

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 2012.

A8. DIVIDENDS PAID

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

A9. SEGMENTAL INFORMATION

Segmental information for the 12 months ended 31 December 2012 and 31 December 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	34,241,029	28,433,755	11,673,694	9,231,574			45,914,722	37,665,329
Inter-segment sales	8,831,985	12,142,918		-	(8,831,985)	(12,142,918)	-	-
	43,073,014	40,576,673	11,673,694	9,231,574	(8,831,985)	(12,142,918)	45,914,722	37,665,329
Result								
Segment results	5,915,037	(216,610)	1,568,260	803,124			7,483,297	586,514
margin %	14%	-1%	13%	9%				
Amortisation							(2,846,921)	(2,740,061)
Depreciation							(923,891)	(1,042,003)
Other non-cash expenses								
Finance cost							(46,922)	(168,930)
Profit/(loss) before tax							3,665,562	(3,364,480)
Income tax expense							(443,200)	509,763
Profit/(loss) net of tax							3,222,362	(2,854,717)
							-	

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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 January 2013 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 reporting quarter, except for the following :

The Company had on, 18 October 2012 received notification that its dormant subsidiary company, Guangzhou Jingyou Management Consulting Co. Ltd. (“GJMC”) incorporated in the People’s Republic of China (“PRC”), which is held through IFCA (Guangzhou) Technology Co., Ltd (“IFCA GZ”), had been voluntarily deregistered on 15 June 2012 from the State Administration of Industry and Commerce of China.

The voluntary deregistration of GJMC is part of IFCA Group's rationalization and streamlining exercise and will not have a material effect on the earnings or net assets of the IFCA Group for the financial year ending 31 December 2012.

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

The Group registered revenue of RM45.91 million for the financial year ended 31 December 2012, representing a 21.9% increase over the corresponding period last year attributed to higher application software sales and maintenance support services billings. Both the Malaysian market and China market registered double digit sales growth in the year under review.

The popularity of the IFCA brand is not limited to Malaysia and China as Royalty billings from other overseas countries rose from RM1.03 million in 2011 to RM1.73 million in 2012.

Consequently, the growth in the revenue coupled with effective monitoring of operational cost has enabled the Group to return to black during the year. The Group recorded profit before tax of RM3.67 million in 2012 compared to a loss of RM2.34 million in the previous year.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Qtr 31.12.2012 RM'000	Preceding Qtr 30.09.2012 RM'000
Revenue	12,933	11,612
<i>Gross Profits</i>	11,372	9,262
<i>Gross Margin</i>	87.9%	79.8%
Profit/(Loss) Before Tax	295	783

For the current quarter under review, the Group had provided project incentives and bonus for its staff. This attributed to lower profit before tax during the reporting quarter despite posting a 11% increase in the Revenue.

B3. BUSINESS PROSPECTS

Despite the challenging global economic environment, Bank Negara Malaysia reported the Malaysia's Gross Domestic Product expanded by 6.4% in the Fourth Quarter of 2012 compared to 5.3% in the preceding quarter. In the same period, the Services sector expanded 6.3% while from the consumption perspective, private entities expenditure rose 6.1%.

The Group's foreign business, especially in China is expected to continue to be robust in the coming financial year due to the aggressive expansion programs in the past. In the local segment however, which rely on IT capital expenditure of its customer, business activity is expected to be moderate in the months leading to the coming General Election.

With a strong order book and promising sales pipeline, and having return to profitability in 2012, the Group is confident that stronger growth in bottom line is achievable in 2013 as it continues to focus its resources to enlarge its marketing and sales force in China & South Africa, rolling out new software products and improving its operational and delivery capabilities.

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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

	Cumulative Quarter 3 months ended 31.12.2012 RM	Cumulative Quarter 12 months ended 31.12.2012 RM
Current tax	60,334	443,200
Deferred tax	-	-
	<u>60,334</u>	<u>443,200</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, the Company announced its proposal 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.

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED (Continued)

On 21 September 2012, the Company announced that the first tranche of the Private Placement, comprising 20,000,000 new ordinary shares of RM0.10 each in IFCA were allotted and issued pursuant to the Proposed Private Placement that was announced on 26 March 2012. The 20,000,000 new ordinary shares were subsequently listed on the ACE Market of Bursa Malaysia on 24 September 2012.

On 29 October 2012, the Company submitted an application to seek Bursa Securities' approval for an extension of time of up to six (6) months until 14 May 2013 to complete the implementation of the Proposed Private Placement pursuant to Rule 6.61(1) of the ACE Market Listing Requirements.

Bursa Securities had, vide its letter dated 31 October 2012, resolved to approve the Company's application for an extension of time of six (6) months from 14 November 2012 to 14 May 2013 for IFCA to complete the Private Placement.

The Board is currently identifying suitable places for the remaining Placement Shares of up to 23,005,300 IFCA shares.

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

B9. GROUP BORROWINGS AND DEBT SECURITIES

The total borrowings of the Group as at 31 December 2012 comprised of hire purchase liabilities & finance lease amounting to RM 724,214 analyzed as follows:

	RM
Secured - due within 12 months	294,077
Secured - due after 12 months	430,137
	<hr/>
	724,214
	<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 31 December 2012.

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B13. EARNINGS PER SHARE

	3 months ended		12 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM	RM	RM	RM
Total Comprehensive Income/(Loss) attributable to:				
Owners of the company	488,374	(3,379,829)	3,481,884	(2,676,459)
Minority Interest	(254,004)	(99,712)	(259,522)	(178,259)
	<u>234,370</u>	<u>(3,479,541)</u>	<u>3,222,362</u>	<u>(2,854,718)</u>
Number of shares				
Weighted average number of share for basic earnings per share	450,053,000	430,053,000	435,462,836	405,205,493
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	143,351,000	143,351,000
Weighted average number of shares in issue for diluted earnings per share	593,404,000	573,404,000	578,813,836	548,556,493
Profit per share (sen)				
- Basic	0.11	(0.79)	0.80	(0.66)
- Diluted	0.08	(0.59)	0.60	(0.48)

B14. UTILISATION OF PROCEEDS

As at 31 December 2012, the Company has utilised approximately 82.94% 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	6,208	3,763	61	2,445	39	Within 3* years from the listing of the Rights Shares
ii.	Research and Development	4,088	4,088	100	0	0	Within 3* years from the listing of the Rights Shares
iii.	Sales and Marketing	3,406	3,406	100	0	0	Within 3* years from the listing of the Rights Shares
iv.	Expenses for the Proceeds	633	633	100	0	0	
	Total	14,335	11,890		2,445		

Note* The Proposed Amount was reclassified as per Announcement made to Bursa Malaysia Securities on 30 November 2012. On 20 February 2013, the Board announced that it will extend the timeframe for the utilization of proceeds from 2 years to 3 years.

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B15. DISCLOSURE OF REALIZED AND UNREALIZED PROFITS

The breakdown of the retained losses of the Group as at 31 December 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 Realized and Unrealized 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 31.12.2012 RM'000	As at 31.12.2011 RM'000 (audited)
Total accumulated losses of IFCA MSC Berhad and its subsidiaries:		
- Realised	(18,408,120)	(23,704,478)
- Unrealised	<u>(80,968)</u>	<u>(358,402)</u>
	<u>(18,489,088)</u>	<u>(24,062,880)</u>
Less: Consolidation adjustments	<u>8,630,181</u>	<u>10,981,613</u>
Total group accumulated losses as per consolidated accounts	<u>(9,858,907)</u>	<u>(13,081,267)</u>

B16. AUTHORISATION FOR ISSUE

This interim financial statements were authorized for issue to the public by the Board of Directors on 26 February 2013.