



MANFORCE GROUP

Think Workforce, Think Manforce

MANFORCE GROUP BERHAD

(Registration No.: 201701014455 (1228620-V))

(Incorporated in Malaysia)

HALF-YEARLY ANNOUNCEMENT FOR FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

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" OR THE "GROUP"). 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.



MANFORCE GROUP BERHAD (Registration No.: 201701014455 (1228620-V))
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 SEPTEMBER 2019 ⁽¹⁾**

	Unaudited 30 Sep 2019 RM'000	Audited 30 Sep 2018 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,152	4,352
Intangible asset	47	-
Goodwill on consolidation	264	-
Other investments	467	451
	<u>4,930</u>	<u>4,803</u>
CURRENT ASSETS		
Other investments	106	106
Trade receivables	11,384	11,528
Other receivables, deposits and prepayments	10,491	13,604
Amount owing by a contract customer	853	794
Inventory	100	2
Tax refundable	1,052	1,158
Deposits placed with licensed banks	2,172	2,105
Cash and bank balances	6,157	2,954
	<u>32,315</u>	<u>32,251</u>
TOTAL ASSETS	<u>37,245</u>	<u>37,054</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 SEPTEMBER 2019 (CONTINUED) ⁽¹⁾**

	Unaudited 30 Sep 2019 RM'000	Audited 30 Sep 2018 RM'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	21,329	13,599
Merger reserve	(12,599)	(12,599)
Retained profits	13,422	15,953
TOTAL EQUITY	<u>22,152</u>	<u>16,953</u>
NON-CURRENT LIABILITIES		
Borrowings	4,724	5,682
Deferred tax liabilities	1	57
	<u>4,725</u>	<u>5,739</u>
CURRENT LIABILITIES		
Trade payables	896	232
Other payables and accruals	8,551	9,366
Borrowings	914	4,764
Tax payable	7	-
	<u>10,368</u>	<u>14,362</u>
TOTAL LIABILITIES	<u>15,093</u>	<u>20,101</u>
TOTAL EQUITY AND LIABILITIES	<u>37,245</u>	<u>37,054</u>

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.



MANFORCE GROUP BERHAD (Registration No.: 201701014455 (1228620-V))
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019 ⁽¹⁾

	Individual 6 Months Ended		Cumulative 12 Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
Revenue	38,628	-	74,145	77,760
Cost of sales	(33,588)	-	(63,590)	(64,710)
Gross profit	5,040	-	10,555	13,050
Other operating income	445	-	711	308
Administrative expenses	(5,182)	-	(10,202)	(7,729)
Other operating expenses	(191)	-	(539)	(608)
Profit from operations	112	-	525	5,021
Finance income	49	-	90	116
Finance costs	(210)	-	(515)	(1,040)
(Loss)/Profit before tax	(49)	-	100	4,097
Tax expense	(288)	-	(631)	(1,592)
Total comprehensive (loss)/income, attributable to owner of the Company	(337)	-	(531)	2,505
Net (loss)/profit for the financial year/ Total comprehensive (loss)/income attributable to:				
Owner of the Company	(337)	-	(531)	2,505
Non-Controlling interests	-	-	-	-
	(337)	-	(531)	2,505
(Loss)/Earnings per ordinary share (sen):				
- Basic	(0.11)	-	(0.34)	0.92

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.



MANFORCE GROUP BERHAD (Registration No.: 201701014455 (1228620-V))
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019 ⁽¹⁾

	<-----Non-distributable----->		Distributable	
	Share capital	Reorganisation reserve	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000
As at 1 October 2017 (Unaudited)	1,000	-	13,447	14,447
- Issuance of shares	13,599	-	-	13,599
- Adjustment on the acquisition of Manforce Resources (M) Sdn. Bhd.	(1,000)	(12,599)	-	(13,599)
- Net profit for the financial year	-	-	2,506	2,506
	12,599	(12,599)	2,506	2,506
As at 30 September 2018 / 1 October 2018 (Audited)	13,599	(12,599)	15,953	16,953
- Issuance of shares	8,640	-	-	8,640
- Net loss for the financial year	-	-	(531)	(531)
- Listing expenses	(910)	-	-	(910)
- Dividend	-	-	(2,000)	(2,000)
	7,730	-	(2,531)	5,199
As at 30 September 2019 (Unaudited)	21,329	(12,599)	13,422	22,152

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.



MANFORCE GROUP BERHAD (Registration No.: 201701014455 (1228620-V))
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019 ⁽¹⁾

	12 Months Ended	
	Unaudited	Audited
	30 Sep 2019	30 Sep 2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	100	4,097
Adjustments for :-		
Allowance for impairment losses		
- trade receivables	39	269
- other receivables	-	73
- investment in an associate	-	20
Amortisation of intangible asset	11	-
Bad debts written off	6	3
Deposits and prepayments written off	-	6
Deposits forfeited	-	(10)
Depreciation of property, plant and equipment	382	396
Finance income		-
- deposits placed with licensed banks	(66)	(98)
- other interest income	(24)	(3)
- unwinding of discount of financial asset	(16)	(15)
Fair value loss/(gain) on other investment	-	7
Gain on disposal of plant and equipment	(121)	-
Interest expenses		
- bank overdrafts	64	580
- finance leases	18	29
- term loans	433	431
Loss on surrender of a insurance asset	-	213
Plant and equipment written off	6	-
Reversal of impairment losses		-
- trade receivables	(233)	(47)
- other receivables	(5)	-
Operating profit before working capital changes	594	5,951



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED) ⁽¹⁾

	12 Months Ended	
	Unaudited	Audited
	30 Sep 2019	30 Sep 2018
	RM'000	RM'000
Changes in working capital:		
Inventories	(98)	(2)
Trade and other receivables	3,512	(4,187)
Amount owing by a contract customer	(59)	(794)
Trade and other payables	(216)	(307)
Cash generated from operations	3,733	661
Interest received	24	3
Interest paid	(64)	(580)
Tax paid, net of tax refunded	(567)	(2,946)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	3,126	(2,862)
CASH FLOWS FROM INVESTING ACTIVITIES		
Consideration paid for acquisition of a subsidiary, net of cash of acquisition	(276)	-
Proceeds from disposal of plant and equipment	121	-
Proceeds from surrender of a insurance asset	-	641
Purchase of plant and equipment	(182)	(95)
Investment in an associate	-	(20)
Acquisition of intangible asset	(58)	-
Uplift of deposits, net	-	700
Interest received	66	98
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(329)	1,324



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED) ⁽¹⁾

	12 Months Ended	
	Unaudited	Audited
	30 Sep 2019	30 Sep 2018
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	7,730	-
Dividend paid	(2,000)	-
Drawdown of term loan	-	1,000
Repayment of term loans	(1,497)	(1,440)
Repayment of finance leases	(194)	(261)
Amount owing to a Director	-	(220)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	4,039	(921)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,836	(2,459)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	293	2,752
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	7,129	293

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.



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Part A – Explanatory notes to the interim financial statements for the year ended 30 September 2019

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 interim financial report on the financial results for the year ended 30 September 2019 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 of the Group for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to this interim financial report.

2. Significant accounting policies

The significant accounting policies adopted by the Group in this report are consistent with those adopted in the Audited Financial Statements of the Group for the financial year ended 30 September 2018 except for the adoption of the following new and amended MFRS, and Issues Committee ("IC") Interpretations mandatory for annual financial periods beginning on or after 1 October 2018:

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15 Revenue from Contracts with Customers
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 140 Transfer of Investment Property
- Annual Improvements to MFRSs 2014-2016 Cycle



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2. Significant accounting policies (Continued)

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group has concluded that the application of the new classification requirement does not have any material impact on accounting for its financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs. The impairment loss of trade and other receivables in accordance to the ECL model does not have any material impact on accounting for its financial assets.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 sets a new guidance for revenue accounting. It supersedes MFRS 111 Construction Contracts, MFRS 118 and all revenue-related interpretations: Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue - Barter Transactions Involving Advertising Services.

The Group has complied the requirements of MFRS 15 retrospectively with cumulative effect on initial application of the standard as an adjustment to the opening balance of retained earnings for the financial year ended 30 September 2018. The adoption of MFRS 15 did not have any significant effect on the interim financial statements.



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2. Significant accounting policies (Continued)

Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intend to adopt these standards, if applicable, when they become effective.

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 9 Prepayment Features with Negative Compensation
- Amendments to MFRS 119 Employee Benefits
- Annual Improvements to MFRSs 2015-2017 Cycle

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3 Business Combinations
- Amendments to MFRS 101 Definition of Material
- Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17 Insurance Contracts

MFRSs, interpretations and amendments effective for a date yet to be confirmed

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



2. Significant accounting policies (Continued)

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on this financial statement of the Group upon their initial application.

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.



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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

Acquisition of subsidiaries

- a) On 12 April 2019, a wholly-owned subsidiary of the Company, Manforce Resources (M) Sdn Bhd had incorporated a wholly-owned subsidiary, Agensi Pekerjaan Manforce SR Sdn Bhd, with a total issued and paid-up capital of RM2.00 which consists of 2 ordinary shares.
- b) On 4 July 2019, a wholly-owned subsidiary of the Company, Manforce Resources (M) Sdn Bhd had entered into a Share Sale Agreement with the vendors of Manpower Locations Strategies Sdn Bhd ("MLS") to acquire the entire equity interest of MLS for a total purchase consideration of RM300,000 satisfied entirely by cash.

7. Debt and equity securities

On 11 December 2018, the Company has issued 47,997,400 new ordinary shares at RM0.18 per share to investors on 5 December 2018 in conjunction with the listing on the LEAP Market of Bursa Securities.

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



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8. Breakdown of cash and cash equivalents

	12 Months Ended	
	Unaudited 30 Sep 2019 RM'000	Audited 30 Sep 2018 RM'000
Cash and bank balances	6,157	2,954
Deposits placed with licensed banks	2,172	2,105
	8,329	5,059
Bank overdrafts	-	(3,566)
	8,329	1,493
Less: Deposits held as security values	(1,200)	(1,200)
Cash and cash equivalents	7,129	293

9. Segmental information

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

	Individual 6 Months Ended			
	30 Sep 2019		30 Sep 2018	
	RM'000	%	RM'000	%
Revenue				
Foreign worker management services	15,337	39.70	-	-
Manual labour services	22,530	58.33	-	-
Other ancillary services	761	1.97	-	-
Total	38,628	100.00	-	-

	Cumulative 12 Months Ended			
	30 Sep 2019		30 Sep 2018	
	RM'000	%	RM'000	%
Foreign worker management services	33,897	45.72	35,963	46.25
Manual labour services	39,407	53.15	40,638	52.26
Other ancillary services	841	1.13	1,159	1.49
Total	74,145	100.00	77,760	100.00



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9. Segmental information (Continued)

Our 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

There were no related parties transactions in the current financial year-to-date under review.

11. Material events during the financial year

- a) 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.
- b) The Company has issued 47,997,400 new ordinary shares at RM0.18 per share to investors on 5 December 2018 in conjunction with the listing on the LEAP Market of Bursa Securities on 11 December 2018.

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

There were no material events subsequent to the end of the financial year under review.



MANFORCE GROUP BERHAD (Registration No.: 201701014455 (1228620-V))
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13. Capital and operating lease commitments

a) Capital commitments

Saved from the proposed utilisation of proceeds as disclosed in the Part C, Note 4, we do not have any material capital commitment as at the date of this report.

b) Operating lease commitments

The Group has 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 2019	30 Sep 2018
	RM'000	RM'000
Not later than one year	319	676
Later than one year and not later than five years	-	286
	<u>319</u>	<u>962</u>

14. Borrowings

	12 Months Ended	
	30 Sep 2019	30 Sep 2018
	RM'000	RM'000
Non-current liabilities		
- Finance lease liabilities	104	305
- Term loans	4,620	5,377
	4,724	5,682
Current liabilities		
- Finance lease liabilities	159	136
- Term loans	755	1,062
- Bank overdrafts	-	3,566
	914	4,764
	<u>5,638</u>	<u>10,446</u>



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15. (Loss)/Earnings per share

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

	Individual 6 Months Ended		Cumulative 12 Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to the owners of the Company (RM'000)	(337)	-	(531)	2,505
Weighted average number of ordinary shares in issue ('000)	319,983	-	155,323	271,985
Basic (loss)/earnings per share (sen)	<u>(0.11)</u>	<u>-</u>	<u>(0.34)</u>	<u>0.92</u>

The (loss)/earnings per share for the financial period/year ended 30 September 2019 and 30 September 2018 were computed based on weighted average number of issued ordinary shares adjusted to take into account the issuance of new ordinary shares.

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

16. Contingent assets and contingent liabilities

There were no contingent assets and contingent liabilities as at 30 September 2019.



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

1. Review of performance

During the current financial year under review, our revenue is mainly derived from Foreign Worker management and Manual Labour Services amounting to RM33.90 million or 45.72% of total revenue and RM39.41 million or 53.15% of total revenue respectively, while our other ancillary services contributed RM0.84 million or 1.13% of our total revenue.

Our total comprehensive loss for the current financial year under review is mainly due to the recognition of one-off listing expenses and marketing cost amounting to RM0.52 million and RM0.35 million respectively. The Group business has been impacted by challenging business environment in view of the increase in overall operating costs due to external factors, such as US-China trade war and amid the current uncertain global economic condition.

2. Prospects of the Group

The Board of Directors is in the opinion that the overall market is expected to remain challenging amidst the challenging business environment in Malaysia. However, the Group remains committed to continuously expanding its sales forces, support and administrative staff, improving customer awareness of the Group's offering through advertising and conducting product seminars as well as to exploring opportunities to expand the Group's product and services offering.

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.



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Part C – Other information

1. Status of corporate proposals

Saved from the listing of the Group on LEAP Market on Bursa Securities by way of floatation on 11 December 2018, there were no other corporate proposals announced and pending completion as the date of this report.

2. Material litigation

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

3. Dividends

The Board has on 31 January 2019 declared a single tier interim dividend of 0.6250 sen per ordinary share in respect of the financial year ended 30 September 2019. The interim dividend amounted to RM1,999,891 was paid on 22 February 2019.

4. Utilisation of Proceeds

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

Purpose	Proposed utilisation RM'000	Actual utilisation ^(a) RM'000	Balance RM'000	Estimated timeframe for utilisation upon listing
Working capital:				
- Hiring costs	6,100	1,395	4,705	Within 24 months
- Medical fees/examination and processing fee for the workers' work permits	1,060	340	720	Within 24 months
- Staff salaries for sales and marketing team	380	171	209	Within 12 months
Estimated listing expenses ^(b)	1,100	1,100	-	Within 1 month
Total	8,640	3,006	5,634	

(a) Utilisation as at 30 September 2019.

(b) The Group incurred listing expenses of RM1.43 million, of which RM0.33 million came from internally generated funds.