

IFCA MSC BERHAD (453392-T)
(Incorporated in Malaysia)

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 of Bursa Malaysia Securities Berhad.

This interim financial report is unaudited and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2006. 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 2006.

A2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised Financial Report Standards ("FRS") effective for the financial period beginning 1 January 2007:

FRS 117	Leases
FRS 1192004 (Revised)	Employee Benefits – Acturial Gains and Lossess, Group Plans and Disclosures
FRS 124	Related Party Disclosures

The Group has not adopted FRS 139 Financial Instruments : Recognition and Measurement as its effective date has been deferred.

The adoption of all FRSs mentioned above does not result in significant changes in accounting policies of the Company, other than the change discussed below:.

FRS 117 : Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 had resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of the other assets and the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. As such, leasehold land and the corresponding liability arising from the lease from Government have been removed from the balance sheet as at 1 January 2007. Lease payments are recognized in the income statement on an accrual basis. The Company has applied this change in accounting policy prospectively.

In the previous financial year however, the company had adopted **FRS 140 (Investment Property)**. All leasehold land under the Group are now classified under Investment Property as none are held for own use. Therefore, the adoption of FRS 117 (Leases) has no significant impact on the Company's financial statement.

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A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the year ended 31 December 2006 was not qualified.

A4. SEASONAL OR CYCLICAL FACTORS

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

A5. 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 current quarter.

A6. 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 2006. As such, there is no change in estimates that had a material effect in the current quarter results.

A7. CHANGES IN DEBTS AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale, repayments of debt and/or securities, share held as treasury shares and resale of treasury shares during the financial period ended 31 March 2007 except for the issuance of 1,469,600 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.

A8. DIVIDENDS PAID

There were no dividends paid during the current quarter.

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A9 SEGMENTAL INFORMATION

Segmental information for the 3 months ended 31 March 2007 and 31 March 2006 are as follows:

	Malaysia		Overseas		Elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	RM	RM	RM	RM	RM	RM	RM	RM
Revenue								
External sales	4,468,866	5,046,881	548,846	742,487	-	-	5,017,712	5,789,368
Inter-segment sales	1,186,679	1,773,451	-	-	(1,186,679)	(1,773,451)	-	-
Total revenue	5,655,545	6,820,332	548,846	742,487	(1,186,679)	(1,773,451)	5,017,712	5,789,368
Result								
Segment results*	830,170	725,847	(354,366)	(59,111)			475,804	666,736
Amortisation (unallocated)							(762,291)	(596,643)
Finance costs							(16,605)	(20,485)
Share of results of associate							(496,691)	(315,033)
Loss before tax							(799,783)	(265,425)
Income tax expense							(6,889)	(199,172)
Loss for the period							(806,672)	(464,597)

*Note- Results for previous year restated

A10. 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 2006.

A11. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT QUARTER

There was no significant event arising in the period from 1 April 2007 to the date of this announcement, which will have a material effect on the financial results of the Group for the period under review.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

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A13. CONTINGENT LIABILITIES

There were no material contingent liabilities since the last annual balance sheet as at 31 December 2006.

A14. 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 9B OF THE LISTING REQUIREMENTS FOR THE MESDAQ MARKET

B1. REVIEW OF YEAR-ON-YEAR PERFORMANCE

For the quarter ended 31 March 2007, the Group posted revenue of RM5.02 million compared to RM5.79million recorded in the corresponding quarter in 2006. This represents a decline of approximately 13.3%. The contraction was mainly attributed to the lower sales in both domestic and overseas market.

The Group recorded a net loss after tax of RM0.81 million compared to loss of RM0.47million recorded for the corresponding quarter in previous year. Although there were contraction in sales, the Group recorded higher Gross Profit Margin of 87.8% in the quarter under review compared 78.1% registered in the corresponding quarter last year. This was due to higher composition of software and services sales in the quarter under review.

Despite registering positive results for the Malaysian operation, the weaker results at Group level in the quarter under review compared to Quarter 1, 2006 was mainly due to the operation losses in our overseas subsidiary, the share of losses in our investment in associates, and higher amortization of development cost for both the Group and the associate company.

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

	Current Quarter 31.3.2007 RM'000	Preceding Quarter 31.12.2006 RM'000
Revenue	5,018	6,771
(Loss)/Profit Before Tax ("PBT")	(800)	835

For the quarter under review, revenue decreased by 25.9% to RM5.02 million from RM6.77 million in Quarter 4, 2006. The negative growth was attributed to the lower sales in both the local and overseas market. Notwithstanding this, the Group posted a higher Gross Profit Margin of 87.8% in this quarter compared to 80.8% in the immediate preceding quarter. This was attributed to the higher composition of software and services which contributed higher gross margin during the quarter under review.

The contraction in revenue had resulted in a significant decline in the Group's PBT during the quarter under review. The Group posted a net loss before tax of RM0.80 milion compared to the profit before tax of RM0.84 million in the preceding quarter ended 31 December 2006.

The negative results were mainly due to the losses incurred in the overseas' subsidiaries and share of losses in associated company. In the quarter under review, the overseas' subsidiaries posted a loss of RM0.38 million compared to a profit of RM0.31 million in the immediate preceding quarter. For the associate company, a loss of RM0.50 million was recorded in the quarter under review compared to a profit of RM0.54 million posted in Quarter 4, 2006.

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B3. PROSPECTS

The Group's prospect remains positive. The recently launched new hotel management system has generated interest in both local and international markets. The new generation portal based property development management system has received very encouraging feedback from the market place. The Group is aggressively promoting these products.

However, the outlook of the Group's financial performance for the coming quarters may be adversely affected by the continuing losses in the overseas' subsidiaries. At the same time, the share of losses in the associate company may further dampen the financial performance of the Group.

Barring the above factors and any unforeseen circumstances, the Directors anticipate that the performance at operations to be satisfactory in the coming quarters.

B4. PROFIT FORECAST

The Group has not provided any profit forecast in any public documents for the current quarter under review.

B5. INCOME TAX EXPENSE

	Current Quarter	Cumulative Quarter
	3 months ended	3 months ended
	31.3.2007	31.3.2007
	RM	RM
Current tax	6,889	6,889
Deferred tax	-	-
	<u>6,889</u>	<u>6,889</u>

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.

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.

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B8. GROUP BORROWINGS AND DEBT SECURITIES

The total borrowings of the Group as at 31 March 2007 comprised of hire purchase liabilities amounting to RM1,169,264 analysed as follows:

	RM
Secured - due within 12 months	352,519
Secured - due after 12 months	816,745
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	1,169,264
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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

No interim ordinary dividend has been declared for the financial period ended 31 March 2007.

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B12. EARNINGS PER SHARE

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2007	31.3.2006	31.3.2007	31.3.2006
	RM	RM	RM	RM
<u>Earnings</u>				
Loss for the period	(806,672)	(464,597)	(806,672)	(464,597)
Less/(Add): Amount attributable to minority interest	<u>(52,807)</u>	<u>49,260</u>	<u>(52,807)</u>	<u>49,260</u>
Loss for the period attributable to shareholders of the Group	<u><u>(859,479)</u></u>	<u><u>(415,337)</u></u>	<u><u>(859,479)</u></u>	<u><u>(415,337)</u></u>
<u>Number of shares</u>				
Weighted average number of share in issue for basic earnings per share	285,583,267	281,117,700	285,583,267	281,117,700
Effect of dilutive potential ordinary shares on conversion of options under ESOS	478,920	4,041,688	478,920	4,041,688
Weighted average number of share in issue for diluted earnings per share	<u><u>286,062,187</u></u>	<u><u>285,159,388</u></u>	<u><u>286,062,187</u></u>	<u><u>285,159,388</u></u>
Loss per share (sen)				
- Basic	(0.30)	(0.15)	(0.30)	(0.15)
- Diluted	<u><u>(0.30)</u></u>	<u><u>(0.15)</u></u>	<u><u>(0.30)</u></u>	<u><u>(0.15)</u></u>

B13. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 21 May 2007.