

ELSOFT RESEARCH BERHAD

(Company No. 617504-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION**30 JUNE 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 June 2018 RM'000	Preceding Year Corresponding Quarter 30 June 2017 RM'000	Current Year To Date 30 June 2018 RM'000	Preceding Year Corresponding Period 30 June 2017 RM'000
1 Revenue	24,152	14,588	40,642	29,335
2 Profit before tax	12,099	6,908	20,275	12,479
3 Profit for the period	12,011	6,804	20,100	12,335
4 Profit attributable to ordinary equity holders of the parent	12,011	6,804	20,100	12,335
5 Earnings per share (sen) :				
-Basic	4.35	2.48	7.28	4.50
-Diluted	4.30	2.45	7.20	4.45
6 Proposed / Declared dividend per share (sen)	3	3	5	3
		AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END	
		30 June 2018 RM	31 Dec 2017 RM	
7 Net assets per share attributable to ordinary equity holders of the parent		0.39	0.37	

Note: For full text of the above announcement, please access the Bursa Malaysia website at www.bursamalaysia.com

ELSOFT RESEARCH BERHAD
(Company No. 617504-K)
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter (Unaudited) 30 June 2018 RM'000	Preceding Year Corresponding Quarter (Unaudited) 30 June 2017 RM'000 Restated	Current Year To Date (Unaudited) 30 June 2018 RM'000	Preceding Year Corresponding Period (Unaudited) 30 June 2017 RM'000 Restated
Revenue		24,152	14,588	40,642	29,335
Cost of sales		(10,563)	(6,234)	(17,298)	(13,626)
Gross profit		13,589	8,354	23,344	15,709
Other income/(expenses)	B14	238	339	331	922
Administrative expenses		(1,590)	(1,446)	(3,331)	(3,481)
Share of profit/(loss) in associate		(138)	(339)	(69)	(671)
Profit before tax	B15	12,099	6,908	20,275	12,479
Taxation	B5	(88)	(104)	(175)	(144)
Profit for the period		12,011	6,804	20,100	12,335
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the period		12,011	6,804	20,100	12,335

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter (Unaudited) 30 June 2018 NOTE RM'000	Preceding Year Corresponding Quarter (Unaudited) 30 June 2017 RM'000 Restated	Current Year To Date (Unaudited) 30 June 2018 RM'000	Preceding Year Corresponding Period (Unaudited) 30 June 2017 RM'000 Restated
Attributable to :				
Equity holders of the parent	12,011	6,804	20,100	12,335
Non-controlling interest	-	-	-	-
	<u>12,011</u>	<u>6,804</u>	<u>20,100</u>	<u>12,335</u>
Total comprehensive income attributable to :				
Equity holders of the parent	12,011	6,804	20,100	12,335
Non-controlling interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings per share ("EPS") attributable to equity holders of the parent :				
Basic EPS (sen)	B13 <u>4.35</u>	<u>2.48</u>	<u>7.28</u>	<u>4.50</u>
Diluted EPS (sen)	B13 <u>4.30</u>	<u>2.45</u>	<u>7.20</u>	<u>4.45</u>

The unaudited condensed consolidated statement of profit or loss and comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

ELSOFT RESEARCH BERHAD

(Company No. 617504-K)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	NOTE	(Unaudited) 30 June 2018 RM'000	(Audited) 31 Dec 2017 RM'000 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	A9	16,056	15,934
Prepaid lease payments		2,921	2,953
Investment properties		2,887	2,929
Investment in associate		16,133	16,202
		<u>37,997</u>	<u>38,018</u>
Current assets			
Inventories		7,041	3,365
Trade receivables		25,917	22,996
Other receivables, deposits and prepayments		844	704
Current tax assets		29	124
Other investment	B8	50,159	41,553
Cash and cash equivalents		10,127	12,501
		<u>94,117</u>	<u>81,243</u>
TOTAL ASSETS		<u>132,114</u>	<u>119,261</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		40,118	38,451
Treasury shares	A6	(915)	(617)
Share premium		-	-
Share option reserve		1,357	1,284
Retained profits		68,193	61,874
Total equity		<u>108,753</u>	<u>100,992</u>
Non-current liability			
Deferred tax liability		600	600
		<u>600</u>	<u>600</u>
Current liabilities			
Trade payables		3,082	5,025
Other payables and accruals		6,678	6,268
Deferred revenue		13,001	6,376
		<u>22,761</u>	<u>17,669</u>
Total liabilities		23,361	18,269
TOTAL EQUITY AND LIABILITIES		<u>132,114</u>	<u>119,261</u>
Net assets per share (RM)		<u>0.39</u>	<u>0.37</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

ELSOFT RESEARCH BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2018
(The figures have not been audited)

	<-----Non-distributable ----->					
	Share capital RM'000	Share premium RM'000	Share option reserves RM'000	Treasury shares RM'000	Distributable Retained profits RM'000	Total equity RM'000
Balance as at 31 December 2017, as previously reported	38,451	-	1,284	(617)	68,298	107,416
Adjustments from adoption of MFRS 15 and MFRS 9	-	-	-	-	(6,424)	(6,424)
Restated balance as at 1 January 2018	38,451	-	1,284	(617)	61,874	100,992
Total comprehensive income	-	-	-	-	20,100	20,100
Transaction with owners						
Purchase of treasury shares	-	-	-	(298)	-	(298)
Share-based payments	-	-	496	-	-	496
Issue of shares pursuant to ESOS	1,667	-	(423)	-	-	1,244
Interim dividend paid	-	-	-	-	(13,781)	(13,781)
	1,667	-	73	(298)	(13,781)	(12,339)
At 30 June 2018	40,118	-	1,357	(915)	68,193	108,753

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2018

(The figures have not been audited)

	<-----Non-distributable ----->					
	Share capital RM'000	Share premium RM'000	Share option reserves RM'000	Treasury shares RM'000	Distributable Retained profits RM'000	Total equity RM'000
Balance as at 31 December 2016, as previously reported	27,170	6,321	1,587	-	63,141	98,219
Adjustments from adoption of MFRS 15 and MFRS 9	-	-	-	-	(3,794)	(3,794)
Restated balance as at 1 January 2017	27,170	6,321	1,587	-	59,347	94,425
Adjustments for effects of Companies Act 2016 (Note a)	6,321	(6,321)	-	-	-	-
Total comprehensive income	-	-	-	-	12,335	12,335
Transaction with owners						
Purchase of treasury shares	-	-	-	(150)	-	(150)
Issue of shares pursuant to ESOS	3,299	-	(837)	-	-	2,462
Share-based payments	-	-	588	-	-	588
Interim dividend paid	-	-	-	-	(10,924)	(10,924)
	3,299	-	(249)	(150)	(10,924)	(8,024)
At 30 June 2017	36,790	-	1,338	(150)	60,758	98,736

Note a

With the Companies Act 2016 ("NewAct") coming in to effect on 31 January 2017, the credits standing in the share premium account of RM6,321,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

ELSOFT RESEARCH BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	(Unaudited) 30 June 2018	(Unaudited) 30 June 2017
Note	RM'000	RM'000 Restated
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	20,275	12,479
Adjustment for:		
Amortisation of prepaid lease payment	32	32
Depreciation of property, plant and equipment	219	219
Depreciation of investment properties	42	42
Dividend income	(582)	(410)
Loss/(Gain) on disposal of other investments	(11)	(81)
Loss/(Gain) on fair value adjustment of other investments	1,362	(649)
Interest income	(148)	(66)
Share based payment	496	588
Unrealised loss/(gain) on foreign exchange	(492)	(478)
Share of (gain)/loss in associate	69	671
Operating profit before working capital changes	21,262	12,347
(Increase)/Decrease in inventories	(3,676)	1,929
(Increase)/Decrease in trade and other receivables	(2,618)	204
Increase/(Decrease) in trade and other payables	5,072	(4,708)
	20,040	9,772
Tax refund/(paid)	(80)	(195)
Net cash flow from operating activities	19,960	9,577
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(341)	(29)
Purchase of other investments	(16,466)	(23,607)
Proceeds from disposal of other investment	7,091	20,594
Dividend received from an associate	-	594
Interest received	148	66
Net cash flow (used in)/from investing activities	(9,568)	(2,382)
CASH FLOW FROM FINANCING ACTIVITY		
Purchase of treasury shares	(298)	(150)
Issue of shares	1,244	2,462
Interim dividend paid	(13,781)	(10,924)
Net cash flow (used in)/from financing activity	(12,835)	(8,612)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	(Unaudited) 30 June 2018 RM'000	(Unaudited) 30 June 2017 RM'000 Restated
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,443)	(1,417)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	69	539
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	12,501	11,642
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>10,127</u>	<u>10,764</u>
Represented by :		
Short term funds	-	-
Cash and bank balances	<u>10,127</u>	<u>10,764</u>
	<u>10,127</u>	<u>10,764</u>

Short term funds represents highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2018**

A EXPLANATORY NOTES PURSUANT TO MFRS 134 - INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The financial statements of the Group and the Company for the financial year ended 31 December 2017 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) in Malaysia.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year 31 December 2017, except for the adoption of the Standards, Amendments and Annual Improvement to Standards effective as of 1 January 2018.

Effective for annual periods commencing on or after 1 January 2018

Amendments to MFRS 1 *Annual Improvements to MFRSs 2014 - 2016 Cycle*)

MFRS 15 *Revenue from Contracts with Customers*

Clarification to MFRS 15

MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*

Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*

Amendments to MFRS 128 *Annual Improvements to MFRSs 2014 - 2016 Cycle*)

IC Interpretations 22 *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 140 *Transfers of Investment Property*

Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

The adoption of the above pronouncements did not have any impact on the financial statements of the Group, except for MFRS 15 and MFRS 9.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2018**

A1 Basis of preparation (Continued)

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of MFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

In respect of impairment of financial assets, MFRS 9 replaces the ‘incurred loss’ model in MFRS 139 with an “expected credit loss” (ECL) model. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group assesses on a forward-looking basis the ECLs associated with its financial assets classified at amortised cost under MFRS 15 Revenue from Contracts with Customers . The impairment methodology applied depends on whether there has been a significant increase in credit risk.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

Under MFRS 15, an entity recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2018****A1 Basis of preparation (Continued)**

The following reconciliations provide an estimate of the expected impact upon initial application of new MFRS Framework, MFRS 15 and MFRS 9 on the financial position, profit or loss and other comprehensive income of the Group.

(a) Reconciliation of financial position and equity

	Previously Reported RM' 000	Effect of MFRS 9 RM' 000	Effect of MFRS 15 RM' 000	Restated RM' 000
Group				
31 December 2017				
ASSETS				
Non-current assets				
Property, plant and equipment	15,934	-	-	15,934
Prepaid lease payments	2,953	-	-	2,953
Investment properties	2,929	-	-	2,929
Investment in associate	16,202	-	-	16,202
	<u>38,018</u>	<u>-</u>	<u>-</u>	<u>38,018</u>
Current assets				
Inventories	3,365	-	-	3,365
Trade receivables	23,044	(48)	-	22,996
Other receivables, deposits and prepayments	704	-	-	704
Current tax assets	124	-	-	124
Other investment	41,553	-	-	41,553
Cash and cash equivalents	12,501	-	-	12,501
	<u>81,291</u>	<u>(48)</u>	<u>-</u>	<u>81,243</u>
TOTAL ASSETS	<u>119,309</u>	<u>(48)</u>	<u>-</u>	<u>119,261</u>

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**A1 Basis of preparation (Continued)**

The following reconciliations provide an estimate of the expected impact upon initial application of new MFRS Framework, MFRS 15 and MFRS 9 on the financial position, profit or loss and other comprehensive income of the Group. (Continued)

(a) Reconciliation of financial position and equity (Continued)

	Previously Reported RM' 000	Effect of MFRS 9 RM' 000	Effect of MFRS 15 RM' 000	Restated RM' 000
Group				
31 December 2017				
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	38,451	-	-	38,451
Treasury shares	(617)	-	-	(617)
Share premium	-	-	-	-
Share option reserve	1,284	-	-	1,284
Retained profits	68,298	(48)	(6,376)	61,874
Total equity	<u>107,416</u>	<u>(48)</u>	<u>(6,376)</u>	<u>100,992</u>
Non-current liability				
Deferred tax liability	600	-	-	600
Current liabilities				
Trade payables	5,025	-	-	5,025
Other payables and accruals	6,268	-	-	6,268
Deferred revenue	-	-	6,376	6,376
	<u>11,293</u>	<u>-</u>	<u>6,376</u>	<u>17,669</u>
Total liabilities	11,893	-	6,376	18,269
TOTAL EQUITY AND LIABILITIES	<u>119,309</u>	<u>(48)</u>	<u>-</u>	<u>119,261</u>
Net assets per share (RM)	<u>0.40</u>			<u>0.37</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

A1 Basis of preparation (Continued)

The following reconciliations provide an estimate of the expected impact upon initial application of new MFRS Framework, MFRS 15 and MFRS 9 on the financial position, profit or loss and other comprehensive income of the Group. (Continued)

(b) Reconciliation of profit or loss and comprehensive income

	INDIVIDUAL QUARTER ENDED 30 JUNE 2017			CUMULATIVE QUARTER ENDED 30 JUNE 2017		
	Previously Reported RM' 000	Effect of MFRS 9 RM' 000	Effect of MFRS 15 RM' 000	Previously Reported RM' 000	Effect of MFRS 9 RM' 000	Effect of MFRS 15 RM' 000
Revenue	14,879	-	(291)	30,101	-	(766)
Cost of sales	(6,234)	-	-	(13,626)	-	-
Gross profit	8,645	-	(291)	16,475	-	(766)
Other income and expenses	339	-	-	922	-	-
Administrative expenses	(1,446)	-	-	(3,481)	-	-
Share of profit/(loss) in associate	(339)	-	-	(671)	-	-
Profit before tax	7,199	-	(291)	13,245	-	(766)
Taxation	(104)	-	-	(144)	-	-
Profit for the period	7,095	-	(291)	13,101	-	(766)
Other comprehensive income for the period, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	7,095	-	(291)	13,101	-	(766)
Total comprehensive income attributable to:						
Equity holders of the parent	7,095			13,101		
Non-controlling interest	-			-		
Earnings per share ("EPS") attributable to equity holders of the parent :						
Basic EPS (sen)	2.59			4.78		4.50
Diluted EPS (sen)	2.56			4.72		4.45

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**A1 Basis of preparation (Continued)**

The following reconciliations provide an estimate of the expected impact upon initial application of new MFRS Framework, MFRS 15 and MFRS 9 on the financial position, profit or loss and other comprehensive income of the Group. (Continued)

(c) Reconciliation of cash flows

	QUARTER ENDED 30 JUNE 2017			
	Previously Reported RM' 000	Effect of MFRS 9 RM' 000	Effect of MFRS 15 RM' 000	Restated RM' 000
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	13,245	-	(766)	12,479
Adjustment for:				
Amortisation of prepaid lease payment	32	-	-	32
Depreciation of property, plant and equipment	219	-	-	219
Depreciation of investment properties	42	-	-	42
Dividend income	(410)	-	-	(410)
Loss/(Gain) on other investment	(81)	-	-	(81)
Loss/(Gain) on fair value adjustment of other investments	(649)	-	-	(649)
Interest income	(66)	-	-	(66)
Share based payment	588	-	-	588
Unrealised loss/(gain) on foreign exchange	(478)	-	-	(478)
Share of (gain)/loss in associate	671	-	-	671
Operating profit before working capital changes	13,113	-	(766)	12,347
(Increase)/Decrease in inventories	1,929	-	-	1,929
Decrease in trade and other receivables	204	-	-	204
Increase/(Decrease) in trade and other payables	(5,474)	-	766	(4,708)
	9,772	-	-	9,772
Tax refund/(paid)	(195)	-	-	(195)
Net cash flow from operating activities	9,577	-	-	9,577

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**A1 Basis of preparation (Continued)**

The following reconciliations provide an estimate of the expected impact upon initial application of new MFRS Framework, MFRS 15 and MFRS 9 on the financial position, profit or loss and other comprehensive income of the Group. (Continued)

(c) Reconciliation of cash flows (Continued)

	QUARTER ENDED 31 MARCH 2017			
	Previously Reported RM' 000	Effect of MFRS 9 RM' 000	Effect of MFRS 15 RM' 000	Restated RM' 000
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(29)	-	-	(29)
Purchase of other investments	(23,607)	-	-	(23,607)
Proceeds from disposal of other investment	20,594	-	-	20,594
Dividend received from an associate	594	-	-	594
Interest received	66	-	-	66
Net cash flow used in investing activities	<u>(2,382)</u>	<u>-</u>	<u>-</u>	<u>(2,382)</u>
CASH FLOW FROM FINANCING ACTIVITY				
Purchase of treasury shares	(150)	-	-	(150)
Issue of shares	2,462	-	-	2,462
Interim dividend paid	(10,924)	-	-	(10,924)
Net cash flow used in financing activity	<u>(8,612)</u>	<u>-</u>	<u>-</u>	<u>(8,612)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,417)	-	-	(1,417)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	539	-	-	539
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	11,642	-	-	11,642
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>10,764</u>	<u>-</u>	<u>-</u>	<u>10,764</u>
Represented by :				
Short term funds	-			-
Cash and bank balances	10,764			10,764
	<u>10,764</u>			<u>10,764</u>

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2018**

A1 Basis of preparation (Continued)

The followings Standards and Amendment to Standards have been issued by the MASB but are not yet effective by the Group.

Effective for annual periods commencing on or after 1 January 2019

MFRS 16 *Leases*

Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

Amendments to MFRS 3 *Annual Improvements to MFRSs Standards 2015–2017 Cycle*

Amendments to MFRS11 *Annual Improvements to MFRSs Standards 2015–2017 Cycle*

Amendments to MFRS 112 *Annual Improvements to MFRSs Standards 2015–2017 Cycle*

Amendments to MFRS 123 *Annual Improvements to MFRSs Standards 2015–2017 Cycle*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Effective for annual periods commencing on or after 1 January 2020

Amendments to MFRS 2 *Share-based Payment*

Amendment to MFRS 3 *Business Combinations*

Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*

Amendment to MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 101 *Presentation of Financial Statements*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Amendments to MFRS 134 *Interim Financial Reporting*

Amendment to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*

Amendment to MFRS 138 *Intangible Assets*

Amendments to IC Interpretation 12 *Service Concession Arrangements*

Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*

Effective for annual periods commencing on or after 1 January 2021

MFRS 17 *Insurance Contracts*

Issued but not yet effective

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor
and its Associate or Joint Venture*

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**A2 Audit report of preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

A3 Seasonal or cyclical factors

The Group's operations are not materially affected by seasonal or cyclical changes during the current quarter under review.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 June 2018.

A5 Material changes in estimates

There were no changes in estimates that have had any material effect on the quarter ended 30 June 2018.

A6 Changes in debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter-to-date under review, except for the following:

Treasury shares

The treasury shares held as at 30 June 2018 were as follows:

	RM'000
Balance as at 1 January 2018	617
Add: Purchase of treasury shares	298
Less: Resale of treasury shares	-
Balance as at 30 June 2018	<u>915</u>

A7 Dividend paid**First Interim Single tier (tax exempt) dividend**

For the financial year	31 December 2018
Approved and declared on	25 May 2018
Dividend per share	RM0.02
Payable on	29 June 2018
Entitlement to dividend based on Record of Depositors as at	22 June 2018

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2018****A8 Segmental information****Operating Segments**

The test, burn-in & embedded peripherals segment and automation equipment/systems segment represent two operating segment within the Group. These operating segments have been aggregated to form a reportable segment known as design and production of automated test equipment ("ATE") due to similarity in each of the following:

- (i) Nature and economic characteristic of the products;
- (ii) Production process; and
- (iii) Type of customers, which consist of consumers and industrial customers.

Geographical information

Revenue information based on the geographical location of customers is as follows: -

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM' 000	RM' 000	RM' 000	RM' 000
Malaysia	20,778	11,917	36,932	25,444
China	3,210	1,636	3,517	1,976
Others	164	1,035	193	1,915
	<u>24,152</u>	<u>14,588</u>	<u>40,642</u>	<u>29,335</u>

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2018**

A9 Property, plant and equipment

The valuation of the property, plant and equipment have been brought forward without amendment from the financial statements for the financial year ended 31 December 2017.

Property, plant and equipment costing approximately RM341,000 were acquired during the financial period ended 30 June 2018.

A10 Material events subsequent to the end of the quarter

There were no material events between the end of the reporting quarter and the date of this announcement.

A11 Changes in the composition of the Group

There were no material changes in the composition of the Group for the current quarter under review.

A12 Contingent liabilities

During current quarter under review, the directors are of the opinion that the Group has no contingent liabilities which, upon materialisation would have a material impact on the financial position and business of the Group.

A13 Related party transactions

During the current quarter under review, the directors are of the opinion that the Group has no related party transactions which would have a material impact on the financial position and business of the Group.

A14 Capital Commitments

There is no capital commitments in the interim financial statements as at 30 June 2018.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR MAIN MARKET****B1 Review of performance**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter (Unaudited) 30 June 2018 RM'000	Preceding Year Corresponding Quarter (Unaudited) 30 June 2017 RM'000 Restated	Changes (%)	Current Year To Date (Unaudited) 30 June 2018 RM'000	Preceding Year Corresponding Period (Unaudited) 30 June 2017 RM'000 Restated	Changes (%)
Revenue	24,152	14,588	66%	40,642	29,335	39%
Cost of sales	(10,563)	(6,234)	69%	(17,298)	(13,626)	27%
Gross profit	13,589	8,354	63%	23,344	15,709	49%
Other income/(expenses)	238	339	-30%	331	922	-64%
Administrative expenses	(1,590)	(1,446)	10%	(3,331)	(3,481)	-4%
Share of profit/(loss) in associate	(138)	(339)	59%	(69)	(671)	90%
Profit before tax	12,099	6,908	75%	20,275	12,479	62%
Taxation	(88)	(104)	-15%	(175)	(144)	22%
Profit for the period	12,011	6,804	77%	20,100	12,335	63%

Comparison with the corresponding quarter in the previous year

For the current quarter, the Group registered revenue and profit before tax ("PBT") of approximately RM24.152 million and RM12.099 million respectively. Compared to the preceding year corresponding quarter revenue and profit before tax of approximately RM14.588 million and RM6.908 million respectively, revenue and profit before tax have increased by approximately 66% and 75% respectively for the current quarter.

The higher revenue recorded was due to strong demand from smart devices industry and continuous demand from automotive and general lighting industry for current quarter under review. The increase of PBT was mainly due to increase in revenue.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE**B1 Review of performance (Continued)***Financial period-to-date against preceding year corresponding financial period*

The Group recorded revenue and PBT of approximately RM40.642 million and RM20.275 million respectively for the current year-to-date. Compared to the preceding year corresponding year-to-date revenue of RM29.335 million and PBT of RM12.479 million, revenue and PBT have increased by approximately 39% and 62% respectively.

The higher revenue for current year to date as compared to the preceding year corresponding year-to-date was mainly due to greater demand from smart devices industry and continuous demand from automotive and general lighting industry .

The higher PBT for current year to date as compared to the preceding year corresponding year-to-date was mainly due to the increase in revenue.

B2 Variation of results against preceding quarter

	Current Year Quarter (Unaudited) 30 June 2018 RM'000	Immediate Preceding Quarter (Unaudited) 31 Mar 2018 RM'000	Changes (%)
Revenue	24,152	16,490	46%
Cost of sales	(10,563)	(6,735)	57%
Gross profit	<u>13,589</u>	<u>9,755</u>	39%
Other income/(expenses)	238	93	156%
Administrative expenses	(1,590)	(1,741)	-9%
Share of profit/(loss) in associate	<u>(138)</u>	<u>69</u>	300%
Profit before tax	<u>12,099</u>	<u>8,176</u>	48%
Taxation	<u>(88)</u>	<u>(87)</u>	1%
Profit for the period	<u><u>12,011</u></u>	<u><u>8,089</u></u>	48%

Comparison with the immediate preceding quarter

For the current quarter, the Group registered revenue and profit before tax ("PBT") of approximately RM24.152 million and RM12.099 million respectively. Compared to the previous quarter revenue and profit before tax of approximately RM16.490 million and RM8.176 million respectively, revenue and PBT have increased by approximately 46% and 48% respectively.

The demand from smart devices industry remain strong since forth quarter of FY2017. The increased of PBT was mainly due increase in revenue.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**B3 Prospects**

Barring any unforeseen circumstances, the Board is of the opinion that financial year ending 31 December 2018 would be a growth year for the Group due to strong demand from Smart Devices Sector.

B4 Profit estimate, forecast, projection or internal targets and profit guarantee

The Group did not announce or provide any profit estimate, forecast, projection, internal targets or profit guarantee in any public documents.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM' 000	RM' 000	RM' 000	RM' 000
Current tax	88	104	175	144

For the year ending 31 December 2017, the effective tax rate for the Group is lower than the statutory tax rate due to 100% tax exemption from Pioneer Status of Section 4D, Promotion of Investment Act, 1986 for Elsoft Systems Sdn. Bhd..

B6 Unquoted investments and properties

There were no changes in the unquoted investments and properties of the Group during the current quarter under review.

B7 Corporate proposals

There were no corporate proposals announced but not completed as at the reporting date.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2018****B8 Other investment**

A summary of the movement of other investments during the period ended 30 June 2018 is as follow:

	RM'000
Other investment	
Balance at 1 January 2018	41,553
Acquisition during the period	16,466
Dividend reinvest	582
Less : Disposal during the period	<u>(7,080)</u>
	51,521
Add : Gain on fair value adjustment	<u>(1,362)</u>
Balance at 30 June 2018	<u><u>50,159</u></u>

B9 Group's borrowings and debt securities

There were no borrowings and debt securities outstanding/issued during the current quarter under review.

B10 Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B11 Material litigation

The Group is not engaged in any material litigation as at the date of this report (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B12 Dividends

<u>Second Interim Single tier (tax exempt) dividend</u>	
For the financial year	31 December 2018
Approved and declared on	17 August 2018
Dividend per share	RM0.03
Payable on	28 September 2018
Entitlement to dividend based on Record of Depositors as at	14 September 2018

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**B13 Earnings per share**

a. Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by weighted average number of ordinary shares in issue during the period.

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM' 000	RM' 000	RM' 000	RM' 000
Profit attributable to ordinary equity holders of the parent	12,011	6,804	20,100	12,335
	<hr/>		<hr/>	
	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Units	Units	Units	Units
	(In thousands)	(In thousands)	(In thousands)	(In thousands)
Weighted average number of ordinary shares in issue	276,077	274,070	276,077	274,070
	<hr/>		<hr/>	
	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Sen	Sen	Sen	Sen
Basic earnings per share for: Profit for the period	4.35	2.48	7.28	4.50
	<hr/>		<hr/>	

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**B13 Earnings per share (cont'd)**

b. Diluted

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e share option granted to employees.

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM '000	RM '000	RM '000	RM '000
Profit attributable to ordinary equity holders of the parent	12,011	6,804	20,100	12,335
	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Units	Units	Units	Units
	(In thousands)	(In thousands)	(In thousands)	(In thousands)
Weighted average number of ordinary shares in issue	276,077	274,070	276,077	274,070
Effects of dilution :				
Share option	3,025	3,251	3,025	3,251
	279,102	277,321	279,102	277,321
	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Sen	Sen	Sen	Sen
Diluted earnings per share for: Profit for the period	4.30	2.45	7.20	4.45

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**B14 Other income and expenses**

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM '000	RM '000	RM '000	RM '000
Other income/(expenses):				
Dividend income	279	203	582	410
Interest income	133	36	148	66
Rental received	497	458	1,052	863
Gain/(loss) on fair value adjustment other investment	(982)	313	(1,362)	649
Gain/(loss) on disposal of other investment	11	81	11	81
Gain/(loss) on disposal of short term investment	-	(13)	-	(3)
Unrealised gain/(loss) on foreign exchange	587	(439)	492	478
Realised gain/(loss) on foreign exchange	(287)	(300)	(592)	(1,622)
Total other income/(expenses)	<u>238</u>	<u>339</u>	<u>331</u>	<u>922</u>

B15 Profit before tax

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM '000	RM '000	RM '000	RM '000
Profit before tax is arrived after charging:				
Audit Fee	11	4	21	17
Amortisation of prepaid leasehold land	16	16	32	32
Depreciation				
- preproperty, plant and equipment	114	109	219	219
- Investment property	21	21	42	42
Share based payment	304	194	496	588

B16 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 August 2018.

By Order of the Board

Tan Cheik Eaik

Director