

IFCA MSC BERHAD
(Company No: 453392-T)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2016
NOTES TO THE INTERIM FINANCIAL REPORT

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARDS 134 (“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 2015 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 2015.

A2. Significant Accounting Policies

The accounting policies and presentation adopted by the Group in this interim financial report is consistent with those of the annual financial statements for the financial year ended 31 December 2015.

On 1 January 2016, the Company adopted the following new and amended MFRS.

Amendments to MFRS 116 and MFRS 138	:	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	:	Agriculture: Bearer Plants
Amendments to MFRS 11	:	Accounting for Acquisitions of Interests in Joint Operation
Amendments to MFRS 127	:	Equity Method in Separate Financial Statements
Amendments to MFRS 101	:	Disclosure Initiatives
Amendments to MFRS 10, MFRS 12 and MFRS 128	:	Investment Entities: Applying the Consolidation Exception
MFRS 14	:	Regulatory Deferral Accounts

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A2. Significant Accounting Policies (cont'd)

At the date of authorisation of this financial report, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:-

MFRSs and Amendments to MFRSs	Effective for annual period beginning on or after
MFRS 9 : Financial Instruments	1 January 2018
MFRS 15 : Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 9 and MFRS 7 : Mandatory Effective Date of MFRS 9 and Transition Disclosure	1 January 2018
MFRS 16 : Leases	1 January 2019

The adoption of the above Amendments and Annual improvements to Standards, did not have any material financial impact to the Group.

A3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

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 to the financial year ended 31 December 2015. 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 30 September 2016.

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A8 Dividend Paid

The following dividends were paid during the current and previous corresponding quarter:

	30.09.2016	30.09.2015
Final dividend for financial year ended	31 December 2015	31 December 2014
Approved and declared on	26 May 2016	19 June 2015
Date paid	15 July 2016	30 July 2015
Number of ordinary shares on which dividends were paid	608,270,900	556,979,300
Dividend per share (single-tier)	1.0 sen	1.0 sen
Net dividend paid	RM 6,082,709	RM 5,569,793

A9 Segmental Information

Segmental information for the twelve month period ended 30 September 2016 and 30 September 2015 are as follows:-

	Malaysia		Overseas		Elimination		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	28,667,030	56,737,454	25,058,768	21,730,838			53,725,798	78,468,292
Inter-segment sales	9,431,543	9,854,801	2,010,179	5,625,215	(11,441,722)	(15,480,016)	-	-
Total Revenue	38,098,573	66,592,255	27,068,947	27,356,053	(11,441,722)	(15,480,016)	53,725,798	78,468,292
RESULT								
Segment results	384,643	24,672,192	3,608,346	8,941,619	(2,010,179)	(5,625,215)	1,982,810	27,988,596
Amortisation							(4,665,432)	(1,230,763)
Depreciation							(841,565)	(896,572)
Finance costs							(27,961)	(21,388)
(Loss)/Profit before Tax							(3,552,148)	25,839,873
Income tax expense							(1,743,383)	(4,303,219)
(Loss)/Profit for the Period							(5,295,531)	21,536,654

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 October 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 30 September 2016.

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

During the third quarter of current financial year, the Group reported profit before tax of RM0.6 million with revenue of RM18.06 million. The revenue registered a decrease of RM4.55 million or 20.1% as compared to previous year's corresponding quarter (Q3 2015). The Group cash reserves stood at RM59.54 mil as at 30 September 2016 despite the dividends pay out of RM6.08 million in July 2016. For the quarter under review, the Group recorded operational cash surplus of RM2.63 million.

On a year-to-date (YTD) basis, the Group reported revenue of RM53.7 million, a decrease of 31.5% as compared to the corresponding financial period last year. The Group reported Loss before Taxation of RM3.56 million, mainly due to higher provision for amortisation (non-cash item) of RM4.66 million this financial year versus RM1.23 million in the similar period last year.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter Ended 30.09.2016 RM '000	Preceding Quarter Ended 30.6.2016 RM '000
Revenue	18,055	17,974
Gross Profits	16,280	15,259
Gross Margin	90.2%	85.0%
Profit/(Loss) Before Tax	608	(188)

The Group reported a revenue of RM18.06 million for current quarter as compared to RM17.97 million in the preceding quarter.

During the current quarter, the Group has achieved profit before tax of RM0.6 million compared to a loss of RM0.2 million in the preceding quarter. The better result was mainly due to the Group's effort to improve productivity and manage cost.

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B3. Business Prospects

Despite of current economic condition, we are still optimistic achieving better quarterly result moving forward. Our business in China and Indonesia is expected to grow and contribute positively to the Group. We also expect improved contribution from our other software solution namely the Construction and HR software in addition to our Property software solution.

Group software maintenance had grown from RM13.5 million in Q3Y2015 to RM 20.2 million in Q3Y2016, an increase of 49%. We anticipate continued growth of this revenue.

Our e-Commerce initiative, Property365 has gained good traction to-date. We have garnered property inventory of over RM3 billion, and have partnered with thousands of agents nationwide. We believe Property365 will contribute positively in the near future.

As at 30 September 2016, the Group has unbilled orders in hand amounting to RM23.7 million.

B4. Profit Forecast

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

B5. Taxation

	Current Quarter Ended 30.09.2016 RM	Cumulative Quarter 9 months ended 30.09.2016 RM
Current Year	401,103	1,743,383
Deferred tax	-	-
	401,103	1,743,383

The effective tax rate is lower than the Malaysian statutory tax rate due to the 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.

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B8. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at the date of this announcement.

B9. Group Borrowings and Debt Securities

The total borrowings of the Group as at 30 September 2016 comprised hire purchase payables and finance lease as follows:-

	Current Quarter Ended 30.09.2016 RM
Secured - due within 12 months	187,378
Secured - due after 12 months	512,227
	<hr/> <u>699,605</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

No interim ordinary dividend has been declared for the financial period ended 30 September 2016.

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B13. Earnings per Share

	3 months ended		6 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM	RM	RM	RM
Total Comprehensive (Expense)/ Income attributable to:				
Owners of the parents	572,944	5,785,942	(4,424,402)	21,166,791
Non-controlling Interests	(366,238)	(270,869)	(871,129)	369,862
	<u>206,706</u>	<u>5,515,073</u>	<u>(5,295,531)</u>	<u>21,536,653</u>
Number of shares				
Weighted average number of share in issue for basic earnings per share	608,290,900	558,979,300	608,290,900	558,979,300
Effect of dilutive potential ordinary shares from the exercise of warrants	1,113,100	34,424,700	1,113,100	34,424,700
Weighted average number of shares in issue of diluted earnings per share	<u>609,404,000</u>	<u>593,404,000</u>	<u>609,404,000</u>	<u>593,404,000</u>
(Loss)/ Profit per share (sen)				
- Basic	0.09	1.04	(0.73)	3.79
- Diluted	0.09	0.98	(0.73)	3.57

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B14. Notes to the Condensed Statement of Comprehensive Income

GROUP	Year-to-date ended	
	Nine months ended	
	30.09.2016	30.09.2015
(Loss)/Profit before tax is arrived at after (charging) / crediting :	RM	RM
Depreciation of property, plant and equipment	(841,565)	(896,572)
Amortisation	(4,665,432)	(1,230,763)
Interest expenses	(27,961)	(21,388)
Interest income from short term deposits	529,939	500,364
Rental income	32,739	17,282
Bad debt recovered	265,038	98,953
Bad debt written off	-	(315,093)
Impairment loss on trade receivables	(1,897,178)	-
Foreign exchange gain (realised/unrealised)	299,787	2,096,942
Loss on disposal of property, plant and equipment	(7,672)	(25,857)
Property, plant and equipment written off	(14,672)	(75,535)

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. Realised and Unrealised Profits/ Losses

The breakdown of the retained profits of the Group as at 30 September 2016 into realised and unrealised 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 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 30.09.2016 RM	As at 30.09.2015 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(27,283,928)	(20,731,140)
- Unrealised	663,094	2,717,678
	(26,620,834)	(18,013,462)
Less: Consolidation adjustments	45,071,822	46,506,147
Total group retained profits/(accumulated losses) as per consolidated accounts	18,450,988	28,492,685

B.16 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors during its meeting held on 16 November 2016.