

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014
NOTES TO THE INTERIM FINANCIAL REPORT

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 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 2013 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 2013.

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 2013.

The adoption of the following MFRSs, Amendments to MFRSs and IC Interpretation that came into effect on 1 January 2014 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

*Amendment to MFRS 10	:	Consolidated Financial Statements Investment Entities
*Amendment to MFRS 12	:	Disclosure of Interests in Other Entities: Investment Entities
*Amendment to MFRS 127	:	Separate Financial Statements: Investment Entities
*Amendment to MFRS 132	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
*Amendment to MFRS 136	:	Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets
*Amendment to MFRS 139	:	Financial Instrument – Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor’s report on the financial statements for the year ended 31 December 2013 was not subject to qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

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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 2013. 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 September 2014.

A8 DIVIDENDS PAID

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

A9 SEGMENTAL INFORMATION

Segmental information for the nine months ended 30 September 2014 and 30 September 2013 are as follows:

	Malaysia		Overseas		Elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	41,616,250	27,928,330	16,436,763	10,044,379			58,053,013	37,972,709
Inter-segment sales	11,001,014	11,056,522			(11,001,014)	(11,056,522)	-	-
Total Revenue	52,617,264	38,984,852	16,436,763	10,044,379	(11,001,014)	(11,056,522)	58,053,013	37,972,709
RESULT								
Segment results							15,228,167	4,267,775
Amortisation							(806,381)	(1,614,714)
Depreciation							(685,928)	(664,714)
Finance costs							(13,450)	(24,755)
Profit before tax							13,722,408	1,963,592
Income tax expense							(1,251,988)	(286,344)
Profit for the period							12,470,420	1,677,248

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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

There was no significant event arising in the period from 1 October 2014 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;

A13. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities since the last reporting date as at 30 September 2014.

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 PERFORMANCE

(a) Comparison results of current quarter and previous year corresponding quarter

The Group recorded the best quarter performance to date. Revenue for the current quarter was RM25.7 million, an increase of 69%. Profit after tax was at RM 8.6 million, an impressive increase of 406% over the same period last year.

Cash reserves grew RM5 million to RM34.7 million as at end September 2014.

(b) Comparison results of the current year-to-date and previous year-to-date

For the nine months year-to-date, the Group revenue increased by 53% to RM58.06 million as compared to RM38 million in the previous year corresponding period. Overseas business grew 63.6% to RM16.4 million, whilst Malaysia grew 49% to RM41.6 million.

The significant increase in revenue was broad base, across all business units. On a year-to-date basis, GST compliance upgrade business represents 14 % or RM8.4 million of revenue. This is a reflection on the GST implementations are just beginning to roll out. The rollout speed will accelerate, just as orders will continue to grow rapidly.

The balance 86% revenue or RM50.1 million came from non-GST related business and many new customer wins. This growing number of over 100 year-to-date new customer wins truly demonstrates IFCA's strong market competitiveness. Some notable wins include a shopping mall solutions for KLIA2 and several new malls, and human resource solutions for a local bank and several large enterprises.

The Group recorded profit after tax of RM12.5 million year-to-date. This is a 635% growth over last year same period. This significant increase in profit reflects the scalability nature of our software business. When there is a surge in business growth, we do not require a corresponding surge in operating expenses. While our revenue grew by 53% on a year-to-date basis, our operating expenses grew a marginal 12%. The difference will translate to a higher net operating margin.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 30.09.2014 RM '000	Preceding Quarter 30.06.2014 RM '000
Revenue	25,747	18,616
<i>Gross Profits</i>	21,487	14,639
<i>Gross Margin</i>	83.5%	78.6%
Profit Before Tax	9,359	3,606

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B3. BUSINESS PROSPECTS

The business outlook is outstanding.

The Group expects order growth to continue to surge, with business growth from China leading the way. China business growth, with sales contracts growing at 89% or RM24.1 million year-to-date, will continue to outpace Malaysia.

As at end September 2014, outstanding order contracts of RM37.8 million has carried over to the 4th quarter and beyond. With continued order growth, this will translate to, not only sustainable high revenue billings over the next few quarters, but will close our 2014 business results on a very strong profitable note.

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 3 months ended 30.09.2014 RM	Cumulative Quarter 9 months ended 30.09.2014 RM
Current Year	774,865	1,251,988
Deferred tax	-	-
	<u>774,865</u>	<u>1,251,988</u>

The effective tax rate is lower than the Malaysia statutory tax rate mainly due to effect of offset of defined tax assets which are not recognized in prior year and effect of income not subject to tax.

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

There was no corporate exercise as at the date of this announcement.

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B9. GROUP BORROWINGS AND DEBT SECURITIES

The total borrowings of the Group as at 30 September 2014 and 31 December 2013 comprised of hire purchase payable and finance lease amounting to RM 247,927 (2013: RM450,293) and analyzed as follows:

	30.09.2014	31.12.2013
	RM	RM
Secured - due within 12 months	185,135	264,935
Secured - due after 12 months	62,792	185,358
	<u>247,927</u>	<u>450,293</u>

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

The directors do not recommend any dividend for the financial period under review.

B13. EARNINGS PER SHARE

	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM	RM	RM	RM
<i>Total Comprehensive Income attributable to:</i>				
Owners of the parents	8,530,304	1,564,736	11,953,283	1,635,905
Non-controlling Interests	53,499	134,700	517,137	41,343
	<u>8,583,803</u>	<u>1,699,436</u>	<u>12,470,420</u>	<u>1,677,248</u>
Number of shares				
Weighted average number of share in issue for basic earnings per share	450,053,000	450,053,000	450,053,000	450,053,000
Effect of dilutive potential ordinary shares from the exercise of warrants	143,351,000	143,351,000	143,351,000	143,351,000
Weighted average number of shares in issue of diluted earnings per share	593,404,000	593,404,000	593,404,000	593,404,000
Profit per share (sen)				
- Basic	1.90	0.35	2.66	0.36
- Diluted	1.44	0.26	2.01	0.28

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B14. NOTES TO THE CONDENSED STATEMENT OF COMPREHENSIVE INCOME

GROUP	Year-to-date	
	Nine months ended	
	30.09.2014	30.09.2013
Profit before tax is arrived at after (charging) / crediting :	RM	RM
Depreciation of property, plant and equipment	(685,928)	(664,714)
Amortisation of deferred development expenditure	(806,381)	(1,614,714)
Interest expenses	(13,450)	(24,755)
Interest income from short term deposits	292,140	307,523
Rental income	14,970	14,670
Bad debt recovered	5,922	43,728
Allowance for doubtful debts	(1,070,576)	(323,213)
Foreign exchange loss	(313,672)	(425,166)
Loss on disposal of property, plant and equipment	-	(3,000)
Impairment of quoted/unquoted securities	(7,150)	(65,379)

There were no gains/losses on disposal of quoted and unquoted securities, investments and/or derivatives included in the results for the current quarter and preceding year corresponding quarter.

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B15. DISCLOSURE OF REALIZED AND UNREALIZED PROFITS/LOSSES

The breakdown of the retained profits/(accumulated losses) of the Group as at 30 September 2014 into realized and unrealized profits/(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 30.09.2014 RM	As at 31.12.2013 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(24,404,028)	(29,070,608)
- Unrealised	(3,777,883)	(2,391,622)
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	(28,181,911)	(31,462,230)
Less: Consolidation adjustments	32,261,184	23,495,913
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Total group retained profits/(accumulated losses) as per consolidated accounts	4,079,273	(7,966,317)
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B.16 AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors during its meeting held on 5 November 2014.