

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2012
NOTES TO THE INTERIM FINANCIAL REPORT

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The interim financial reports is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this quarterly financial statement are consistent with those of the annual financial statements for the year ended 31 December 2011.

The Group has not adopted the following standards that have been issued but not yet effective:

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor’s report on the financial statements for the year ended 31 December 2011 was not qualified.

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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 under review.

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 2011. As such, there is no change in estimates that had a material effect in the current quarter's 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 2012.

A8. DIVIDENDS PAID

There were no dividends paid during the current quarter under review.

A9. SEGMENTAL INFORMATION

Segmental information for the 6 months ended 30 June 2012 and 30 June 2011 are as follows:

	Malaysia		Overseas		Elimination		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	16,864,037	12,547,145	4,505,720	4,018,273		-	21,369,757	16,565,418
Inter-segment sales	6,255,238	5,993,387	-	-	(6,255,238)	(5,993,387)	-	-
Total Revenue	23,119,275	18,540,532	4,505,720	4,018,273	(6,255,238)	(5,993,387)	21,369,757	16,565,418
RESULT								
Operating results	5,375,923	1,278,024	(970,383)	879,500			4,405,540	2,157,524
Amortisation (unallocated)							(1,376,028)	(1,333,049)
Depreciation							(415,439)	(486,833)
Finance costs							(26,381)	(56,854)
Profit before tax							2,587,692	280,788
Income tax expense							(239,306)	(3,200)
Profit for the period							2,348,386	277,588

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A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The valuations of property, plant and equipment have been brought forward without any material amendments from the previous financial statements.

A11. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT QUARTER

Save as disclosed in Note B8, there was no significant event arising in the period from 1 July 2012 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 during the current quarter.

A13. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities since the last annual balance sheet as at 31 December 2011.

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 ACE MARKET

B1. REVIEW OF YEAR-ON-YEAR PERFORMANCE

For the six months period ended 30 June 2012, the Group registered revenue of RM21.37 million as compared to RM16.57 million recorded in the corresponding period last year. The increase of RM4.80 million, which is equivalent to 29.00%, for the period under review was primarily attributed to higher software sales and services.

The growth of the software sales and services has enabled the Group to register a profit of RM2.35 million or margin of 10.99% in the reporting period as compared to a gain of RM0.28 million or margin of 1.68% in the corresponding period last year.

B2. COMPARISON WITH IMMEDIATE PROCEEDING QUARTER'S RESULTS

	Current Qtr 30.06.2012 RM'000	Preceding Qtr 31.03.2012 RM'000
Revenue	10,420	10,950
<i>Gross Profits</i>	8,989	9,582
<i>Gross Margin</i>	86.27%	87.51%
Profit/(Loss) Before Tax	1,251	1,337

For the current quarter under review, the Group recorded a decrease in revenue by 4.84% to RM10.42 million as compared to RM10.95 million against the preceding quarter. The decrease in revenue was a result of lower hardware sales and services during the quarter under review.

B3. BUSINESS PROSPECTS

Currently, the Group has maintained a healthy order books and promising sales pipelines.

Moving forward, the Group will continue its effort to:

1. Increase the footprint in China;
2. Enlarge the marketing and sales force;
3. Enhance products functionality including "Cloud" and "Mobile Computing";
4. Improve operational and delivery capabilities.

Despite the uncertainties in the global economy, the Group has sustained performance for the 1st half of 2012. The Board is confident that these strategies and expansion efforts will continue to contribute positively to the earnings of the Group and the performance of the Group for the financial year ending 31 December 2012 shall be better than previous year.

B4. PROFIT FORECAST

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

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B5. INCOME TAX EXPENSE

	Cumulative Quarter 3 months ended 30.06.2012 RM	Cumulative Quarter 6 months ended 30.06.2012 RM
Current tax	(16,631)	239,306
Deferred tax	-	-
	<u>(16,631)</u>	<u>239,306</u>

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

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

B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

Save as disclosed below, there are no other corporate proposals announced but not completed as at the date of this report.

On 26 March 2012, OSK Investment Bank Berhad (“OSK”) had, on behalf of the Board announced that the Company proposes to implement a private placement of not more than 10% of the issued and paid-up share capital of the Company to investors to be identified. The listing application pursuant to the Proposed Private Placement had been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”) on 5 April 2012.

Bursa Securities had, vide its letter dated 15 May 2012, resolved to approve the Company’s application for the Proposed Private Placement subject to the following conditions:

- (i) IFCA and OSK must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Proposed Private Placement;
- (ii) IFCA and OSK to inform Bursa Securities upon the completion of the Proposed Private Placement; and
- (iii) IFCA to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Private Placement is completed.

As at the date of this report, the Private Placement is still pending completion.

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B9. GROUP BORROWINGS AND DEBT SECURITIES

The total borrowings of the Group as at 30 June 2012 comprised of hire purchase liabilities & finance lease amounting to RM 883,990 analyzed as follows:

	RM
Secured - due within 12 months	230,670
Secured - due after 12 months	653,320
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	883,990
	<hr/>

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B11. 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 report.

B12. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 30 June 2012.

B13. EARNINGS PER SHARE

	3 months ended		6 months ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM	RM	RM	RM
Total Comprehensive Income/(Loss) attributable to:				
Owners of the company	1,612,868	817,824	2,604,654	134,899
Minority Interest	(345,417)	(18,465)	(256,268)	142,689
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	1,267,451	799,359	2,348,386	277,588
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Number of shares				
Weighted average number of share for basic earnings per share	405,205,493	430,053,000	405,205,493	430,053,000
Effect of dilutive potential ordinary shares from the exercise of warrants - assuming that the warrant has been fully exercised (maximum scenario)	143,351,000	-	143,351,000	-
Weighted average number of shares in issue for diluted earnings per share	548,556,493	430,053,000	548,556,493	430,053,000
Profit per share (sen)				
- Basic	0.40	0.19	0.64	0.03
- Diluted	0.29	0.19	0.47	0.03

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B14. UTILISATION OF PROCEEDS

As at 30 June 2012, the Company has utilised approximately 55.10% of the proceeds raised from its Rights Issue which was completed on 21 February 2011. The breakdown of the utilization is as follows:

	Nature of Expenses	Proposed Amount	Actual Utilisation		Un-utilised Amount		Intended Timeframe for Utilisation
		RM'000	RM'000	%	RM'000	%	
i.	Working Capital and Business Expansion	6,011	2,036	34	3,975	66	Within 2 years from the listing of the Rights Shares
ii.	Research and Development	4,088	2,924	72	1,164	28	Within 2 years from the listing of the Rights Shares
iii.	Sales and Marketing	3,406	2,306	68	1,100	32	Within 2 years from the listing of the Rights Shares
iv.	Expenses for the Proceeds	830	633	76	197	24	
	Total	14,335	7,899		6,436		

B15. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained losses of the Group as at 30 June 2012 into realized and unrealized losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and is compiled in accordance with Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

	As at 30.06.2012 RM'000	As at 31.12.2011 RM'000 (audited)
Total accumulated losses of IFCA MSC Berhad and its subsidiaries:		
- Realised	(25,956,369)	(23,704,478)
- Unrealised	(575,796)	(358,402)
	<u>(26,532,165)</u>	<u>(24,062,880)</u>
Less: Consolidation adjustments	15,799,284	10,981,613
Total group accumulated losses as per consolidated accounts	<u>(10,732,881)</u>	<u>(13,081,267)</u>

B16. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors during its meeting held on 23 June 2012.