

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2020

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	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Revenue	6,978	5,328	13,322	11,586
Cost of sales	(2,071)	(1,802)	(4,541)	(3,967)
Gross profit	<u>4,907</u>	<u>3,526</u>	<u>8,781</u>	<u>7,619</u>
Other income	449	283	740	564
Other operating expenses	(493)	(429)	(821)	(760)
Marketing expenses	(7)	(2)	(11)	(11)
Administrative expenses	(1,446)	(1,530)	(2,999)	(3,217)
Finance cost	(2)	(11)	(5)	(11)
Profit before tax	<u>3,408</u>	<u>1,837</u>	<u>5,685</u>	<u>4,184</u>
Tax expense	(805)	(384)	(1,323)	(859)
Profit for the year	<u>2,603</u>	<u>1,453</u>	<u>4,362</u>	<u>3,325</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>2,603</u>	<u>1,453</u>	<u>4,362</u>	<u>3,325</u>
Profit for the year attributable to:				
Owners of the parent	<u>2,603</u>	<u>1,453</u>	<u>4,362</u>	<u>3,325</u>
Earnings per share				
- Basic (sen)	<u>0.45</u>	<u>0.34</u>	<u>0.76</u>	<u>0.79</u>
- Diluted (sen)	<u>0.45</u>	<u>0.23</u>	<u>0.76</u>	<u>0.54</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 2019 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	(Unaudited) 30.06.2020	(Audited) 31.12.2019
Note	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,173	2,491
Rights-of-use assets	19,909	20,097
Product Development costs	11,255	11,318
Other investment	13,704	13,704
Total non-current assets	47,041	47,610
Current assets		
Inventories	24	24
Trade and other receivables	B8 34,022	31,007
Cash and cash equivalents	B7 17,588	22,789
Tax recoverable	B5 -	4
Total current assets	51,634	53,824
TOTAL ASSETS	98,675	101,434
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	89,303	89,303
Reserves	30,968	26,607
Treasury shares	(27,561)	(19,441)
	92,710	96,469
TOTAL EQUITY	92,710	96,469

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(The figures have not been audited)

	(Unaudited) 30.06.2020 RM'000	(Audited) 31.12.2019 RM'000
Equity and Liabilities		
(continued)		
Current liabilities		
Trade and other payables	2,997	3,100
Contract liabilities	1,993	1,386
Lease Liabilities	161	353
Tax payable	814	126
Total current liabilities	5,965	4,965
TOTAL LIABILITIES	5,965	4,965
TOTAL EQUITY AND LIABILITIES	98,675	101,434
Net assets per share attributable to equity holders of the Company (RM)	0.17	0.17

(The unaudited Condensed Consolidated Statements of Financial Position should read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

	<-----Attributable to owners of the parent ----->					
	<-----Non – distributable reserves----->				Distributable Retained Earnings	Total Equity
	Share Capital	Treasury Shares	Fair Value Reserve	Other Reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	89,303	(19,441)	(26)	(81)	26,714	96,469
Total comprehensive income for the period	-	-	-	-	4,361	4,361
Treasury shares	-	(8,120)	-	-	-	(8,120)
As at 30 June 2020	89,303	(27,561)	(26)	(81)	31,075	92,710

	<-----Attributable to owners of the parent ----->					
	<-----Non – distributable reserves----->				Distributable Retained Earnings	Total Equity
	Share Capital	Treasury Shares	Fair Value Reserve	Other Reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	20,998	-	-	(81)	26,285	47,202
Total comprehensive income for the period	-	-	-	-	3,325	3,325
Effect of adoption of MRFS16	-	-	-	-	(13)	(13)
Issuance of ordinary shares pursuant to exercise of warrant	2,835	-	-	-	-	2,835
As at 30 June 2019	23,833	-	-	(81)	29,596	53,349

(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 2019 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(The figures have not been audited)

	Note	6 Months Period Ended	
		30.06.2020	30.06.2019
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,685	4,183
Adjustments for:			
Impairment loss on trade receivables		182	49
Amortisation of development costs		1,261	1,227
Depreciation of property, plant and equipment		329	533
Depreciation of right of used assets		187	-
Unrealised gain on foreign exchange		(19)	(2)
Interest expense		5	11
Interest income from deposits with licensed banks		(720)	(562)
Operating profit before working capital changes		6,910	5,439
Changes in working capital:			
Decrease in inventories		-	21
(Increase) in trade and other receivables		(3,215)	(691)
Increase/(Decrease) in trade and other payables		332	(6,752)
Cash generated from operations		4,027	(1,983)
Tax paid		(633)	(542)
Interest paid		(5)	-
Net cash from/(used) in operating activities		3,389	(2,525)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		720	562
Purchase of property, plant and equipment		(11)	(1,506)
Purchase of right of used asset		-	(715)
Addition of product development cost		(1,198)	(1,421)
Net cash used in investing activities		(489)	(3,080)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(The figures have not been audited)

	Note	6 Months Period Ending	
		30.06.2020 RM'000	30.06.2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of treasury shares		(8,120)	-
Proceed from issuance of new shares		-	2,835
Interest paid		-	(24)
Net cash from/(used) in financing activities		(8,120)	2,811
Net decrease in cash and cash equivalents		(5,220)	(2,794)
Effects of exchange rate changes		19	-
Cash and cash equivalents at 1 January		22,789	29,813
Cash and cash equivalents at 31 March	B7	17,588	27,019

(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 2019 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 30 June 2020, 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 2019. 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 2019.

Since the previous annual audited financial statements as at 31 December 2019 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
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 2019 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.

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

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.

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.

A7. Dividends

On 24 August 2020, the Board of Directors has declared the first interim single tier dividend of 0.50 sen per ordinary share, amounting to approximately RM3.1 million in respect of financial year ending 31 December 2020. The dividend will be paid on 23 September 2020.

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

(a) Individual quarter

<u>3 Months Period Ended</u> <u>30 June 2020</u>	AS RM'000	ASP RM'000	Maintenance Services RM'000	Total RM'000
Revenue				
Total revenue	490	6,074	493	7,057
Inter-segment revenue	-	(79)	-	(79)
Revenue from external customers	490	5,995	493	6,978
Results				
Segment results	123	2,604	232	2,959
Finance costs	-	-	-	(2)
Interest income from deposits with licensed bank				451
Profit before tax				3,408
Income tax expense				(805)
Net profit for the period / Total comprehensive income for the period				2,603

<u>3 Months Period Ended</u> <u>30 June 2019</u>	AS RM'000	ASP RM'000	Maintenance Services RM'000	Total RM'000
Revenue				
Total revenue	1,044	3,877	487	5,408
Inter-segment revenue	-	(79)	-	(79)
Revenue from external customers	1,044	3,798	487	5,329
Results				
Segment results	517	880	176	1,573
Finance costs	-	-	-	(11)
Interest income from deposits with licensed bank				275
Profit before tax				1,837
Income tax expense				(384)
Net profit for the period / Total comprehensive income for the period				1,453

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

A8. Segmental Reporting (continue)

(b) Cummulative quarter

<u>6 Months Period Ended</u>	AS	ASP	Maintenance	Total
<u>30 June 2020</u>	RM'000	RM'000	Services	RM'000
			RM'000	
Revenue				
Total revenue	2,046	10,445	988	13,479
Inter-segment revenue	-	(157)	-	(157)
Revenue from external customers	<u>2,046</u>	<u>10,288</u>	<u>988</u>	<u>13,322</u>
Results				
Segment results	824	3,689	457	4,970
Finance costs	-	-	-	(5)
Interest income from deposits with licensed bank				720
Profit before tax				5,685
Income tax expense				(1,323)
Net profit for the period / Total comprehensive income for the period				<u>4,362</u>
<u>6 Months Period Ended</u>				
<u>30 June 2019</u>				
	AS	ASP	Maintenance	Total
	RM'000	RM'000	Services	RM'000
			RM'000	
Revenue				
Total revenue	2,424	8,262	1,059	11,745
Inter-segment revenue	-	(159)	-	(159)
Revenue from external customers	<u>2,424</u>	<u>8,103</u>	<u>1,059</u>	<u>11,586</u>
Results				
Segment results	1,261	1,955	418	3,634
Finance costs	-	-	-	(11)
Interest income from deposits with licensed bank				561
Profit before tax				4,184
Income tax expense				(859)
Net profit for the period / Total comprehensive income for the period				<u>3,325</u>

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 2019 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 30 June 2020, 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 31 November 2020

Monthly rental: RM31,256.20

A13. Capital Commitments

There is no capital commitments for the current financial quarter under review.

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	
	30/06/20	30/06/19		30/06/20	30/06/19	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,978	5,328	1,650 / 31%	13,322	11,586	1,736 / 15%
Operating Profit	2,961	1,565	1,396 / 89%	4,949	3,630	1,319 / 36%
Profit Before Interest and Tax	2,954	1,549	1,405 / 91%	4,959	3,610	1,349 / 37%
Profit Before Tax	3,408	1,836	1,572 / 86%	5,685	4,183	1,502 / 36%
Profit After Tax	2,603	1,453	1,148 / 79%	4,362	3,325	1,037 / 31%
Profit Attributable to Ordinary Equity Holders of the Parent	2,603	1,453	1,148 / 79%	4,362	3,325	1,037 / 31%

In quarter 2, the Group registered an increase of 58% or RM2.2 million in our Application Service Provider (ASP) segment. This was due to a surge in number of retail investors and volume of shares traded. However, our Application Solution (AS) segment saw a revenue reduction of RM554,000 due to delays in project implementation as a result of Movement Control Order (MCO). The overall net increase is RM1.65 million or 31% rise compared to the same quarter last year. The Group's operating profit margin in quarter 2 increased to 42.4% compared to 29.4% same period last year.

For the 6 months ended 30 June 2020, the group's turnover improved by RM1.7 million to RM13.3 million, while profit after tax increased by RM1 million to RM4.3 million. The group is closely monitoring its expenses to ensure profit growth.

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

B2. Variation of Results against Preceding Quarter

	Current Quarter 30/06/20	Immediate Preceding Quarter 31/03/20	Changes (Amount / %)
	RM'000	RM'000	RM'000
Revenue	6,978	6,344	634 / 10%
Operating Profit	2,961	1,989	972 / 49%
Profit Before Interest and Tax	2,954	2,005	949 / 47%
Profit Before Tax	3,408	2,277	1,131 / 50%
Profit After Tax	2,603	1,759	844 / 48%
Profit Attributable to Ordinary Equity Holders of the Parent	2,603	1,759	844 / 48%

The Group's revenue for current quarter was 10% higher at RM7 million compared to immediate preceding quarter. The increase was mainly attributed to higher billing in Application Service Provider (ASP) segment resulted from record high bursa trading volume. PAT was also higher by 48%.

B3. Prospects for 2020

The Covid-19 pandemic continues unabated globally, impacting trade flow and caused significant fall in GDP worldwide. In Malaysia, we are now in recovery phase of Movement Control Order (MCO) whereby businesses have re-started operations. But how quickly businesses can recover is uncertain at this time.

While the economic outlook ahead is gloomy, there is a silver-lining in this crisis. Bursa Malaysia achieved record high daily trading volume and value in recent months. These are good news for our customers (stockbrokers and bankers) and to Excel Force. The high volume transactions contribute positively to our ASP segment and will offset the negative impact of an economic slowdown.

We continue to be actively engaging with our customers to increase system capacity and capability to meet the big increase in volume. Concurrently, we are developing new solutions to help customers improve and digitalise their processes to reduce operational costs.

Given the above and barring any unforeseen circumstances, the group is cautiously 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	
	30.06.20 RM'000	30.06.19 RM'000	30.06.20 RM'000	30.06.19 RM'000
Income tax	805	384	1,323	859
Deferred tax	-	-	-	-
	<u>805</u>	<u>384</u>	<u>1,323</u>	<u>859</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 30 June 2020 comprises:

	RM'000
Cash in hand	7
Cash at banks	3,141
Short term fund – Investment in fixed income trust funds	14,440
	<u>17,588</u>

B8. Trade and Other Receivables

	RM'000
Trade receivables	7,773
Other receivables	26,249
	<u>34,022</u>

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

	RM'000
0 – 30 days	3,186
31 – 60 days	1,559
61 – 90 days	251
91 – 120 days	1,066
121 – 150 days	48
More than 150 days	2,043
	<u>8,153</u>
Expected Credit Loss	(345)
Impairment (specific)	(35)
Net trade receivables	<u>7,773</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

On 24 August 2020, the Board of Directors has declared the first interim single tier dividend of 0.50 sen per ordinary share, amounting to approximately RM3.1 million in respect of financial year ending 31 December 2020. The dividend will be paid on 23 September 2020.

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	
	30.06.20	30.06.19	30.06.20	30.06.19
<u>(a) Basic EPS</u>				
Net profit attributable to the equity holders of the Company (RM'000)	2,603	1,453	4,362	3,325
Weighted average number of ordinary shares in issue ('000)	575,143	422,821	573,066	422,821
Basic EPS (sen)	<u>0.45</u>	<u>0.34</u>	<u>0.76</u>	<u>0.79</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 30 June, divided by the weighted average number of ordinary shares outstanding during the financial year.

	Individual Financial Quarter Ended		Year to date Ended	
	30.06.20	30.06.19	30.06.20	30.06.19
<u>(b) Diluted EPS</u>				
Net profit attributable to the equity holders of the Company (RM'000)	2,603	1,453	4,362	3,325
Weighted average number of ordinary shares in issue ('000)	575,143	422,821	573,066	422,821
Adjusted for:				
Assumed full conversion of Warrants	-	197,483	-	197,483
	<u>575,143</u>	<u>620,304</u>	<u>573,066</u>	<u>620,304</u>
Diluted EPS (sen)	<u>0.45</u>	<u>0.23</u>	<u>0.76</u>	<u>0.54</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 March, 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	
	30.06.20 RM'000	30.06.19 RM'000	30.06.20 RM'000	30.06.19 RM'000
Profit for the year is arrived after charging:				
Amortisation of development costs	631	613	1,261	1,226
Depreciation of property, plant and equipment	160	264	329	439
Depreciation of right of used assets	94	-	187	-
Loss on foreign exchange	2	6	11	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
and after crediting:				
Gain on foreign exchange	-	-	22	-
Interest income from deposits with licensed bank	451	276	720	562
	<u> </u>	<u> </u>	<u> </u>	<u> </u>