

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Financial		Year to date	
	Quarter Ended		Ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Revenue	8,852	6,978	18,398	13,322
Cost of sales	(2,594)	(2,071)	(4,997)	(4,541)
Gross profit	6,258	4,907	13,401	8,781
Other income	10	449	28	740
Other operating expenses	(344)	(493)	(693)	(821)
Marketing expenses	(4)	(7)	(6)	(11)
Administrative expenses	(2,041)	(1,446)	(3,779)	(2,999)
Finance cost	(8)	(2)	(17)	(5)
Profit before tax	3,871	3,408	8,934	5,685
Tax expense	(932)	(805)	(1,986)	(1,323)
Profit for the year	2,939	2,603	6,948	4,362
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	2,939	2,603	6,948	4,362
Profit for the year attributable to:				
Owners of the parent	2,939	2,603	6,948	4,362
Earnings per share				
- Basic (sen)	0.53	0.45	1.24	0.76
- Diluted (sen)	0.53	0.45	1.24	0.76

(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 2020 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	Note	(Unaudited) 30.06.2021 RM'000	(Audited) 31.12.2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,369	2,525
Rights-of-use assets		20,588	20,760
Product Development costs		11,787	11,932
Other investment		13,042	13,042
Total non-current assets		47,786	48,259
Current assets			
Inventories		31	24
Trade and other receivables	B8	29,080	31,254
Cash and cash equivalents	B7	34,609	22,853
Total current assets		63,720	54,131
TOTAL ASSETS		111,506	102,390
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		61,742	89,303
Reserves		38,065	31,117
Treasury shares		-	(27,561)
TOTAL EQUITY		99,807	92,859

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(The figures have not been audited)

	(Unaudited) 30.06.2021 RM'000	(Audited) 31.12.2020 RM'000
EQUITY AND LIABILITIES (continued)		
Non-current liabilities		
Lease liabilities	339	673
Total non-current liabilities	339	673
Current liabilities		
Trade and other payables	4,329	5,664
Contract liabilities	4,206	1,626
Lease Liabilities	501	333
Tax payable	2,324	1,235
Total current liabilities	11,360	8,858
TOTAL LIABILITIES	11,699	9,531
TOTAL EQUITY AND LIABILITIES	111,506	102,390
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 2020 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

	<-----Attributable to owners of the parent ----->					
	<-----Non – distributable reserves----->					
	Share Capital RM'000	Treasury Shares RM'000	Fair Value Reserve RM'000	Other Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
6 months period ended 30 June 2021						
At 1 January 2021	89,303	(27,561)	(688)	(81)	31,886	92,859
Profit for the period	-	-	-	-	6,948	6,948
Total comprehensive income/(loss) for the period	-	-	-	-	6,948	6,948
Cancellation of treasury shares	(27,561)	27,561	-	-	-	-
At 30 June 2021	61,742	-	(688)	(81)	38,834	99,807

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

(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 2020 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(The figures have not been audited)

	Note	6 Months Period Ended	
		30.06.2021	30.06.2020
		RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		8,934	5,685
Adjustments for:			
Impairment loss on trade receivables		-	182
Amortisation of development costs		1,355	1,261
Depreciation of property, plant and equipment		458	329
Depreciation of right of used assets		86	187
Unrealised loss/(gain) on foreign exchange		(5)	(19)
Property, plant and equipment written off		1	-
Interest expense		17	5
Interest income from deposits with licensed banks		(22)	(720)
Operating profit before working capital changes		10,824	6,910
Changes in working capital:			
(Increase) in inventories		(6)	-
Decrease/(Increase) in trade and other receivables		3,204	(3,215)
(Decrease) in trade and other payables		48	332
Cash generated from operations		14,070	4,027
Tax paid		(898)	(633)
Interest paid		(17)	(5)
Net cash from/(used) in operating activities		13,155	3,389
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received		22	720
Investment in quoted shares		14	-
Purchase of property, plant and equipment		(218)	(11)
Addition of product development cost		(1,211)	(1,198)
Net cash used in investing activities		(1,393)	(489)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Purchase of treasury shares		-	(8,120)
Net cash from/(used) in financing activities		-	(8,120)
Net decrease in cash and cash equivalents		11,762	(5,220)
Effects of exchange rate changes		7	19
Cash and cash equivalents at 1 January		22,840	22,789
Cash and cash equivalents at 30 June	B7	34,609	17,588

(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 2020 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 2021, 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 2020. 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 2020.

Since the previous annual audited financial statements as at 31 December 2020 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
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendment to MFRS 116	Property, Plant and Equipment- Proceeds before Intended Use	1 January 2022
Amendment to MFRS 137	Onerous Contract-Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 - 2020:		1 January 2022
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 141		
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendment to MFRS 101	Classification of Liabilities as Current and Non-Current	1 January 2023
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

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

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 2020 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.

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

On 10 June 2021, the Board of Directors has approved the cancellation of 56,000,000 units of treasury shares retained in the Company’s Share Buy-Back Account.

A7. Dividends

On 30 August 2021, the Board of Directors has declared the first interim single tier dividend of 0.50 sen per ordinary share, amounting to approximately RM2.8 million in respect of financial year ending 31 December 2021. The entitlement date and payment date will be on 15 September 2021 and 30 September 2021 respectively.

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>	AS	ASP	Maintenance Services	Total
<u>30-Jun-21</u>	RM'000	RM'000	RM'000	RM'000
Revenue				
Total revenue	1,499	6,885	547	8,931
Inter-segment revenue	-	(79)	-	(79)
Revenue from external customers	1,499	6,806	547	8,852
Results				
Segment results	140	3,417	310	3,867
Finance costs				(8)
Interest income from deposits with licensed bank				12
Profit before tax				3,871
Income tax expenses				(932)
Net profit for the period / Total comprehensive income for the period				2,939

<u>3 Months Period Ended</u>	AS	ASP	Maintenance Services	Total
<u>30-Jun-20</u>	RM'000	RM'000	RM'000	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 expenses				(805)
Net profit for the period / Total comprehensive income for the period				2,603

(Company No.: 570777-X)
(Incorporated in Malaysia under the Companies Act, 1965)

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

A8. Segmental Reporting (continue)

(b) Cumulative quarter

<u>6 Months Period Ended</u>	AS	ASP	Maintenance Services	Total
<u>30-Jun-21</u>	RM'000	RM'000	RM'000	RM'000
Revenue				
Total revenue	2,757	14,744	1,054	18,555
Inter-segment revenue	-	(157)	-	(157)
Revenue from external customers	<u>2,757</u>	<u>14,587</u>	<u>1,054</u>	<u>18,398</u>
Results				
Segment results	625	7,700	604	8,929
Finance costs				(17)
Interest income from deposits with licensed bank				22
Profit before tax				<u>8,934</u>
Income tax expenses				<u>(1,986)</u>
Net profit for the period / Total comprehensive income for the period				<u>6,948</u>

<u>6 Months Period Ended</u>	AS	ASP	Maintenance Services	Total
<u>30-Jun-20</u>	RM'000	RM'000	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				<u>5,685</u>
Income tax expenses				<u>(1,323)</u>
Net profit for the period / Total comprehensive income for the period				<u>4,362</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 2020 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 2021, 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”)

The 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. Has been renewed for another three years. Detail of transaction as follows:

Term of tenancy: 1 December 2020 to 31 November 2023

Monthly rental: RM30,256.20

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				Cumulative Period			
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes		Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30/06/21	30/06/20	RM'000	%	30/06/21	30/06/20	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	8,852	6,978	1,874	27%	18,398	13,322	5,076	38%
Operating Profit	3,869	2,961	908	31%	8,923	4,949	3,974	80%
Profit Before Interest and Tax	3,851	2,954	897	30%	8,896	4,959	3,937	79%
Profit Before Tax	3,871	3,408	463	14%	8,934	5,685	3,249	57%
Profit After Tax	2,939	2,603	336	13%	6,948	4,362	2,586	59%
Profit Attributable to Ordinary Equity Holders of the Parent	2,939	2,603	336	13%	6,948	4,362	2,586	59%

For the current quarter ended 30 June 2021, the Group registered an increase of 27% or RM1.9 million in revenue as compared to same period last year. The increase mainly contributed from the Application Solution (AS) segment. The Profit Before Tax (PBT) and Profit After Tax (PAT) increased by 14% and 13% respectively.

For the 6 months ended 30 June 2021, the group's turnover improved by RM5.1 million to RM18.4 million, while PBT and PAT recorded at RM8.9 million and RM6.9 million respectively, increased of 57% and 59% compared to same period last year.

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

B2. Variation of Results against Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/06/21	31/03/21	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	8,852	9,546	(694)	-7%
Operating Profit	3,869	5,054	(1,185)	-23%
Profit Before Interest and Tax	3,851	5,045	(1,194)	-24%
Profit Before Tax	3,871	5,063	(1,192)	-24%
Profit After Tax	2,939	4,009	(1,070)	-27%
Profit Attributable to Ordinary Equity Holders of the Parent	2,939	4,009	(1,070)	-27%

The Group's revenue for current quarter was 7% lower at RM8.9 million compared to immediate preceding quarter. The decrease mainly attributed to lower contribution in Application Service Provider (ASP) segment as a result lower trading volume. Operating Profit lowered by RM1.2 million due to higher cost of sales for purchase of hardware for customers' technology refresh and higher operating expenditure.

B3. Prospects for 2021

Bursa Malaysia continues to record high daily trading volume and value in first half of 2021. These are good news for our customers and to the Group. The sustained participation of retail traders and high volume of transactions contributed positively to our ASP segment. However, Bursa Malaysia's Average Daily Value (ADV) has weakened since early July. Market forecasts for ADV to reduce from RM4.4bil to RM3.8bil in the near term and possibly strengthen towards the end of year. We expect our ASP business segment to track and reflect this change accordingly.

Nonetheless, we are working closely with our customers to refresh their system hardware and infrastructure, and enhance system capability to meet current and future trading needs. Concurrently, we are developing new solutions to help customers improve and digitalise their internal processes to reduce operational costs and increase work efficiency. This is expected to sustain our business performance in the remainder of 2021.

Given the above and barring any unforeseen circumstances, the Group is positive on the performance of 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	
	30.06.21 RM'000	30.06.20 RM'000	30.06.21 RM'000	30.06.20 RM'000
Income tax	932	805	1,986	1,323
Deferred tax	-	-	-	-
	<u>932</u>	<u>805</u>	<u>1,986</u>	<u>1,323</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 2021 comprises:

	RM'000
Cash in hand	6
Cash at banks	7,727
Short term fund – Investment in fixed income trust funds	26,876
	<u>34,609</u>

B8. Trade and Other Receivables

	RM'000
Trade receivables	6,029
Other receivables	23,051
	<u>29,080</u>

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

	RM'000
0 – 30 days	3,634
31 – 60 days	993
61 – 90 days	474
91 – 120 days	921
121 – 150 days	3
More than 150 days	185
	<u>6,210</u>
Expected Credit Loss	(160)
Impairment (specific)	(21)
Net trade receivables	<u>6,029</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 and the Board does not have any knowledge of any proceedings pending or threaten against the Group as at the date of this report.

B12. Dividends

On 30 August 2021, the Board of Directors has declared the first interim single tier dividend of 0.50 sen per ordinary share, amounting to approximately RM2.8 million in respect of financial year ending 31 December 2021. The entitlement date and payment date will be on 15 September 2021 and 30 September 2021 respectively.

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

B13. Earnings per Share ("EPS")

	Individual Financial		Year to date	
	Quarter Ended		Quarter Ended	
	30.06.21	30.06.20	30.06.21	30.06.20
(a) Basic EPS				
Net profit attributable to the equity holders of the Company (RM'000)	2,939	2,603	6,948	4,362
Weighted average number of ordinary shares in issue ('000)	559,378	575,143	559,378	575,066
Basic EPS (sen)	0.53	0.45	1.24	0.76

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		Year to date	
	Quarter Ended		Quarter Ended	
	30.06.21	30.06.20	30.06.21	30.06.20
(b) Diluted EPS				
Net profit attributable to the equity holders of the Company (RM'000)	2,939	2,603	6,948	4,362
Weighted average number of ordinary shares in issue ('000)	559,378	575,143	559,378	575,066
Basic EPS (sen)	0.53	0.45	1.24	0.76

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 30 June, 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	
	30.06.21 RM'000	30.06.20 RM'000	30.06.21 RM'000	30.06.20 RM'000
Profit for the year is arrived after charging:				
Amortisation of development costs	678	631	1,355	1,261
Depreciation of property, plant and equipment	187	160	372	329
Depreciation of right of used assets	86	94	171	187
Loss on foreign exchange	1	2	6	11
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
and after crediting:				
Gain on foreign exchange	(3)	-	5	22
Interest income from deposits with licensed bank	12	451	22	720
	<u> </u>	<u> </u>	<u> </u>	<u> </u>