



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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2017
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 2016 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 2016.

A2. Significant Accounting Policies

Adoption of Amendments and Annual Improvements to Standards

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 2016.

On 1 January 2017, the Company adopted the following amended MFRS.

Amendments to MFRS 12	:	Disclosure of Interests in Other Entities
Amendments to MFRS 107	:	Statements of Cash Flows
Amendments to MFRS 112	:	Income Taxes

Standards issued but not yet effective

At the date of authorisation of the Condensed Report, the following Standards, Amendments and Annual Improvements to Standards were issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective and have not been adopted by the Group

- Effective for financial periods beginning on or after 1 January 2018
- Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share based Payment Transactions
- MFRS 9 Financial Instruments (IFRS 9 as issued by the International Accounting Standards Board in July 2014)

A2. Significant Accounting Policies (Con't)

Standards issued but not yet effective (Con't)

- MFRS 15 Revenue from Contracts with Customers
- MFRS 15 Revenue from Contracts with Customers - Clarifications to MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 140 Investment Property - Transfers of Investment Property
- Annual Improvements to MFRSs 2014-2016 Cycle - Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Amendments to MFRS 128 Investments in Associates and Joint Ventures Effective for financial periods beginning on or after 1 January 2019
- MFRS 16 Leases MFRSs, Interpretations and amendments effective for a date yet to be confirmed
- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 Leases

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

Companies Act 2016

The Companies Act 2016 ("CA 2016") was enacted to replace the Companies Act 1965 with the objective of modernising the legal framework in line with advanced jurisdictions, reduce costs for doing and maintaining business and enhance internal controls, governance and corporate responsibility. The CA 2016 became effective on 31 January 2017. Amongst the key changes introduced in the CA 2016 which will affect the financial statements of the Group and of the Company upon the commencement of the CA 2016 on 31 January 2017 are-

- i. removal of the authorised share capital;
- ii. shares of the Company will cease to have par or nominal value, meaning there is no more concept of prohibiting the issuance of shares at a discount; and
- iii. the Company's share premium account will become part of the Company's share capital.

The adoption of the above did not have any significant effect on the interim financial report upon their initial application.



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A3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the financial year ended 31 December 2016 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 2016. 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 2017.

A8. Dividend Paid

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

	30.09.2017	30.09.2016
Final dividend for financial year ended	31 December 2016	31 December 2015
Approved and declared on	26 May 2017	26 May 2016
Date paid	7 July 2017	15 July 2016
Number of ordinary shares on which dividends were paid	608,230,900	608,270,900
Dividend per share (single-tier)	0.5 sen	1.0 sen
Net dividend paid	RM 3,041,154	RM 6,082,709



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A9 Segmental Information

Segmental information for the nine months period ended 30 September 2017 and 30 September 2016 are as follows:-

	Malaysia		Overseas		Elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	32,257,059	28,667,030	30,632,408	25,058,768			62,889,466	53,725,798
Inter-segment sales	9,550,136	9,431,543	-	2,010,179	(9,550,136)	(11,441,722)	-	-
Total Revenue	41,807,195	38,098,573	30,632,408	27,068,947	(9,550,136)	(11,441,722)	62,889,466	53,725,798
RESULT								
Segment results	6,898,724	384,643	6,325,613	3,608,346	-	(2,010,179)	13,224,337	1,982,810
Amortisation							(3,810,374)	(4,665,432)
Depreciation							(715,830)	(841,565)
Finance costs							(21,452)	(27,961)
Profit / (Loss) before Tax							8,676,681	(3,552,148)
Income tax expense							(2,858,953)	(1,743,383)
(Loss) / Profit for the Period							5,817,728	(5,295,531)

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.

A11. Material Events Subsequent to the Current Quarter

There was no significant event arising in the period from 1 October 2017 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 2017.

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

The Group reported revenue of RM23.0 million for the current quarter, representing an increase of 27.4% or RM4.9 million compared to previous year's corresponding quarter. The increase in revenue is mainly attributable to the overall improvement in sales contribution from our Malaysia and China segment and this has resulted in a higher profit before tax for Q3 2017 which was reported at RM2.7 million. This represents an increase of RM2.1 million as compared to the profit of RM0.6 million in the preceding year's corresponding quarter. Consequently, the Group registered profit attributable to equity holders of the parent company of RM1.8 million as compared to profit of RM0.6 million for the corresponding quarter last year.

Year-to-date (YTD), the Group reported a higher revenue of RM62.9 million, an increase of RM9.2 million or 17.1% as compared to the corresponding financial period in the previous year. As a result of the higher revenue, the Group reported a higher profit before tax of RM8.7 million compared to a loss of RM3.6 million for preceding year's previous corresponding financial period, a turnaround of RM 12.2 million. Hence, the Group registered profit attributable to equity holders of the parent company of RM5.9 million as compared to a loss of RM4.4 million for the corresponding quarter last year.

Group cash reserves stood at RM65.28 million as at 30 September 2017 as the business continues to have stable cash generation.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter Ended 30.09.2017 RM '000	Preceding Quarter Ended 30.06.2017 RM '000
Revenue	23,003	20,578
Gross Profits	19,056	18,822
Gross Margin	82.8%	91.5%
Profit Before Tax	2,708	3,146

The Group reported a revenue of RM23.0 million for current quarter as compared to RM20.6 million in the immediate preceding quarter, and a profit before tax of RM2.7 million for the current quarter which represents a decrease of RM0.4 million as compared to RM3.1 million in the preceding quarter. This is because the increase of revenue in hardware segment during current quarter therefore causes an increase in cost of goods sold.



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B3. Business Prospects

IFCA 2.0

IFCA forges ahead with its transformation program, aptly named IFCA 2.0 as it focuses on assisting our customers to become more competitive in the new online economy. This is achieved by enabling them with more technology solutions that extend their reach and capability as the economic environment around us goes through rapid changes.

There are a few key areas that IFCA will focus on, to ensure that we are able to deliver the right solutions and value to our customers.

- Community Engagement
- Digital Transformation
- Mobility
- Data towards Artificial Intelligence(AI) and Business Intelligence(BI)
- E-Commerce

By focusing on these factors, we trust that IFCA's solutions will enable our customers to be more successful in their business be it, sales and marketing or through successful E-Commerce ventures. We fundamentally believe that as we equip our customers to be able to compete and grow, we will be a direct beneficiary to this growth as well.

IFCA Accelerator Program (IAP)

To further accelerate innovation and growth within the property sector, IFCA has initiated an accelerator program with a primary focus to create greater value and solutions for the property sector together with the start-up community. In this program which is specifically focused on prop-tech, IFCA will review potential prop-tech start-ups for opportunities for investment and partnership to bring new solutions and business models into the market.

We strongly believe that with the robust entrepreneurship of the start-up space, it is a great opportunity to leverage IFCA's assets and to fast-track new solutions to the marketplace.

P365 Cloud

As the market leader for solutions to the property sector, it is our responsibility to bring new technology to the market. IFCA's next technology platform project, codenamed P365 Cloud which started only a few months ago, has successfully completed the concept and prototype stage. The R&D team has been working hard with solution architects from Google and this is tremendous progress as we move strongly and swiftly into the cloud space.

A simple preview of this solution framework was shown to customers in a recent nationwide roadshow and we are now in the stage of pinning down the product roadmap. Customers will be able to see the impact of this platform as early as 2018 and we believe this will add remarkable value to our customers and to our competitiveness in the market.

We continue to see growth in our China business and a renewed growth in our Malaysia operations. We will invest further to ensure that this momentum can be sustained and accelerated into the future as we execute more strategic projects and transformation of IFCA 2.0.



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As at 30 September 2017, the Group has unbilled orders in hand amounting to RM33.58 million, an increase of RM 5.36 million from the previous quarter, showing an upward trend in the order book.

In view of the sustained trend, the Group expects the financial performance of the financial year ending 31 December 2017 (“FY2017”) to improve from FY2016.

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 30.09.2017 RM	Cumulative Quarter 9 months ended 30.09.2017 RM
Current Year	886,272	2,986,584
Deferred tax	(42,543)	(127,630)
	<u>843,729</u>	<u>2,858,953</u>

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.

B8. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed 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 2017 comprised hire purchase payables and finance lease as follows:-

	Current Quarter Ended 30.09.2017 RM
Secured - due within 12 months	239,786
Secured - due after 12 months	498,500
	<u>738,286</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 2017.



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B13. Earnings per Share

	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM	RM	RM	RM
Total Comprehensive (Expense)/ Income attributable to:				
Owners of the parents	1,747,909	572,944	5,930,230	(4,424,402)
Non-controlling Interests	116,028	(366,238)	(112,502)	(871,129)
	<u>1,863,937</u>	<u>206,706</u>	<u>5,817,728</u>	<u>(5,295,531)</u>
Number of shares				
Weighted average number of share in issue for basic earnings per share	608,290,900	608,290,900	608,290,900	608,290,900
Effect of dilutive potential ordinary shares from the exercise of warrants		1,113,100		1,113,100
Weighted average number of shares in issue of diluted earnings per share	<u>608,290,900</u>	<u>609,404,000</u>	<u>608,290,900</u>	<u>609,404,000</u>
Earnings per share (sen)				
- Basic	0.29	0.09	0.97	(0.73)
- Diluted	0.29	0.09	0.97	(0.73)



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B14. Notes to the Condensed Statement of Comprehensive Income

GROUP	Year-to-date ended	
	30.09.2017	30.09.2016
(Loss)/Profit before tax is arrived at after (charging) / crediting :	RM	RM
Depreciation of property, plant and equipment	(715,830)	(841,565)
Amortisation	(3,810,374)	(4,665,432)
Interest expenses	(21,452)	(27,961)
Interest income from short term deposits	729,816	529,939
Rental income	10,827	32,739
Reversal of impairment loss on trade receivables	359,565	265,038
Impairment loss on trade receivables	(150,993)	(1,897,178)
Foreign exchange gain (realised/unrealised)	-	299,787
Foreign exchange loss (realised/unrealised)	(125,279)	-
Loss on disposal of property, plant and equipment	(45,540)	(7,672)
Property, plant and equipment written off	(7,243)	(14,672)

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 2017 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 30.09.2017 RM	As at 30.09.2016 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(17,706,358)	(27,283,928)
- Unrealised	792,946	663,094
	<hr/>	<hr/>
	(16,913,412)	(26,620,834)
Less: Consolidation adjustments	43,196,317	45,071,822
Total group retained profits/(accumulated losses) as per consolidated accounts	<hr/>	<hr/>
	26,282,904	18,450,988

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 2017.