MANFORCE GROUP
Think Workforce, Think Manforce

MANFORCE GROUP BERHAD

(Company No.: 1228620-V)
(Incorporated in Malaysia)

HALF-YEARLY ANNOUNCEMENT FOR FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2018

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY MANFORCE GROUP BERHAD ("MANFORCE" OR THE "COMPANY"). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018 *(1)*

	12 Months Ended	
	30 Sep 2018	30 Sep 2017
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,283	4,654
Other investments	451	436
	4,734	5,090
CURRENT ASSETS		
Other investments	106	113
Trade receivables	12,277	9,979
Other receivables, deposits and prepayments	6,683	11,975
Inventory	2	-
Tax refundable	1,435	-
Deposits placed with licensed banks	2,105	2,853
Cash and bank balances	8,794	6,714
	31,402	31,634
TOTAL ASSETS	36,136	36,724

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018 (CONTINUED) [1]

	12 Months Ended 30 Sep 2018 RM'000	30 Sep 2017 RM'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	13,599	1,000
Merger reserve	(12,599)	-
Retained profits	15,985	13,272
TOTAL EQUITY	16,985	14,272
NON-CURRENT LIABILITIES		
Borrowings	5,682	5,938
Deferred tax liabilities	123	123
	5,805	6,061
CURRENT LIABILITIES		
Trade payables	697	266
Other payables and accruals	8,381	9,651
Amount owing to a Director	-	220
Borrowings	3,960	6,099
Tax payable	308	155
	13,346	16,391
TOTAL LIABILITIES	19,151	22,452
TOTAL EQUITY AND LIABILITIES	36,136	36,724

Note:
1.The Unaudited Condensed Consolidated Statement Of Financial Position is to be read in conjunction of the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018 [(1)]

	12 Months Ended	
	30 Sep 2018 RM'000	**30 Sep 2017 RM'000**
Revenue	76,704	77,090
Cost of sales	(63,691)	(63,552)
Gross profit	13,013	13,538
Other operating income	320	1,954
Administrative expenses	(7,647)	(7,642)
Other operating expenses	(382)	(297)
Profit from operations	5,304	7,553
Finance income	116	90
Finance costs	(1,040)	(958)
Share of results of an associate	-	(6)
Profit before tax	4,380	6,679
Tax expense	(1,667)	(1,907)
Total comprehensive income, attributable to owner of the Company	2,713	4,772

Note:

1.The Unaudited Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income is to be read in conjunction of the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018 *(1)*

	Non-distributable		Distributable	
	Share capital RM'000	Merger reserve RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 October 2016				
- As previously reported	1,025	-	7,827	8,852
- Prior year adjustment	-	-	673	673
Net profit for the financial year/ Total comprehensive income for the financial year	-	-	4,772	4,772
Transaction with owners of the Company				
- Adjustment pursuant to restructuring exercise	(25)	-	-	(25)
Balance as at 30 September 2017 / 1 October 2017	1,000	-	13,272	14,272
Net profit for the financial year/ Total comprehensive income for the financial year	-	-	2,713	2,713
Transaction with owners of the Company				
- Adjustment pursuant to restructuring exercise	12,599	(12,599)	-	-
Balance as at 30 September 2018	13,599	(12,599)	15,985	16,985

Note:
1.The Unaudited Condensed Consolidated Statement Of Changes In Equity is to be read in conjunction of the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018 [(1)]

	12 Months Ended	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,380	6,679
Adjustments for :-		
Allowance for impairment losses		
- receivables	358	120
- investment in an associate	-	94
Bad debts written off	3	-
Deposits and prepayments written off	-	84
Depreciation of property, plant and equipment	465	633
Finance costs		
- bank overdrafts	580	481
- hire purchase	29	50
- term loan	431	427
Share of results of an associate	-	6
Deposits forfeited	-	(135)
Finance income		
- deposits placed with licensed financial institutions	(53)	(52)
- other interest income	(70)	(24)
- unwinding of discount of financial assets	(15)	(15)
Gain on disposal of plant and equipment	-	(561)
Reversal of impairment loss on trade receivables	-	(150)
Reversal of impairment loss on other receivables	(49)	(700)
Fair value loss/(gain) on other investment	7	(13)
Operating profit before working capital changes	6,066	6,924
Changes in working capital:		
Inventories	(2)	-
Trade and other receivables	2,683	(1,257)
Trade and other payables	(840)	(1,696)
Amount owing (to)/by Directors	(220)	648
Cash generated from operations	7,687	4,619
Interest received	70	24
Interest paid	(580)	(481)
Tax paid	(2,950)	(3,691)
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,227	471

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED) (1)

	12 Months Ended	
	30 Sep 2018 RM'000	**30 Sep 2017 RM'000**
CASH FLOWS FROM INVESTING ACTIVITIES		
Consideration paid for acquisition of equity interest in subsidiaries, net of cash of acquisition	-	(25)
Proceeds from disposal of property, plant and equipment	-	628
Proceeds from disposal of a subsidiary, net of cash	-	*
Purchase of property, plant and equipment	(95)	(49)
Acquisition of an associate	-	(100)
Acquisition of an other investment	-	(100)
Placement of fixed deposits pledged to banks	(300)	(1,250)
Withdrawal of fixed deposits	1,100	-
Interest received	53	52
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	758	(844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	*	-
Drawdown of term loan	1,000	2,484
Repayment of term loans	(1,440)	(1,290)
Repayment of hire purchases	(259)	(738)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(699)	456
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,286	83
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,752	2,669
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 8)	7,038	2,752

** Amount less than RM1,000*

Note:
1.The Unaudited Condensed Consolidated Statement Of Cash Flows is to be read in conjunction of the accompanying explanatory notes attached to this interim financial report.

Part A – Explanatory notes to the interim financial statements for the year ended 30 September 2018

1. Basis of preparation

The interim financial statements of MANFORCE are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting.

This is the first interim financial report on the financial results for the year ended 30 September 2018 announced by the Company in compliance with Paragraph 6.12 of the LEAP Market Listing Requirements of Bursa Securities ("Listing Requirements"). The comparative figures have been presented as if the combination has occurred from the date when the combining entities first came under common control.

The interim financial report should be read in conjunction with the Audited Financial Statements as disclosed in the Information Memorandum of the Company dated 28 September 2018 ("IM") and the accompanying explanatory notes attached to this interim financial report.

2. Significant accounting policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted as disclosed in the Auditors' Report in the IM.

At the beginning of the current financial year, the Group adopted amendments/improvements to MFRS and the Issues Committee ("IC") Interpretations which are mandatory for the financial periods beginning on or after 1 January 2017. Initial application of the amendments/improvements to the standards did not have any material impact on the Group's unaudited interim financial statements.

The Group has not applied the following new standards and amendments to standards that have been issued by Malaysian Accounting Standards Board ("MASB") which are not yet effective for the Group.

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	**Effective Date**
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 7: Financial Instruments- Disclosure: Mandatory Effective Date of MFRS 9 and Transition Disclosure	1 January 2018

Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 9: Financial Instruments: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Employee Benefits	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
Amendments to Reference to the Conceptual Framework on MFRS Standard (MFRS 2,3,6,14,101,128,134,137,138 and IC Interpretation 12,19,20,22,132)	1 January 2020
MFRS 17 Insurance Contract	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
MFRS 16 Leases	1 January 2019

The Group plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Interpretations when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Interpretations and amendments to IC Interpretations are summarised below.

a) MFRS 9 Financial Instruments

Key requirements of MFRS 9:

MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

b) MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict 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. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Interpretations and amendments to IC Interpretations.

3. Seasonal or cyclical factors

The Group's operations were generally not affected by any seasonal or cyclical factors for the current financial year-to-date under review.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity or cash flows of the Group during the current financial year-to-date under review.

5. Material changes in accounting estimates

There were no material changes in accounting estimates in the current financial year-to-date under review.

6. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial year-to-date under review.

7. Debt and equity securities

Save as disclosed below, there were no other issuance, cancellation, repurchase, resales and repayment of debt and equity securities for the current financial year-to-date under review:

a) On 10 July 2018, the Company entered into a Share Purchase Agreement with the shareholders of Manforce Resources (M) Sdn. Bhd. to acquire the entire issued share capital of Manforce Resources (M) Sdn. Bhd. for a total purchase consideration of RM13,599,259, which was wholly satisfied by issuance of 271,985,178 new ordinary shares of the Company.

   The transaction was completed on 13 September 2018.

8. Breakdown of cash and cash equivalents

	12 Months Ended	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Deposits placed with licensed banks	2,105	2,853
Cash and bank balances	8,794	6,714
Bank overdrafts	(2,761)	(4,915)
	8,138	4,652
Less: Deposits held as security values	(1,100)	(1,900)
Cash and cash equivalents	7,038	2,752

9. Segmental information

The Group's revenue based on its activities is presented as follows:

	12 Months Ended			
	30 Sep 2018		30 Sep 2017	
	RM'000	%	RM'000	%
Revenue				
Foreign worker management services	39,985	52.13	35,483	46.03
Manual labour services	36,556	47.66	41,491	53.82
Other ancillary services	163	0.21	116	0.15
Total	76,704	100.00	77,090	100.00

The Group's revenues are generated based on the following:

a) Revenue from foreign workers management services business segment are generated based on a pre-agreed rates per foreign worker depending on the shifts (normal day, public holiday or overtime);
b) Revenue from manual labour services business segment are generated based on pre-agreed rates calculated based on the number of days and hours worked or output of unit of production; and
c) Revenue from other ancillary services are mainly agent fees received from the sale of foreign worker insurance products.

10. Related parties transactions

	12 Months Ended 30 Sep 2018 RM'000
Advances to companies in which a Director(s) have interest:	
- Manforce Resources Holdings Sdn Bhd	139
- Manforce Resources (MM2H) Sdn Bhd	6
- CT World Incentive Sdn Bhd	520
	665

All advances have been fully repaid as at 30 September 2018.

11. Material events subsequent to the end of the financial year

Approval has been obtained from Bursa Securities on 17 October 2018 for the listing of and quotation for the entire issued share capital of Manforce Group Berhad on the LEAP Market of Bursa Securities.

12. Capital and operating lease commitments

a) Capital commitments

Save from the proposed utilisation of proceeds as disclosed in the IM on our Proposed Listing, we do not have any material capital commitment as at the date of this report.

b) Operating lease commitments

The Group have the following operating lease commitments in respect of rental of accommodations/hostels and office. The future minimum lease payments under operating leases are follows:

	12 Months Ended	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Not later than one year	220	1,559
Later than one year and not later than five years	58	1,340
	278	2,899

13. Borrowings

	12 Months Ended	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Non-current liabilities		
- Hire purchase liabilities	305	459
- Term loans	5,377	5,479
	5,682	5,938
Current liabilities		
- Hire purchase liabilities	137	214
- Term loans	1,062	970
- Bank overdrafts	2,761	4,915
	3,960	6,099
	9,642	12,037

14. Earnings per share

a) The basic earnings per share for the current financial year-to-date under review are computed as below:

	12 Months Ended	
	30 Sep 2018 RM'000	**30 Sep 2017 RM'000**
Profit attributable to the owners of the Company	2,713	4,772
Expected number of ordinary shares upon completion of the Proposed Listing	319,983	319,983
Basic earnings per share (sen)	0.85	1.49

The earnings per share for the current financial year-to-date under review and year ended 30 September 2017 were computed based on expected number of ordinary shares upon completion of the Proposed Listing.

b) Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive instruments.

15. Contingent assets and contingent liabilities

There were no contingent assets and contingent liabilities as at 30 September 2018.

16. Prior Year Adjustment

The prior year adjustment shown in the Statement of Changes of Equity is in relation to an investment product, “10-year Saving Plan” bought with ING Berhad in year of 2006. In respect of which certain amounts were recognised as expenses during the prior financial year ended.

The Board of Directors had subsequently initiated a review of the Group’s recognition of the transaction.

Arising from this, the Group’s prior year financial statements have been restated to reflect the recognition of other income and administrative expenses.

Part B – Additional information required under the Leap Market Listing Requirements

1. **Review of performance**

The Group recorded revenue of RM76.70 million for the current financial year-to-date under review as compared to RM77.09 million in the corresponding period of the preceding year, representing a marginal decrease of RM0.39 million or 0.5%. Revenue generated from the foreign workers management services business segment increased by RM4.50 million or 12.7% from RM35.48 million during FYE 2017 to RM39.98 million during FYE 2018 due to the increase in number of foreign workers managed mainly resulting from new customers secured. However, the increase in revenue was offset by the decrease in revenue generated from the manual labour services segment, which decreased by RM4.93 million or 11.9% from RM41.49 million during FYE 2017 to RM36.56 million, due to the decrease in number of foreign workers managed in FYE 2018. The decrease was mainly due to foreign workers returning to their respective home countries upon completion of their relevant employment contracts in Malaysia.

Despite the marginal decrease in overall revenue levels generated, the Group recorded lower profit before tax of RM4.38 million during FYE 2018 as compared to RM6.68 during FYE 2017, representing a decrease of RM2.30 million or 34.4%. This was mainly due to the decrease in overall other operating income generated in FYE 2018 due to non-recurrence of other income such as gain on disposal of property and equipment of RM0.56 million and reversal of impairment losses of RM0.85 million in FYE 2017.

2. Prospects of the Group

The Board is positive of the Group's prospects after taking into consideration the future plans, the key competitive strengths and the positive outlook of the "Foreign Workers Management Services Market in Malaysia" from 2018 to 2022 as stated in the IM.

According to the IMR Report prepared by Protégé Associates as stated in the IM, the foreign workers management services market is expected to register a steady growth throughout the forecast period. The continuous demand for the foreign workers management services stems mainly from the sustained growth in the services and manufacturing sectors that require additional foreign workers. The wholesale and retail sub-sector will continue to be the main contributor, supported by resilient consumer spending. In addition, the accommodation and restaurant sub-sector is expected to further expand due to higher tourist arrivals and receipts. Additional foreign services workers are expected to support the need for these activities in the services sector, thus driving the demand for not only foreign workers management services but also the manual labour services.

In addition, the export-oriented manufacturing sub-sectors such as the electrical and electronics, petroleum and chemicals, plastic products and non-metallic minerals sub-sectors are also expected to expand. As the manufacturing sector relies on foreign workers as key source of labour, the expansion in the sector will require additional foreign workers, which in turn drives the demand for not just foreign workers management services but also the manual labour services. Moreover, it is worth noting that the increasingly educated local workforce creates a need to continue to recruit foreign workers as the local workforce views these jobs as dangerous, dirty and difficult jobs ("3D jobs").

On the supply side, the income disparities between the source countries and Malaysia are expected to attract foreign workers to Malaysia. These factors are expected to have a positive impact on the foreign workers management services market. The number of registered foreign workers is estimated to grow at a CAGR of 1.6% from 1.8 million in 2017 to reach approximately 1.9 million in 2022. The projected influx of foreign workers to Malaysia is anticipated to positively impact the foreign worker management services market as our customers from the manufacturing and services sectors would require our services in the areas of human resources, administration and immigration related functions for foreign workers.

3. Variance of actual profit from profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

Part C – Other information

1. Status of corporate proposals

a) Initial Public Offering

On 28 September 2018, the Company's issued its IM and undertook a proposed placement of 47,997,400 new ordinary shares of RM0.18 each, representing approximately 15% of the Company's enlarged issued share capital to be allocated to Sophisticated Investors.

b) Listing

The Company's entire enlarged issued share capital of RM 22,238,792.90 comprising 319,982,580 ordinary shares shall be listed in the LEAP Market of Bursa Securities on 11 December 2018.

2. Material litigation

There are no material litigations pending as at the date of this report.

3. Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend as at the date of this report.

4. Utilisation of Proceeds

The total gross proceeds of approximately RM8.64 million from the proposed placement will be utilised by the Group in the following manner:

Purposes	Amount of Proceeds		Estimated Timeframe for Utilisation Upon Listing
	RM'000	%	
Working capital			
- Hiring costs	6,100	70.60	Within 24 months
- Medical fees/examination and processing fee for the workers' work permits	1,060	12.27	Within 24 months
- Staff salaries for sales and marketing team	380	4.40	Within 24 months
Estimated listing expenses	1,100	12.73	Within 1 month
	8,640	**100.00**	

The utilisation of the proceeds as disclosed above should be read in conjunction with the IM. As at the date of this interim financial report, the listing exercise of the Company is pending completion. Hence, there is no utilisation of proceeds by the Company yet.