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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018
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 2017 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 2017.

A2. Significant Accounting Policies

Adoption of Amendments and Annual Improvements to Standards

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual consolidated financial statements of the Group for the financial year ended 31 December 2017.

On 1 January 2018, the Company adopted the following amended MFRS.

Amendments to MFRS 1	:	First-time Adoption of Malaysian Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (Annual Improvements 2014 – 2016 Cycle)
Amendments to MFRS 2	:	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140	:	Transfers of Investment Property
Amendments to MFRS 128	:	Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (Annual Improvements 2014 - 2016 Cycle)
IC Interpretation 22	:	Foreign Currency Transactions and Advance Consideration
MFRS 15	:	Revenue from Contracts with Customers
MFRS 9	:	Financial Instruments

A2. Significant Accounting Policies (Con't)

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.

A3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the financial year ended 31 December 2017 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 2017. 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 2018.

A8 Dividend Paid

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

	30.09.2018	**30.09.2017**
Final dividend for financial year ended	31 December 2017	31 December 2016
Approved and declared on	25 May 2018	26 May 2017
Date paid	5 July 2018	7 July 2017
No of ordinary shares on which dividends were paid	607,499,700	608,230,900
Dividend per share (single-tier)	0.5 sen	0.5 sen
Net dividend paid	RM 3,037,498	RM 3,041,154

A9 Segmental Information

Segmental information for the nine months period ended 30 September 2018 and 30 September 2017 are as follows:-

	Malaysia		Overseas		Elimination		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	27,284,003	32,257,058	33,675,027	30,632,408			60,959,030	62,889,466
Inter-segment sales	11,071,261	9,550,136	-		(11,071,261)	(9,550,136)	-	-
Total Revenue	38,355,264	41,807,194	33,675,027	30,632,408	(11,071,261)	(9,550,136)	60,959,030	62,889,466
							-	
RESULT								
Segment results	6,446,272	6,898,724	4,219,815	6,325,613	-	-	10,666,087	13,224,337
Interest income							846,509	729,816
Amortisation							(3,945,424)	(3,810,374)
Depreciation							(605,555)	(715,830)
Other non cash expenses							(1,276,432)	(729,816)
Finance costs							(21,325)	(21,452)
Profit before Tax							5,663,860	8,676,681
Income tax expense							(2,678,939)	(2,858,953)
Profit for the Period							2,984,921	5,817,728

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 September 2018 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 2018.

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 RM22.2 million for the current quarter, a decrease of 3.5% or RM0.8 million compared to previous year's corresponding quarter. A strategic decision was made to reduce our exposure in the low margin, hardware business and focus on our core strength, software. The decrease in revenue in comparison with previous year's corresponding quarter is mainly attributable this strategic move whilst we realized good growth in the Software and Software Related Services (SSRS) to cover the shortfall in hardware related revenue.

This change also resulted in a transitional decrease of profit before tax for Q3 2018 at RM2.2 million from RM2.7 million as compared to the profit in the preceding year's corresponding quarter. Consequently, the Group registered profit attributable to equity holders of the parent company of RM1.3 million as compared to RM1.7 million for the corresponding quarter last year. Year-to-date (YTD), the Group reported a lower revenue of RM60.9 million, a decrease of RM1.9 million or 3.1% as compared to the corresponding financial period in the previous year, again attributed to the strategic decision on the hardware business.

As a result of the lower revenue, the Group reported a lower profit before tax of RM5.7 million compared to RM8.7 million for preceding year's previous corresponding financial period. Hence, the Group registered profit attributable to equity holders of the parent company of RM3.1 million as compared to RM5.9 million for the corresponding quarter last year.

Group cash reserves stood at RM67.5 million as at 30 September 2018 as the business continues to have stable cash generation.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter Ended 30.9.2018 RM '000	Preceding Quarter Ended 30.6.2018 RM '000
Revenue	22,196	19,501
Gross Profits	21,449	18,054
Gross Margin	*96.6%*	*92.6%*
Profit Before Tax	2,200	2,046

The Group reported a revenue of RM22.2 million for current quarter as compared to RM19.5 million in the immediate preceding quarter, representing an increase of 13.8% or RM2.7 million, primarily contributed by the segment of Software & Software Related Service (SSRS). The impact of the strategic move on reducing our hardware related business can be seen from the improvement of gross margins from 92.6% to 96.6%.

With this, the Group recorded profit before tax of RM2.2 million for the current quarter which represents an increase of RM0.2 million as compared to profit before tax of RM2.0 million in the preceding quarter.

B3. Business Prospects

Integrated Property Sales Platform - Property365

This is an update to our previous announcement on our new cloud based Integrated Property Sales Platform, Property CRM. Since the previous quarter we have increased the number of active projects from 30 to 54, an 80% increase and the number of users from 500 to almost 700, with almost 40% of the users being property agencies. The number of actual reserved units on the platform has exceeded 6,000 units and is growing fast.

In the short time span, the value propositions of this platform has also actively generated more than 10 net-new property developer customers who were previously not existing IFCA customers.

Geographic Focus

IFCA in China continues to grow its revenue despite the on-going trade war between China and US. The vastness of the market in that geography provides us a lot of opportunities to tap for growth and we foresee this pattern to continue. Nevertheless, we will remain watchful on the on-going developments but do not forecast any adverse impact to our business in the short-term.

Our Indonesian business has picked up strongly post-Lebaran in Q2, and are delivering strong numbers in Q3. We expect continuity of this momentum into Q4.

Malaysia’s outlook remains cautious and this is in-line with the uncertainties in the global economic outlook. The recent 2019 Budget provided some focus on the property sector with increases in stamp duties and real property gains tax (RPGT) rate but at the same time looking into reducing property prices between 5-10%. This is a mixed bag of signals, however, we should continue to see competitive and innovative moves by property developers to address sales targets which would require continued automation requirements in software solutions.

Growth Solutions

Apart from property solutions, IFCA has a portfolio of other strong software solutions.

Contract365 is our specialized software solution for the construction industry. It assist our customers to easily manage small to large scale projects with efficient cost control features, as well as managing the all-important cash-flow. Our Contract365 business has more than doubled in the current financial year and has a strong pipeline moving forward. We forecast high growth for this solution.

HR365, the HR and Payroll software solution of IFCA has made good progress so far in 2018 by winning a few significant new large accounts from various industries. We expect the market penetration to continue as we further invest in expanding the team. HR365 is another high growth business area for IFCA as we bring a fully mobile, cloud enabled HR solution 2019. This solution is fully built on the latest technology, on the Google Cloud Platform.

B3. Business Prospects (continued)

Growth Solutions (continued)

Our hospitality solutions which is used to power over 200 hotels in Malaysia has recently partnered with the Malaysia Budget Hotels Association (MyBHA) of Melaka to strengthen the software automation of budget hotels. This is also to assist this industry in the coming Visit Melaka year 2019 which is expecting over 20 million visitors. We foresee continued close partnership with the various hospitality associations and professionals to further boost IT adoption of IFCA's hospitality products.

As at 30 Sept 2018, the Group has un-billed orders in hand amounting to RM33.35 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 30.09.2018 RM	Cumulative Quarter 9 months ended 30.09.2018 RM
Current Year	829,101	2,773,590
Deferred tax	(31,550)	(94,651)
	797,551	2,678,939

The effective tax rate is higher than the Malaysian statutory tax rate due to non-tax deductibility of certain expenses incurred by the Group.

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.

B9. Group Borrowings and Debt Securities

The total borrowings of the Group as at 30 September 2018 comprised hire purchase payables and finance lease as follows:-

	Current Quarter Ended 30.09.2018 RM
Secured - due within 12 months	226,319
Secured - due after 12 months	381,278
	607,597

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 2018.

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B13. Earnings per Share

	3 months ended		9 months ended	
	30.09.2018	**30.09.2017**	**30.09.2018**	**30.09.2017**
	RM	**RM**	**RM**	**RM**
Total Comprehensive Income attributable to:				
Owners of the parents	1,344,209	1,747,909	3,058,050	5,930,230
Non-controlling Interests	58,507	116,028	(73,129)	(112,502)
	1,402,716	1,863,937	2,984,921	5,817,728
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 treasury shares held	(116,193)	(3,222)	(412,660)	(9,249)
Weighted average number of shares in issue of diluted earnings per share	608,174,707	608,287,678	607,878,240	608,281,651
Earnings per share (sen)				
- Basic	0.22	0.29	0.50	0.97
- Diluted	0.22	0.29	0.50	0.97

B14. Notes to the Condensed Statement of Comprehensive Income

GROUP	Year-to-date ended Nine months ended 30.09.2018 RM	30.09.2017 RM
Profit before tax is arrrived at after (charging) / crediting :		
Depreciation of property, plant and equipment	(605,555)	(715,830)
Amortisation	(3,945,424)	(3,810,374)
Interest expenses	(21,325)	(21,452)
Interest income from short term deposits	846,509	729,816
Rental income	10,050	10,827
Reversal of impairment loss on trade receivables	148,578	359,565
Impairment loss on trade receivables	(828,878)	(150,993)
Foreign exchange loss (realised/unrealised)	(408,130)	(125,279)
Loss on disposal of property, plant and equipment	(39,785)	(45,540)
Property, plant and equipment written off	(3,768)	(7,243)

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.

B.15 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors during its meeting held on 16 November 2018.