

Interim Financial Report on Consolidated Results for the Financial Year Ended 31 March 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Financial Quarter Ended		Year to date Ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Revenue	6,258	5,802	6,258	5,802
Cost of sales	(2,165)	(1,940)	(2,165)	(1,940)
Gross profit	<u>4,093</u>	<u>3,862</u>	<u>4,093</u>	<u>3,862</u>
Other income	281	167	281	167
Other operating expenses	(331)	(391)	(331)	(391)
Marketing expenses	(9)	(5)	(9)	(5)
Administrative expenses	(1,687)	(1,560)	(1,687)	(1,560)
Profit before tax	<u>2,347</u>	<u>2,073</u>	<u>2,347</u>	<u>2,073</u>
Tax expense	(475)	(422)	(475)	(422)
Profit for the year	<u>1,872</u>	<u>1,651</u>	<u>1,872</u>	<u>1,651</u>
Other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>1,872</u></u>	<u><u>1,651</u></u>	<u><u>1,872</u></u>	<u><u>1,651</u></u>
Profit for the year attributable to:				
Owners of the parent	<u>1,872</u>	<u>1,651</u>	<u>1,872</u>	<u>1,651</u>
Earnings per share				
- Basic (sen)	<u>0.45</u>	<u>0.40</u>	<u>0.45</u>	<u>0.40</u>
- Diluted (sen)	<u><u>0.30</u></u>	<u><u>0.27</u></u>	<u><u>0.30</u></u>	<u><u>0.27</u></u>

(The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 31 March 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	Note	(Unaudited) 31.03.2019 RM'000	(Audited) 31.12.2018 RM'000
ASSETS			
Non-current assets			
Capital work in progress		-	8,385
Property, plant and equipment		12,436	2,747
Rights of use assets		593	-
Development costs		11,217	11,090
Total non-current assets		24,246	22,222
Current assets			
Inventories		24	45
Trade and other receivables	B8	8,613	6,639
Cash and cash equivalents	B7	28,675	29,813
Tax recoverable	B5	-	4
Total current assets		37,312	36,501
TOTAL ASSETS		61,558	58,723
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		21,166	20,998
Reserves		28,076	26,204
		49,242	47,202
Non-controlling interests		-	-
TOTAL EQUITY		49,242	47,202

Interim Financial Report on Consolidated Results for the Financial Year Ended 31 March 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(The figures have not been audited)

	(Unaudited) 31.03.2019 RM'000	(Audited) 31.12.2018 RM'000
	Note	
EQUITY AND LIABILITIES		
(continued)		
Current liabilities		
Trade and other payables	9,746	10,451
Contract liabilities	2,104	1,070
Tax payable	199	-
Total current liabilities	<u>12,049</u>	<u>11,521</u>
Non current liabilities		
Contract liabilities	267	-
Total non current liabilities	<u>267</u>	<u>-</u>
TOTAL LIABILITIES	<u>12,316</u>	<u>11,521</u>
TOTAL EQUITY AND LIABILITIES	<u>61,558</u>	<u>58,723</u>
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 read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 31 March 2019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

	Share Capital RM'000	Other Reverse RM'000	Distributable Retained Earnings RM'000	Total Attributable to the Owners of the Parent RM'000	Total Equity RM'000
<u>3 Months Period Ended</u>					
<u>31 March 2019</u>					
At 1 January 2019	20,998	(81)	26,285	26,204	47,202
Total comprehensive income for the year	-	-	1,872	1,872	1,872
Issuance of ordinary shares pursuant to exercise of warrants	168	-	-	-	168
At 31 March 2019	<u>21,166</u>	<u>(81)</u>	<u>28,157</u>	<u>28,076</u>	<u>49,242</u>
<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 year	-	-	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>48,461</u>

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 31 March 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(The figures have not been audited)

	Note	3 Months Period Ended	
		31.03.2019 RM'000	31.03.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,347	2,073
Adjustments for:			
Impairment loss on trade receivables		65	-
Amortisation of development costs		613	532
Depreciation of property, plant and equipment		176	299
Loss on disposal of property, plant and equipment		-	11
Unrealised loss/(gain) on foreign exchange		4	18
Interest income from deposits with licensed banks		(286)	(137)
Operating profit before working capital changes		2,919	2,796
Changes in working capital:			
(Increase) in inventories		22	-
(Increase) in trade and other receivables		(2,075)	(2,338)
Increase in trade and other payables		40	(227)
Cash generated from operations		906	231
Tax paid		(272)	(319)
Net cash from/(used) in operating activities		634	(88)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		286	137
Purchase of property, plant and equipment		(1,480)	(71)
Proceeds from disposal of property, plant and equipment		-	14
Addition of product development cost		(740)	(714)
Net cash used in investing activities		(1,934)	(634)

Interim Financial Report on Consolidated Results for the Financial Year Ended 31 March 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(The figures have not been audited)

	Note	3 Months Period Ending	
		31.03.2019 RM'000	31.03.2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of			
- Term loan		-	(245)
Proceed from issuance of new shares		167	238
Dividend paid		-	-
Net cash from/(used) in financing activities		167	(7)
Net decrease in cash and cash equivalents		(1,133)	(729)
Effects of exchange rate changes		(5)	(18)
Cash and cash equivalents at 1 January		29,813	21,542
Cash and cash equivalents at 31 March	B7	28,675	20,795

(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 2018 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 2019, 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 2018. 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 2018.

Since the previous annual audited financial statements as at 31 December 2018 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:

	Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs 2015 - 2017 Cycle:	
• Amendments to MFRS 2 <i>Share-Based Payment</i>	1 January 2020
• Amendment to MFRS 3 <i>Business Combination</i>	1 January 2020
• Amendments to MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
• Amendment to MFRS 14 <i>Regulatory Deferral Account</i>	1 January 2020
• Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
• Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
• Amendments to MFRS 134 <i>Interim Financial Reporting</i> Amendments to References to the Conceptual Framework in MFRS Standards (Cont’d)	1 January 2020
• Amendment to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
• Amendment to MFRS 138 <i>Intangible Assets</i>	1 January 2020
• Amendment to IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2020
• Amendment to IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
• Amendment to IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020

		Effective dates for financial periods beginning on or after
<ul style="list-style-type: none"> • Amendment to IC Interpretation 22 <i>Foreign Currency Transactions and Advances Consideration</i> • Amendments to IC Interpretation 132 <i>Intangible Assets – Website Costs</i> 		<hr/> 1 January 2020 1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company are in the process of assessing the impact of implementing these Amendments and Standards, since the effect 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 2018 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 and financial year.

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

During the current financial quarter under review and financial year, 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 and financial year.

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

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 year under review, save as disclosed below

	Ordinary Share Capital
	RM'000
Balance at 1 January 2019	20,998
Add : Warrants converted to ordinary shares	168
Balance at 31 March 2019	21,166

A7. Dividends

The Company did not propose, declare or pay any dividend during the current financial period.

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 2019</u>	RM'000	RM'000	Services	RM'000
			RM'000	
Revenue				
Total revenue	1,380	4,385	572	6,337
Inter-segment revenue	-	(79)	-	(79)
Revenue from external customers	1,380	4,306	572	6,258
Results				
Segment results	744	1,075	242	2,061
Finance costs	-	-	-	-
Interest income from deposits with licensed bank				286
Profit before tax				2,347
Income tax expense				(475)
Net profit for the period / Total comprehensive income for the period				1,872

<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

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 2018 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 December 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.²

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 31 November 2020

Monthly rental : RM31,256.20

A13. Capital Commitments

On 16 November 2018, the company have entered into a Sales and Purchase Agreement (SPA) with Cosmopolitan Avenue Sdn Bhd for the purchase commercial space for an aggregate purchase consideration of RM9,864,600.00. We have paid the 10% of the purchase consideration upon signing of the SPA and the remaining will be paid upon received of progress billing invoice. On 25 February 2019, we paid another 20% of the purchase consideration.

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		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31/03/19	31/03/18		31/03/19	31/03/18	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,258	5,802	456 / 7.8%	6,258	5,802	456 / 7.8%
Operating Profit	2,065	1,906	159 / 8.3%	2,065	1,906	159 / 8.3%
Profit Before Interest and Tax	2,061	2,210	(149) / (6.7%)	2,061	2,210	(149) / (6.7%)
Profit Before Tax	2,347	2,073	274 / 13.2%	2,347	2,073	274 / 13.2%
Profit After Tax	1,872	1,651	221 / 13.4%	1,872	1,651	221 / 13.4%
Profit Attributable to Ordinary Equity Holders of the Parent	1,872	1,651	221 / 13.4%	1,872	1,651	221 / 13.4%

For the 3 months ended 31 March 2019, the Group registered a turnover of RM6.3 million, increase of 8% or RM456K compared to the same corresponding period last year. The increase is mainly attributed from higher revenue from Application Service Provider (ASP) segments.

The profit before tax (PBT) for the period under review stood at RM2.3 million, higher by RM274K or 13% as compared to the same correspondence period last year. This is mainly due to higher revenue and higher interest income.

The profit after tax (PAT) recorded at RM1.9 million, higher by RM221K or 13% 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 31/03/19	Immediate Preceding Quarter 31/12/18	Changes (Amount / %)
	RM'000	RM'000	RM'000
Revenue	6,258	5,566	692 / 12%
Operating Profit	2,065	1,408	657 / 47%
Profit Before Interest and Tax	2,061	1,270	791 / 62%
Profit Before Tax	2,347	1,522	825 / 54%
Profit After Tax	1,872	1,188	684 / 58%
Profit Attributable to Ordinary Equity Holders of the Parent	1,872	1,188	684 / 58%

The Group's revenue for current quarter recorded at RM6.3 million, higher by RM692K or 12% compared to immediate preceding quarter. The increase was mainly attributed to higher revenue from Application Service Provider (ASP) segment.

PBT in current quarter stood at RM2.3 million, increase of 54% or RM825K compared to immediate preceding quarter. This was mainly due to higher revenue, higher interest income and loss on disposal of property plant and equipment in previous quarter. PAT recorded at RM1.9 million, increase of 58% or RM684K as compared to immediate preceding quarter.

B3. Prospects for 2019

The lowering of OPR by Bank Negara Malaysia (BNM) recently signaled central bank's concern about the economic headwinds ahead. Fortunately, the market has reacted positively to this proactive step. BNM is confident that Malaysian economy will remain on the growth trajectory supported by resilience in private consumption and continuation of infrastructure projects in 2019.

In the capital market, Bursa Malaysia is expecting an exciting year for initial public offering (IPO) market and more right issues in the secondary market. Together with the introduction of enhanced order types by Bursa Malaysia and successful implementation of shorter two-day settlement cycle (T+2), we believe it will add trading vibrancy to our local bourse.

We are actively engaged with our customers (stockbrokers and bankers) to ensure our trading systems are enhanced, updated and ready for any uptick in daily share volume and value, new trading features and shorten settlement cycle. In addition, we are developing new solutions that will help customers target growth in business volume and improve processes to reduce operational costs.

Given the above and barring any unforeseen circumstances, the group is positive on our future business.

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 year.

B5. Taxation

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

	Individual Financial Quarter Ended		Year-to-date Ended	
	31.03.19 RM'000	31.03.18 RM'000	31.03.19 RM'000	31.03.18 RM'000
Income tax	475	422	475	422
Deferred tax	-	-	-	-
	<u>475</u>	<u>422</u>	<u>475</u>	<u>422</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 2019 comprise of:-

	RM'000
Cash in hand	10
Cash at banks	2,832
Short term fund – Investment in fixed income trust funds	25,833
	<u>28,675</u>

B8. Trade and Other Receivables

	RM'000
Trade receivables	6,934
Other receivables	1,679
	<u>8,613</u>

Analysis of the trade receivables ageing of the Group is as follows:

	RM'000
0 – 30 days	3,435
31 – 60 days	910
61 – 90 days	505
91 – 120 days	1,088
121 – 150 days	167
More than 150 days	1,055
	<u>7,160</u>
Expected Credit Loss Impairment (specific)	(196) (30)
Net trade receivables	<u>6,934</u>

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

B9. Group Borrowings and Debt Securities

The Company does not have any borrowing and debt securities as at the date of this report.

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

The Company did not propose, declare or pay any dividend during the current financial period.

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

B13. Earnings per Share ("EPS")

	Individual Financial Quarter Ended		Year to date Ended	
	31.03.19	31.03.18	31.03.19	31.03.18
<u>(a) Basic EPS</u>				
Net profit attributable to the equity holders of the Company (RM'000)	1,872	1,651	1,872	1,651
Weighted average number of ordinary shares in issue ('000)	414,975	414,432	414,975	414,432
Basic EPS (sen)	<u>0.45</u>	<u>0.40</u>	<u>0.45</u>	<u>0.40</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 / year ended 31 December 2018, divided by the weighted average number of ordinary shares outstanding during the financial year.

	Individual Financial Quarter Ended		Year to date Ended	
	31.03.19	31.03.18	31.12.18	31.12.17
<u>(b) Diluted EPS</u>				
Net profit attributable to the equity holders of the Company (RM'000)	1,872	1,651	1,872	1,651
Weighted average number of ordinary shares in issue ('000)	414,975	414,432	414,975	414,432
Adjusted for :				
Assumed full conversion of Warrants	205,329	205,872	205,329	205,872
	<u>620,304</u>	<u>620,304</u>	<u>620,304</u>	<u>620,304</u>
Diluted EPS (sen)	<u>0.30</u>	<u>0.27</u>	<u>0.30</u>	<u>0.27</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 / year ended 31 December 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 year

	Individual Financial Quarter Ended		Year-to-date Ended	
	31.03.19 RM'000	31.03.18 RM'000	31.03.19 RM'000	31.03.18 RM'000
Profit for the year is arrived after charging:				
Amortisation of development costs	613	532	613	532
Depreciation of property, plant and equipment	175	299	175	299
Loss on foreign exchange	<u>4</u>	<u>9</u>	<u>4</u>	<u>9</u>
and after crediting:				
Gain on foreign exchange	-	18	-	18
Interest income from deposits with licensed bank	286	137	286	137
Rental income	<u>-</u>	<u>43</u>	<u>-</u>	<u>43</u>

Notes:

* Denotes amount less than RM1,000