

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2022

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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Revenue	6,956	8,852	15,712	18,398
Cost of sales	<u>(2,375)</u>	<u>(2,594)</u>	<u>(5,258)</u>	<u>(4,997)</u>
Gross profit	4,581	6,258	10,454	13,401
Other income	54	10	125	28
Other operating expenses	(369)	(344)	(716)	(693)
Marketing expenses	(35)	(4)	(113)	(6)
Administrative expenses	(1,591)	(2,041)	(3,142)	(3,779)
Finance cost	<u>(9)</u>	<u>(8)</u>	<u>(16)</u>	<u>(17)</u>
Profit before tax	2,631	3,871	6,592	8,934
Tax expense	<u>(698)</u>	<u>(932)</u>	<u>(1,733)</u>	<u>(1,986)</u>
Profit for the year	1,933	2,939	4,859	6,948
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	<u>1,933</u>	<u>2,939</u>	<u>4,859</u>	<u>6,948</u>
Profit for the year attributable to:				
Owners of the parent	<u>2,016</u>	<u>2,939</u>	<u>5,047</u>	<u>6,948</u>
Non-controlling interest	<u>(83)</u>	<u>-</u>	<u>(188)</u>	<u>-</u>
Total comprehensive income for the year :				
attributable to owners of the parent	<u>2,016</u>	<u>2,939</u>	<u>5,047</u>	<u>6,948</u>
Non-controlling interest	<u>(83)</u>	<u>-</u>	<u>(188)</u>	<u>-</u>
Earnings per share				
- Basic (sen)	<u>0.36</u>	<u>0.53</u>	<u>0.90</u>	<u>1.24</u>
- Diluted (sen)	<u>0.36</u>	<u>0.53</u>	<u>0.90</u>	<u>1.24</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 2021 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	Note	(Unaudited) 30.06.2022 RM'000	(Audited) 31.12.2021 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,382	2,173
Rights-of-use assets		20,244	20,416
Product Development costs		13,411	12,174
Other investment		19,764	17,802
Total non-current assets		55,801	52,565
Current assets			
Inventories		31	31
Trade and other receivables	B7	27,359	25,311
Tax recoverable		-	37
Deposits, cash and bank balances and short-term funds		31,579	32,356
Total current assets		58,969	57,735
TOTAL ASSETS		114,770	110,300
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		81,176	81,176
Reserves		24,995	19,949
Equity attributable to owners of the parent		106,171	101,125
Non-controlling interests		357	545
TOTAL EQUITY		106,528	101,670

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(The figures have not been audited)

	(Unaudited) 30.06.2022 RM'000	(Audited) 31.12.2021 RM'000
EQUITY AND LIABILITIES (continued)		
Non-current liabilities		
Lease liabilities	403	327
Total non-current liabilities	403	327
Current liabilities		
Trade and other payables	3,934	5,041
Contract liabilities	2,851	2,575
Lease Liabilities	501	345
Tax payable	553	342
Total current liabilities	7,839	8,303
TOTAL LIABILITIES	8,242	8,630
TOTAL EQUITY AND LIABILITIES	114,770	110,300
Net assets per share attributable to equity holders of the Company (RM)	0.19	0.18

(The unaudited Condensed Consolidated Statements of Financial Position should read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

	Attributable to owners of the parent						Non-Controlling Interests	Total Equity
	Non-distributable reserves				Distributable	Total		
	Share Capital	Treasury Shares	Fair Value Reserve	Other Reserve	Retained Earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
6 months period ended 30 June 2022								
At 1 January 2022	81,176	-	4,318	(81)	15,711	101,124	545	101,669
Profit for the period	-	-	-	-	5,047	5,047	(188)	4,859
Total comprehensive income/(loss) for the period	-	-	-	-	5,047	5,047	(188)	4,859
At 30 June 2022	81,176	-	4,318	(81)	20,758	106,171	357	106,528
	Attributable to owners of the parent						Non-Controlling Interests	Total Equity
	Non-distributable reserves				Distributable	Total		
	Share Capital	Treasury Shares	Fair Value Reserve	Other Reserve	Retained Earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
6 months period ended 30 June 2021								
At 1 January 2021	89,303	(27,561)	(688)	(81)	31,886	92,859	-	92,859
Profit for the period	-	-	-	-	6,948	6,948	-	6,948
Total comprehensive income/(loss) for the period	-	-	-	-	6,948	6,948	-	6,948
Transaction with owners:								
Cancellation of treasury shares	(27,561)	27,561	-	-	-	-	-	-
	(27,561)	27,561	-	-	-	-	-	-
At 30 June 2021	61,742	-	(688)	(81)	38,834	99,807	-	99,807

(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 2021 and the accompanying explanatory notes attached to the interim financial statements.)

Interim Financial Report on Consolidated Results for the Financial Year Ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(The figures have not been audited)

	6 Months Period Ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	6,592	8,934
Adjustments for:		
Amortisation of development costs	1,383	1,355
Depreciation of property, plant and equipment	400	458
Depreciation of right of used assets	172	86
Unrealised gain on foreign exchange	(13)	(5)
Property, plant and equipment written off	-	1
Interest expense	16	17
Interest income from deposits with licensed banks	(98)	(22)
Operating profit before working capital changes	8,452	10,824
Changes in working capital:		
(Increase) in inventories	-	(6)
Decrease/(Increase) in trade and other receivables	(2,122)	3,204
(Decrease) in trade and other payables	(757)	48
Cash generated from operations	5,573	14,070
Tax paid	(1,485)	(898)
Interest paid	(16)	(17)
Net cash from/(used in) operating activities	4,072	13,155
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	98	22
Acquisition of property, plant and equipment	(174)	(218)
Investment in quoted shares	(1,962)	14
Addition of product development cost	(2,620)	(1,211)
Proceed from disposal of property, plant and equipment	15	-
Net cash from/(used in) investing activities	(4,643)	(1,393)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of lease liability	(48)	-
Repayment of hire purchase liability	(171)	-
Net cash from/(used) in financing activities	(219)	-
Net decrease in cash and cash equivalents	(790)	11,762
Effects of exchange rate changes	13	7
Cash and cash equivalents at 1 January	32,356	22,840
Cash and cash equivalents at 31 March	31,579	34,609

(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 2021 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 2022, 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 2021. 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 2021.

Since the previous annual audited financial statements as at 31 December 2021 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
Amendments to MFRS 101	Classification of Liabilities as Current and Non-Current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax Related to Assets and Liabilities arising from a single transaction	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 2021 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

There were no issuance, cancellation, repurchases, resale and repayment of debts and equity securities for the current period under review.

A7. Dividends

On 22 February 2022, the Board of Directors declared the final 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 final dividend has been paid to shareholders on 14 July 2022.

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>6 Months Period Ended</u>	AS	ASP	Maintenance Services	Total
<u>30-Jun-22</u>	RM'000	RM'000	RM'000	RM'000
Revenue				
Total revenue	1,524	4,931	579	7,034
Inter-segment revenue	-	(79)	-	(79)
Revenue from external customers	1,524	4,852	579	6,955
Results				
Segment results	445	1,863	279	2,587
Finance costs				(9)
Interest income from deposits with licensed bank				52
Profit before tax				2,630
Income tax expenses				(697)
Net profit for the period / Total comprehensive income for the period				1,933

<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	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

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

(b) Accumulated quarter

<u>6 Months Period Ended</u>	AS	ASP	Maintenance Services	Total
<u>30-Jun-22</u>	RM'000	RM'000	RM'000	RM'000
Revenue				
Total revenue	4,419	10,296	1,154	15,869
Inter-segment revenue	-	(157)	-	(157)
Revenue from external customers	4,419	10,139	1,154	15,712
Results				
Segment results	1,687	4,201	621	6,509
Finance costs				(16)
Interest income from deposits with licensed bank				98
Profit before tax				6,591
Income tax expenses				(1,732)
Net profit for the period / Total comprehensive income for the period				4,859

<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	2,757	14,587	1,054	18,398
Results				
Segment results	625	7,700	604	8,929
Finance costs				(17)
Interest income from deposits with licensed bank				22
Profit before tax				8,934
Income tax expenses				(1,986)
Net profit for the period / Total comprehensive income for the period				6,948

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 30 June 2022 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 2022, there is no change 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. 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	
	30/06/22	30/06/21	RM'000	%	30/06/22	30/06/21	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	6,956	8,852	-1,896	-21%	15,712	18,398	-2,686	-15%
Operating Profit	2,585	3,869	-1,284	-33%	6,482	8,923	-2,441	-27%
Profit Before Interest and Tax	2,569	3,851	-1,282	-33%	6,477	8,896	-2,419	-27%
Profit Before Tax	2,631	3,871	-1,240	-32%	6,592	8,934	-2,342	-26%
Profit After Tax	1,933	2,939	-1,006	-34%	4,859	6,948	-2,089	-30%
Profit Attributable to Ordinary Equity Holders of the Parent	2,016	2,939	-923	-31%	5,047	6,948	-1,901	-27%

For the 6 months ended 30 June 2022, the group achieved revenue of RM15.7 million, a 15% decrease compared to corresponding period last year.

This was due to lower average daily trading volume and value at Bursa Malaysia, resulted in 31% reduction in ASP revenue segment contribution to the group. The higher AS revenue segment from system enhancements and technology refreshment projects partially offset the decline in ASP.

Profit Before Tax (PBT) and Profit After Tax (PAT) were at RM6.6 million and RM4.9 million, lower by 26% and 30% respectively, mainly due to lower revenue.

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

B2. Variation of Results against Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/06/22	31/03/22	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	6,956	8,757	(1,801)	-21%
Operating Profit	2,585	3,897	(1,312)	-34%
Profit Before Interest and Tax	2,569	3,908	(1,339)	-34%
Profit Before Tax	2,631	3,961	(1,330)	-34%
Profit After Tax	1,933	2,926	(993)	-34%
Profit Attributable to Ordinary Equity Holders of the Parent	2,016	3,031	(1,015)	-33%

The Group's revenue for current quarter was 21% or RM1.8 million lower compared to immediate preceding quarter. The decrease was mainly attributed to lower ASP as a result from lower average trading volume and value at Bursa Malaysia, and lower AS billing in quarter 2.

PBT and PAT recorded lower by RM1.3 million and RM1 million respectively due to lower revenue.

B3. Prospects for 2022

Geopolitical tensions, inflationary pressure, rising commodity prices and interest rate increase drove market sentiment in global equity exchanges. Share trading activities, as measured by Bursa Malaysia's Average Daily Trading Volume and Value, had decreased significantly compared to the performance in 2020 and 2021. This is expected to dampen our customers' business volume.

Our customers are closely monitoring their spend and seek to accelerate time to market for their new product and service offering. We are actively supporting them through developing new solutions to help them improve and digitalise their internal processes to reduce operational costs and increase work efficiency. We are also enhancing existing system capability and renewed focus to develop new product offering to meet their current and trending trading needs.

To manage our own cost base, we continuously monitor our operating expenditure, review current processes and procedures in order to improve productivity and efficiency.

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	
	30.06.22 RM'000	30.06.21 RM'000	30.06.22 RM'000	30.06.21 RM'000
Income tax	698	932	1,733	1,986
	<u>698</u>	<u>932</u>	<u>1,733</u>	<u>1,986</u>

B6. Status of Corporate Proposals

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

B7. Trade and Other Receivables

	RM'000
Trade receivables	4,678
Other receivables	22,681
	<u>27,359</u>

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

	RM'000
0 – 30 days	2,625
31 – 60 days	1,038
61 – 90 days	323
91 – 120 days	547
121 – 150 days	129
More than 150 days	90
	<u>4,752</u>
Expected Credit Loss	(52)
Impairment (specific)	(22)
Net trade receivables	<u>4,678</u>

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

B8. Group Borrowings and Debt Securities

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

B9. Off Balance Sheet Financial Instruments

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

B10. Material Litigation

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

B11. Dividends

On 22 February 2022, the Board of Directors declared the final 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 final dividend has been paid to shareholders on 14 July 2022.

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

B12. Earnings per Share ("EPS")

	Individual Financial		Year to date	
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
	30.06.22	30.06.21	30.06.22	30.06.21
(a) Basic EPS				
Net profit attributable to the equity holders of the Company (RM'000)	2,016	2,939	5,047	6,948
Weighted average number of ordinary shares in issue ('000)	559,378	559,378	559,378	559,378
Basic EPS (sen)	<u>0.36</u>	<u>0.53</u>	<u>0.90</u>	<u>1.24</u>
(b) Diluted EPS				
Net profit attributable to the equity holders of the Company (RM'000)	2,016	2,939	5,047	6,948
Weighted average number of ordinary shares in issue ('000)	559,378	559,378	559,378	559,378
Basic EPS (sen)	<u>0.36</u>	<u>0.53</u>	<u>0.90</u>	<u>1.24</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.

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)**

B13. Profit for the year

	Individual Financial Quarter Ended		Year-to-date Ended	
	30.06.22 RM'000	30.06.21 RM'000	30.06.22 RM'000	30.06.21 RM'000
Profit for the year is arrived after charging:				
Amortisation of development costs	692	678	1,384	1,355
Depreciation of property, plant and equipment (“PPE”)	201	187	400	372
Depreciation of right of used assets	86	86	172	171
Loss on foreign exchange	2	1	6	6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
and after crediting:				
Gain on foreign exchange	1	(3)	16	5
Interest income from deposits with licensed bank	52	12	98	22
	<u> </u>	<u> </u>	<u> </u>	<u> </u>