

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2015
NOTES TO THE INTERIM FINANCIAL REPORT

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

This interim financial report is unaudited and has been prepared in accordance with the requirements of the 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 2014 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 2014.

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 financial year ended 31 December 2014.

The adoption of the following MFRSs, Amendments to MFRSs and IC Interpretations that came into effect on 1 January 2015 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

	Effective date for financial periods beginning on or after
	<hr/>
Amendment to MFRS 119 : Defined Benefits Plan: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

A3. AUDITOR’S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor’s report on the financial statements for the financial year ended 31 December 2014 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 to the financial year ended 31 December 2014. As such, there are no changes in estimates that would have had a material effect on 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, shares held as treasury shares or the resale of treasury shares during the financial period ended 31 December 2015.

A8 DIVIDENDS PAID

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

A9 SEGMENTAL INFORMATION

Segmental information for the twelve month period ended 31 December 2015 and 31 December 2014 are as follows:

	Malaysia		Overseas		Elimination		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	67,338,825	65,501,807	34,293,481	23,739,208	-	-	101,632,306	89,241,015
Inter-segment sales	12,406,817	15,199,500	7,736,136	6,329,404	(20,142,953)	(21,528,904)	-	-
Total Revenue	<u>79,745,642</u>	<u>80,701,307</u>	<u>42,029,617</u>	<u>30,068,612</u>	<u>(20,142,953)</u>	<u>(21,528,904)</u>	<u>101,632,306</u>	<u>89,241,015</u>
							-	
RESULT								
Segment results	24,028,944	26,414,582	12,744,902	7,403,175	(7,736,136)	(6,329,404)	29,037,710	27,488,353
Amortisation							(1,807,464)	(1,003,510)
Depreciation							(1,283,251)	(1,084,832)
Other non cash expenses							-	-
Finance costs							(30,288)	(16,326)
Profit before tax							<u>25,916,707</u>	<u>25,383,685</u>
Income tax expense							(4,220,779)	(3,823,920)
Profit for the period							<u>21,695,928</u>	<u>21,559,765</u>

A10. VALUATION 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.

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A11. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT QUARTER

There was no significant event arising in the period from 1 January 2016 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 31 December 2015.

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

For the current quarter under review, the Group reported revenue of RM23.2 million, a decrease of RM8.0 million as compared to previous year's corresponding quarter. The decrease in revenue was mainly attributable to softer market and economic condition in Malaysia. However, our China business unit has performed well with revenue growth of 64.7% for the quarter as compared to same quarter last year.

The Group reported PBT of RM0.1 million in the current quarter, representing a decrease of RM11.6 million as compared to the last year's corresponding quarter. In addition to the effect of the decline in revenue, our current quarter's profit is also affected by start-up cost of our Property365 e-commerce initiative, higher foreign exchange translation losses, higher development cost amortisation and one off corporate exercise expenditure.

Year-to-date (YTD), the Group achieved a higher revenue of RM101.6 million, an increase of RM12.4 million as compared to the corresponding financial period in the previous year. This was mainly due to higher revenue contribution from China and recurring maintenance services revenue. The Group reported PBT of RM25.9 million as compared to the preceding year's corresponding financial period of RM25.4 million, an increase of RM 0.5 million.

Group cash reserves stood at RM67.4 mil as at 31 December 2015.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 31.12.2015 RM '000	Preceding Quarter 30.09.2015 RM '000
Revenue	23,164	22,606
Gross Profits	20,896	19,551
Gross Margin	90.2%	86.5%
Profit Before Tax	77	5,742

The Group reported a revenue of RM23.1 million, an increase of RM0.6 million or 2.5% as compared to the preceding quarter. However, our PBT of RM 0.1 million is lower mainly due to start-up cost of Property365, impact of forex translation and the cost of corporate exercises.

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B3. BUSINESS PROSPECTS

Despite the challenging economic climate in Malaysia, the Board of Directors, is confident that IFCA can maintain its business growth because of its market leadership, large customer base as well as a number of new initiatives which include:

1. The acquisition of PT. IFCA Consulting Indonesia's ("PICI") business will deliver a substantial contribution in revenue and profit. There is a profit after tax guarantee of RM4.0 million per year for the next 3 years starting from Q1 2016;
2. A breakthrough in re-packaging Software As A Service (SaaS) solutions offering on a subscription basis to address the challenging business climate; and
3. Launched Property365, a unique digital market place that enable developers, agents and public to transact online on a real time basis. This initiative will mark IFCA's entry into the e-Commerce space.

The Board believes that these new initiatives and ventures will be the catalysts for implementing a business strategy that will generate scalable recurring income and further enhancing the Group's value in the market.

As at 31 December 2015, the Group has unbilled orders in hand amounting to RM25.3 million.

B4. PROFIT FORECAST

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

B5. INCOME TAX EXPENSE

	Current Quarter 3 months ended 31.12.2015 RM	Cumulative Quarter 12 months ended 31.12.2015 RM
Current Year	(852,203)	3,076,202
Deferred tax	769,763	1,144,577
	<u>(82,440)</u>	<u>4,220,779</u>

The effective tax rate is lower than the Malaysian statutory tax rate due to the effect of income not subject to tax.

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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

On 29 December 2015, the Group has announced that all the conditions precedent under the Business Sales Agreement (“BSA”) of PT. IFCA Consulting Indonesia’s (“PICl”) business, including its trade receivables, all locally developed software solutions and all its rights under the existing contracts of PICl for a total purchase consideration of RM 32 million have been fulfilled and the acquisition has become unconditional.

On 6 January 2016, the Group has announced that:-

(i) the Cash Consideration amounting to RM4,000,000 has been paid to PICl in accordance to the terms of the BSA; and

(ii) 16,000,000 Consideration Shares which were issued and allotted to PICl at the issue price of RM1.00 per IFCA Share pursuant to the Acquisition were listed and quoted on the ACE Market of Bursa Securities with effect from 9.00 a.m. on Wednesday, 6 January 2016.

As at the date of this announcement, the corporate proposal has been completed.

B9. GROUP BORROWINGS AND DEBT SECURITIES

The total borrowings of the Group as at 31 December 2015 comprised hire purchase payables and a finance lease amounting to RM862,653 and analyzed as follows:

	31.12.2015
	RM
Secured - due within 12 months	205,505
Secured - due after 12 months	657,148
	<u>862,653</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.

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B12. DIVIDEND PAYABLE

The Board of Directors recommended a final single tier dividend of 1 sen (10%) per ordinary share for the financial year ended 31 December 2015. The final dividend is subject to shareholders' approval at the forthcoming 18th Annual General Meeting.

B13. EARNINGS PER SHARE

	3 months ended		12 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM	RM	RM	RM
Total Comprehensive Income				
attributable to:				
Owners of the parents	599,342	10,379,385	21,766,134	20,769,693
Non-controlling Interests	(440,068)	272,935	(70,206)	790,072
	<u>159,274</u>	<u>10,652,320</u>	<u>21,695,928</u>	<u>21,559,765</u>
Number of shares				
Weighted average number of share in issue for basic earnings per share	570,554,100	453,630,906	570,554,100	453,630,906
Effect of dilutive potential ordinary shares from the exercise of warrants	22,849,900	97,736,073	22,849,900	97,736,073
Weighted average number of shares in issue of diluted earnings per share	<u>593,404,000</u>	<u>551,366,979</u>	<u>593,404,000</u>	<u>551,366,979</u>
Profit per share (sen)				
- Basic	0.11	2.29	3.81	4.58
- Diluted	0.10	1.88	3.67	3.77

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B14. NOTES TO THE CONDENSED STATEMENT OF COMPREHENSIVE INCOME

GROUP	Year-to-date ended	
	Twelve months ended	
	31.12.2015	31.12.2014
Profit before tax is arrived at after (charging) / crediting :	RM	RM
Depreciation of property, plant and equipment	(1,283,251)	(1,084,832)
Amortisation of deferred development expenditure	(1,807,464)	(1,003,510)
Interest expenses	(30,288)	(16,326)
Interest income from short term deposits	823,003	455,196
Rental income	23,062	20,160
Bad debt recovered	154,760	12,962
Bad debt written off	(2,000)	(46,380)
Impairment loss on trade receivables	(531,890)	(1,250,072)
Foreign exchange gain (realised/unrealised)	1,062,458	620,698
Foreign exchange loss	(235,532)	(591,110)
Loss on disposal of property, plant and equipment	(43,537)	(4,358)
Property, plant and equipment written off	(114,392)	(108)

There were no impairment, no gains or/losses from the disposal of quoted and unquoted securities, investments and/or derivatives included in the results for the current quarter under review.

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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 31 December 2015 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 31.12.2015 RM	As at 31.12.2014 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(16,607,629)	(20,521,252)
- Unrealised	837,146	(2,089,498)
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	(15,770,483)	(22,610,750)
Less: Consolidation adjustments	44,862,508	35,506,434
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Total group retained profits/(accumulated losses) as per consolidated accounts	29,092,025	12,895,684

B.16 AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors during its meeting held on 29 February 2016.