

IFCA MSC BERHAD
(Incorporated in Malaysia) - 453392 T

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The interim financial reports of the Group have been prepared in accordance with FRS 134 "Interim Financial Reporting" and Chapter 7 Part VI of the Listing Requirements for the MESDAQ market. This interim financial report is unaudited and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2004. The following notes explain 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 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2004.

A2. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The latest audited annual financial statements for year ended 31 December 2004 were not subject to any qualification.

A3. SEASONAL OR CYCLICAL FACTORS

The operations of the Group were not affected by any seasonal or cyclical factors.

A4. UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the financial period under review.

A5. MATERIAL CHANGES IN ESTIMATES

The Group has not submitted any financial forecast or projections to any authorities during the current quarter and prior financial year ended 31 December 2004. As such, there is no change in estimates that had a material effect in the current quarter results.

A6. CHANGES IN DEBTS AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale, repayments of debt and securities, share held as treasury shares and resale of treasury shares during the financial period ended 31 December 2005 and the date of this interim report except for the issuance of 211,200 new ordinary shares of RM0.10 each for cash pursuant to the Company's Employee Share Option Scheme at the exercise price of RM0.20 per ordinary share.

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A7. DIVIDEND PAID

No dividend has been paid for the current quarter under review.

A8. SEGMENTAL INFORMATION

Segmental information for the 12 months ended 31 December 2005 and 31 December 2004 are as follows:

	Malaysia		Overseas		Elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM	RM	RM
Revenue								
External sales	22,859,623	22,760,671	4,026,625	4,677,487	-	-	26,886,249	27,438,158
Inter-segment sales	8,943,518	7,617,490	-	-	(8,943,518)	(7,617,490)	-	-
Total revenue	<u>31,803,141</u>	<u>30,378,161</u>	<u>4,026,625</u>	<u>4,677,487</u>	<u>(8,943,518)</u>	<u>(7,617,490)</u>	<u>26,886,249</u>	<u>27,438,158</u>
Result								
Segment results	3,459,273	3,407,464	2,580,914	2,294,115			6,040,187	5,701,579
Amortisation (unallocated)							(2,417,729)	(1,952,814)
Impairment loss							-	(2,764,149)
Gain on assignment of intellectual property rights							-	7,151,413
Finance costs							(77,966)	(39,119)
Share of results of associate							489,425	-
Profit before taxation							4,033,917	8,096,910
Taxation							(856,099)	(167,222)
Profit after taxation							3,177,818	7,929,688
Minority interest							78,121	3,898
Profit for the period							<u>3,255,939</u>	<u>7,933,586</u>

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A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The valuation of property, plant and equipment and investment properties have been brought forward without amendment from the financial statements for the year ended 31 December 2004.

A10. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT QUARTER

On 25 January 2006, the Company announced that on 24 January 2006 its wholly-owned subsidiary, IFCA International Limited had entered into a joint venture agreement with Gateway Communications (Cambodia) Ltd., to set up a joint venture company namely IndoChina eTourism Co. Ltd to jointly operate the e-commerce portal business in Cambodia.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

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

A12. CONTINGENT LIABILITIES

There were no material contingent liabilities since the last annual balance sheet as at 31 December 2004.

A13. CAPITAL COMMITMENTS

There were no material capital commitments as at the date of this report.

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 7A OF THE LISTING REQUIREMENTS FOR THE MESDAQ MARKET

B1. REVIEW OF YEAR-ON-YEAR PERFORMANCE

For the financial year ended 31 December 2005, the Group registered revenue of RM26.89 million compared to RM27.44 million recorded in the previous year. This represents a decline in revenue of approximately 2.0%. The decrease was partly attributed to lower recognition of overseas sales, as, since 1 January 2005, revenue derived from South Africa is now recognised as profit from an associated company, namely IFCA MBS Pte Ltd.

In terms of profitability, the Group recorded a net profit after taxation and minority interest of RM3.256 million, representing a decrease of 58.96% compared to last year. The difference is mainly due to the gain on assignment of intellectual property of RM7.15 million in last the financial year and the provision for deferred taxation of RM0.71 million in the financial year ended 31 December 2005.

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

	Current Quarter	Preceding Quarter
	31/12/2005	30/9/2005
	RM'000	RM'000
Revenue	7,618	7,207
Profit Before Taxation ("PBT")	810	1,554

For the quarter under review, the Group registered revenue of approximately RM7.62 million, representing a growth of approximately RM0.41 million or 5.7% compared to the preceding quarter of RM7.21 million.

The Group's PBT has decreased by RM0.74 million or 47.86% compared to the preceding quarter mainly due to an increase in operating expenses and a change of product mix towards hardware which carries a lower margin.

B3. PROSPECTS

The Group's revenue continued to increase in the last quarter of 2005 compared to the preceding three quarters. The management remains positive on the growth prospects of the Group for year 2006. According to the forecast of The Association of Computer and Multimedia Industry of Malaysia ("Pikom"), the growth for the Information and Communication Technology Industry ("ICT") is about 12% as compared to 10% in year 2005. (Source: "Pikom forecast 12% growths for ICT industry next year", The Edge Daily, 30 December 2005).

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Changes in the accounting and taxation practices, such as the upcoming implementation of Good & Services Tax ("GST") will also help fuel the sale of upgrades in the replacement market.

The management of the Group is presently working to secure several projects in China, Maldives and South Africa that they hope will contribute positively to the future earnings of the IFCA Group.

Future earnings would also be driven by the Group's plans to launch the Loan Management Solutions and web based solutions in the domestic as well as overseas markets.

Barring any unforeseen circumstances, the Directors anticipate that the performance of the IFCA Group will achieve double digit growth for the coming financial year.

B4. PROFIT FORECAST

The Group has not provided any profit forecast in any public document for the financial year ended 31 December 2005.

B5. TAXATION

	Current Quarter	Cumulative Quarter
	3 months ended	12 months ended
	31/12/2005	31/12/2005
	RM	RM
Tax expense for the period:		
Malaysian Income taxation		
- Current year	40,688	85,280
- Deferred tax	684,856	684,856
	<hr/> 725,544	<hr/> 770,136
- Share of taxation of associate	(51,791)	85,963
	<hr/> <hr/> 673,753	<hr/> <hr/> 856,099

The effective tax rate of the Group is lower than the statutory tax rate for the current financial period under review mainly due to the Company's MSC status.

B6. PROFIT OR LOSS ON SALE OF INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the current quarter under review.

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B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the current quarter and financial year to date.

B8. GROUP BORROWINGS AND DEBT SECURITIES

The total borrowings of the Group as at 31 December 2005 comprised hire purchase liabilities amounting to RM1,508,040 analysed as follows:

	RM
Secured - due within 12 months	300,335
Secured - due after 12 months	1,207,705
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	<u>1,508,040</u>

B9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group has no off-balance sheet financial instruments at the date of this announcement.

B10. MATERIAL LITIGATION

The Group does not have any material litigation, of which, in the opinion of the Directors, would have a material adverse effect on the financial results of the Group as at the date of this announcement.

B11. DIVIDEND PAYABLE

On 28 November 2005, the Board of directors of the Company had announced the payment of 5% tax exempt interim dividend on 281,117,700 ordinary shares amounting to RM1,405,588 for the year ended 31 December 2005. The payment of this dividend was made on 6 January 2006.

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B12. EARNINGS PER SHARE

	Current Quarter 3 months ended 31/12/2005 RM	Cumulative Quarter 12 months ended 31/12/2005 RM
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	227,219	3,255,939
<u>Number of shares</u>		
Weighted average number of share in issue for basic earnings per share	281,117,700	281,090,133
Effect of dilutive potential ordinary shares on conversion of options under ESOS	-	997,169
Weighted average number of share in issue for diluted earnings per share	281,117,700	282,087,303
<u>Earnings per share (sen)</u>		
- Basic	0.08	1.16
- Diluted	N/A	1.15

Basic earnings per share for the preceding corresponding quarter and preceding corresponding year to date were calculated by dividing the net profit attributable to ordinary shareholders with the weighted average number of ordinary shares of 277,997,525 each.

B13. 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 27 February 2006.