

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 30 June 2007 except for the issuance of 1,608,600 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 6 months ended 30 June 2007 and 30 June 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	10,379,495	10,818,346	1,090,732	1,456,488	-	-	11,470,227	12,274,834
Inter-segment sales	2,362,593	3,335,062	-	-	(2,362,593)	(3,335,062)	-	-
Total revenue	12,742,088	14,153,408	1,090,732	1,456,488	(2,362,593)	(3,335,062)	11,470,227	12,274,834
Result								
Segment results*	(3,215,620)	808,539	(556,835)	697,150			(3,772,455)	1,505,689
Amortisation (unallocated)							(1,665,492)	(1,416,801)
Finance costs							(31,954)	(41,234)
Share of results of associate							(665,463)	(157,606)
Loss before tax							(6,135,364)	(109,952)
Income tax expense							(16,688)	(396,328)
Loss for the period							(6,152,052)	(506,280)

**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 July 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 six months ended 30 June 2007, the Group registered revenue of RM11.47 million compared to RM12.27 million recorded in the corresponding period last year. This represents a decline of approximately 6.5%. The contraction was mainly attributed to the lower software sales in both the domestic and overseas market.

The Group registered a net loss after tax of RM6.15 million compared to net loss of RM0.51 million recorded for the corresponding period in year 2006. In compliance with FRS 136, the Group provided an impairment loss for its deferred development cost for the amount of RM3.77 million in the reporting period.

Other major factors dampening the financial results for the period under review are the operating losses in our overseas subsidiary and associate company. For the period ended 30 June 2007, a bad and doubtful debt provision of RM0.89 million was made.

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

	Current Quarter	Preceding Quarter
	30.6.2007	31.03.2007
	RM'000	RM'000
Revenue	6,453	5,018
(Loss)/Profit Before Tax ("PBT")	(5,336)	(800)

For the quarter under review, revenue increased by 28.6% from RM5.02 million in Quarter 1, 2007 to RM6.45 million in the quarter under review. The growth however, was attributed to the low margin hardware sales in the domestic market.

The negative results were mainly due to the RM3.77 million impairment loss on its deferred development cost provided during the quarter. Other factors affecting the results in the quarter under review are bad and doubtful debt provision of RM0.89 million and higher amortization expenditure of RM0.90 million as compared to RM0.76 million in Quarter 1, 2007 due to the commencement of sales in some new product in the reporting period.

Meanwhile, our overseas subsidiaries registered losses of RM0.20 million in Quarter 2, 2007 compared to losses of RM0.35 million in the immediate preceding quarter. The associate company recorded a loss of RM0.17 million in the quarter under review compared to a loss of RM0.50 million posted in Quarter 1, 2007.

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B3. PROSPECTS

The Group's prospect remains positive. The recently launched new generation portal based Enterprise Management Solution has received very encouraging feedback from the market place. In July 2007, the Group had signed a MOU with a well established property developer in the country to install portal based property solution system worth over a million Ringgit. The Group is presently in negotiation with a few reputable property developer for system installations and is anticipating to conclude these deals before the end of the year. The Group anticipated that this new product will springboard the Group's turnover in the coming year and would contribute positively to the bottom line.

Barring the above factors and any unforeseen circumstances, the Directors anticipate that the Group would record positive results 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	6 months ended
	30.6.2007	30.6.2007
	RM	RM
Current tax	9,799	16,688
Deferred tax	-	-
	<u>9,799</u>	<u>16,688</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 30 June 2007 comprised of hire purchase liabilities amounting to RM1,088,161 analysed as follows:

	RM
Secured - due within 12 months	323,846
Secured - due after 12 months	764,315
	<hr/>
	1,088,161
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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 30 June 2007.

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B12. EARNINGS PER SHARE

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	RM	RM	RM	RM
<u>Earnings</u>				
Loss for the period	(5,180,362)	(41,683)	(6,039,842)	(506,280)
Less/(Add): Amount attributable to minority interest	<u>(165,017)</u>	<u>(81,028)</u>	<u>(112,210)</u>	<u>(31,768)</u>
Loss for the period attributable to shareholders of the Group	<u><u>(5,345,379)</u></u>	<u><u>(122,711)</u></u>	<u><u>(6,152,052)</u></u>	<u><u>(538,048)</u></u>
<u>Number of shares</u>				
Weighted average number of share in issue for basic earnings per share	286,674,067	284,869,733	286,128,667	282,993,717
Effect of dilutive potential ordinary shares on conversion of options under ESOS	395,245	2,059,541	395,245	2,059,541
Weighted average number of share in issue for diluted earnings per share	<u><u>287,069,312</u></u>	<u><u>286,929,274</u></u>	<u><u>286,523,912</u></u>	<u><u>285,053,258</u></u>
Loss per share (sen)				
- Basic	(1.81)	(0.04)	(2.11)	(0.19)
- Diluted	<u><u>(1.81)</u></u>	<u><u>(0.04)</u></u>	<u><u>(2.11)</u></u>	<u><u>(0.19)</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 14 August 2007.