,480</u>	<u>48,461</u>	<u>-</u>	<u>48,461</u>
<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 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>

(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 2017 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)

	Note	3 Months Period Ended	
		31.03.2018 RM'000	31.03.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,073	2,132
Adjustments for:			
Amortisation of development costs		532	519
Depreciation of property, plant and equipment		299	236
Loss on disposal of property, plant and equipment		11	-
Unrealised loss/(gain) on foreign exchange		18	11
Interest income from deposits with licensed banks		(137)	(148)
Operating profit before working capital changes		2,796	2,750
Changes in working capital:			
(Increase)/decrease in inventories		-	-
(Increase)/decrease in trade and other receivables		(2,338)	(607)
Increase/(Decrease) in trade and other payables		(227)	(31)
(Increase) in development cost		(714)	(641)
Cash generated from operations		(483)	1,471
Tax paid		(319)	(340)
Net cash from operating activities		(802)	1,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		137	148
Purchase of property, plant and equipment		(71)	(16)
Proceeds from disposal of property, plant and equipment		14	-
Net cash used in investing activities		80	132

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)

	Note	3 Months Period Ended	
		31.03.2018 RM'000	31.03.2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of			
- Term loan		(245)	(245)
Proceed from issuance of new shares		238	-
Dividend paid		-	(2,069)
Net cash used in financing activities		(7)	(2,314)
Net decrease in cash and cash equivalents		(729)	(1,051)
Effects of exchange rate changes		(18)	(7)
Cash and cash equivalents at 1 January		21,542	23,329
Cash and cash equivalents at 31 March	B7	20,795	22,271

(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 2017 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 2018, 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 2017. 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 2017 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 2017 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, save as disclosed below

	Ordinary Share Capital
	RM'000
Balance at 1 January 2018	20,743
Add : Warrants converted to ordinary shares	238
Balance at 31 March 2018	20,981

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

A7. Dividends Paid and Distributed

There were no dividends paid during the current quarter under review.

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

A8. Segmental Reporting (continue)

(a) Individual quarter

<u>3 Months Period Ended</u>	AS	ASP	Maintenance	Total
<u>31 March 2018</u>	RM'000	RM'000	Services	RM'000
			RM'000	
Revenue				
Total revenue	1,364	4,075	442	5,881
Inter-segment revenue	-	(79)	-	(79)
Revenue from external customers	1,364	3,996	442	5,802
Results				
Segment results	574	1,178	184	1,936
Finance costs	-	-	-	-
Interest income from deposits with licensed bank				137
Profit before tax				2,073
Income tax expense				(422)
Net profit for the period / Total comprehensive income for the period				1,651

<u>3 Months Period Ended</u>	AS	ASP	Maintenance	Total
<u>31 March 2017</u>	RM'000	RM'000	Services	RM'000
			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				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)

A9. Subsequent Material Event

There was no material event subsequent to the current financial quarter ended 31 December 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

As at 31 March 2018, there is no changes in the composition of the Group.

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”)

On 26 December 2017, we have entered into a tenancy agreement with MY E.G. Services Berhad for renting office space located at Level 31, MYEG Tower, Empire City. No. 8, Jalan Damansara PJU 8 47820 Petaling Jaya. Detail of transaction as follows :

Term of tenancy : 1 December 2017 to 30 November 2020

Monthly rental : RM30,256.20

A13. Capital Commitments

As at 31 March 2018, the Group has no material capital commitment in respect of property, plant and equipment.

A14. Memorandum of Understanding (MOU)

On 1 August 2017, The Board of Directors of EForce announced the signing of a MOU with Aquis for software and operations support. The MOU concerns intention to enter into a software delivery, support and operations agreement in the area of designing and building infrastructure and software, and customised training to support operationalization.

As at reporting date, we are still in discussion with Aquis and has not formalise the MOU into a definitive agreement yet.

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

	Individual Period (3 rd quarter)		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31/03/18	31/03/17		31/03/18	31/03/17	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	5,802	5,795	7 / 0.1%	5,802	5,795	7 / 0.1%
Operating Profit	1,906	1,976	(70) / (4%)	1,906	1,976	(70) / (4%)
Profit Before Interest and Tax	2,210	2,280	(70) / (3%)	2,210	2,280	(70) / (4%)
Profit Before Tax	2,073	2,132	(59) / (3%)	2,073	2,132	(59) / (3%)
Profit After Tax	1,651	1,657	(6) / (0.4%)	1,651	1,657	(6) / (0.4%)
Profit/(loss) Attributable to Ordinary Equity Holders of the Parent	1,651	1,657	(6) / (0.4%)	1,651	1,657	(6) / (0.4%)

For the 3 months ended 31 March 2018, the Group registered a turnover of RM5.8 million, increase of 0.1% or RM7K compared to the same corresponding period last year. The increase is mainly contributed from Application Service Provider (ASP) segments.

The profit before tax (PBT) for the period under review stood at RM2.1 million, lower by RM59K or 3% as compared to the same correspondence period last year. The decrease in PBT is mainly attributed to higher operating expenditure.

The profit after tax (PAT) recorded at RM1.7 million, an decrease of RM6K or 0.4% compared to same corresponding period last year.

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

B2. Variation of Results against Preceding Quarter

	Current Quarter 31/03/18	Immediate Preceding Quarter 31/12/17	Changes (Amount / %)
	RM'000	RM'000	RM'000
Revenue	5,802	5,526	276 / 5%
Operating Profit	1,906	1,527	379 / 25%
Profit Before Interest and Tax	2,210	1,801	409 / 23%
Profit Before Tax	2,073	1,669	404 / 24%
Profit After Tax	1,651	1,350	301 / 22%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,651	1,350	301 / 22%

The Group's revenue for current quarter recorded at RM5.8 million, higher by RM276K or 5% compared to immediate preceding quarter. The increase was mainly attributed to higher revenue from Application Solution (AS) segment.

PBT in current quarter stood at RM2.1 million, increase of 24% or RM403K compared to immediate preceding quarter. This was mainly attributed by higher revenue and lower operating expenses.

PAT recorded at RM1.7 million, increase of 22% or RM301K as compared to immediate preceding quarter.

B3. Prospects for 2018

The worries on impact of US-China trade war dominated recent headlines. Stock exchanges worldwide have reacted negatively to the tit-for-tat responses between the 2 biggest economy in the world, increasing trading volatility. This does not augur well for a trade dependent economy like Malaysia, and we will be affected. On the home front, we expect a period of business uncertainty as economic and governmental policies of previous government is reviewed and the new government takes charge.

We remain focus on our core business and working closely with our customers to further enhance our stable and reliable system. The goal is to increase system efficiency, improve user experience and assist customers to execute their cost saving strategies. We will adjust our plan and activities accordingly to suit the current dynamic political and business situation.

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	
	31.03.18 RM'000	31.03.17 RM'000	31.03.18 RM'000	31.03.17 RM'000
Income tax	422	475	422	475
Deferred tax	-	-	-	-
	<u>422</u>	<u>475</u>	<u>422</u>	<u>475</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 2018 comprise of:-

	RM'000
Cash in hand	14
Cash at banks	5,487
Short term fund - Investment in fixed income trust funds	15,294
	<u>20,795</u>

B8. Trade and other receivables

	RM'000
Trade receivables	4,969
Other receivables	3,052
	<u>8,021</u>

The ageing analysis of trade receivables of the Group is as follow:

	RM'000
0 – 30 days	2,935
31 – 60 days	753
61 – 90 days	384
91 – 120 days	488
121 – 150 days	32
Above 151 days	377
	<u>4,969</u>

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

B9. Group Borrowings and Debt Securities

The Group borrowing consist of term loan which is secured by a first party charge over the long term leasehold land and a building of the Group. The term loan is denominated in Ringgit Malaysia ('RM').

The Group borrowings as at 31 March 2018 were as follow:-

	Term Loan RM'000
Current	981
Non-current	3,014
	<u>3,995</u>

B10. Off Balance Sheet Financial Instruments

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

B11. 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.

B12. Dividends

There were no dividends paid during the current quarter under review.

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

B13. Earnings per Share ("EPS")

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31.03.18	31.03.17	31.03.18	31.03.17
<u>(a) Basic EPS</u>				
Net profit attributable to the equity holders of the Company (RM'000)	1,651	1,657	1,651	1,657
Weighted average number of ordinary shares in issue ('000)	414,432	206,866	414,432	206,866
Basic EPS (sen)	<u>0.40</u>	<u>0.80</u>	<u>0.40</u>	<u>0.80</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 2018, divided by the weighted average number of ordinary shares outstanding during the financial year.

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31.03.18	31.03.17	31.03.18	31.03.17
<u>(b) Diluted EPS</u>				
Net profit attributable to the equity holders of the Company (RM'000)	1,651	1,657	1,651	1,657
Weighted average number of ordinary shares in issue ('000)	414,432	206,866	414,432	206,866
Adjusted for :				
Assumed full conversion of Warrants	205,872	103,384	205,872	103,384
	<u>620,304</u>	<u>310,250</u>	<u>620,304</u>	<u>310,250</u>
Diluted EPS (sen)	<u>0.27</u>	<u>0.53</u>	<u>0.27</u>	<u>0.53</u>

The calculation of the diluted EPS is based on the net profit attributable to equity holders of the parent for the current financial quarter ended 31 March 2018, divided by the weighted average number of ordinary shares outstanding during the financial year.

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

B14. Profit for the Period

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31.03.18 RM'000	31.03.17 RM'000	31.03.18 RM'000	31.03.17 RM'000
Profit for the period is arrived after charging:				
Amortisation of development costs	532	519	532	519
Depreciation of property, plant and equipment	299	236	968	236
Finance costs	-	-	-	-
Loss on foreign exchange	9	7	9	7
	9	7	9	7
and after crediting:				
Gain on disposal of property, plant and equipment	-	-	-	-
Gain on foreign exchange	18	-	18	-
Interest income from deposits with licensed bank	137	148	137	148
Rental income	43	15	43	15
	43	15	43	15

Notes:

* Denotes amount less than RM1,000