



**IFCA MSC BERHAD**  
Registration No. 199701037892 (453392-T)  
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020**  
**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 2019 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 2019.

**A2. Significant Accounting Policies**

***Adoption of Amendments to Standards***

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

On 1 January 2020, the Company adopted the following amended MFRS.

<b>Amendments</b>	<b>Title</b>
Amendments to MFRS 3	: Business Combinations – Definition of a Business
Amendments to MFRS 101	: Presentation of Financial Statements – Definition of Material
Amendments to MFRS 108	: Accounting Policies, Changes in Accounting Estimates and Errors Presentation of Financial Statements – Definition of Material
Amendments to MFRS 9	: Financial Instruments – Interest Rate Benchmark Reform
Amendments to MFRS 7	: Financial Instruments: Disclosures – Interest Rate Benchmark Reform
Amendments to MFRS 139	: Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform

## **A2. Significant Accounting Policies (Con't)**

### ***MFRSs and Amendments to MFRSs issued but not yet effective***

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective and have not applied by the Group:

- MFRS 17, Insurance Contracts (*effective 1 January 2021*)
- Amendments to MFRS 101, Classification of Liabilities as Current or Non-current (*effective 1 January 2022*)
- Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*Deferred*)

The above pronouncements are either not relevant or do not have any impact on the financial statements of 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 2019 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**

The unusual items included in the interim financial statement for three months ended 31 March 2020 related to the impairment losses on the Group’s intangible asset arising from Research & Development (“R&D”) activities.

The Covid-19 pandemic has permanently changed some business practices as new normal has been introduced globally to curb the disease. Human physical contacts have been replaced by remote virtual automations and e-commerce as far as possible in attempting to reduce infections. As such, cloud, remote, virtual, mobile, automations and digitalization technologies have accelerated its adoption and popularities. Traditional Information and Communications Technology (ICT) products may encounter a drastic drop in demand as well as the related revenues generated. Subsequent to the announcement made by Malaysia Prime Minister Tan Sri Muhyiddin Yassin that the Conditional Movement Control Order (CMCO) being enforced will end at 9 June 2020 and replaced with the Recovery Movement Control Order (RMCO) which would take effect from 10 June 2020 until 31 August 2020, the Group had reassessed the impairment on the software products in view of the impact of Covid-19 pandemic on R&D activities and in accordance with MFRS 136 “Impairment of Assets”. Consequently, the Board of directors has decided to accelerate its amortisation by impairing RM2.1 million in its deferred development cost in the financial statement ended 31 March 2020.

Other than the above, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 31 March 2020.



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**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 2019. 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 March 2020.

**A8. Dividend Paid**

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

**A9. Segmental Information**

Segmental information for the three months period ended 31 March 2020 and 31 March 2019 are as follows:-

	Malaysia		Overseas		Elimination		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM	RM	RM
<b>REVENUE</b>								
External sales	7,913,817	10,469,010	7,396,882	7,332,628			15,310,699	17,801,638
Inter-segment sales	3,099,026	2,923,701	-	-	(3,099,026)	(2,923,701)	-	-
Total Revenue	11,012,843	13,392,711	7,396,882	7,332,628	(3,099,026)	(2,923,701)	15,310,699	17,801,638
<b>RESULT</b>								
Segment results	1,211,927	3,710,475	(58,554)	(1,483,276)	-	-	1,153,373	2,227,199
Interest income							476,114	208,339
Amortisation							(1,178,415)	(1,247,858)
Depreciation							(296,897)	(216,722)
Impairment losses							(2,140,834)	-
Other non cash expenses							(584,571)	(149,025)
Finance costs							(7,628)	(9,078)
(Loss)/Profit before Tax							(2,578,858)	812,855
Income tax expense							(289,410)	(523,254)
(Loss)/Profit after Tax							(2,868,268)	289,601

**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 April 2020 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 March 2020.

**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 recorded revenue of RM15.3 million for the current quarter (“Q1FY2020”), representing a decrease of RM2.5 million as compared to previous year’s corresponding quarter (“Q1FY2019”). The decrease was due to the Covid-19 pandemic lock down in China since 23<sup>rd</sup> January 2020 which have severely affected the business operations in China; and the implementations of Movement Control Order (“MCO”) in Malaysia on 18<sup>th</sup> March 2020 which had resulted in a shorter operational period and impacted the status of our project implementation, which caused a direct impact to the revenue recognition. Business operation in Indonesia was not affected by Covid-19 pandemic in Q1FY2020.

The Group reported a loss before tax of RM2.6 million in Q1FY2020 as compared to profit before tax of RM0.8 million in Q1FY2019, mainly due to a dropped in revenue and a one-time impairment losses of RM2.1 million as mentioned in A5. Consequently, the Group reported loss attributable to equity holders of the parent company of RM2.6 million, as compared to a profit RM0.2 million for the corresponding quarter last year.

Group cash reserves stood at RM67.9 million as at 31 March 2020.

**B2. Comparison with Immediate Preceding Quarter’s Results**

	<b>Current Quarter Ended 31.03.2020 RM '000</b>	<b>Preceding Quarter Ended 31.12.2019 RM '000</b>
Revenue	15,311	22,053
Gross Profits	14,560	21,173
Gross Margin	95.0%	96.0%
(Loss)/Profit Before Tax	(2,579)	3,314

The Group reported revenue of RM15.3 million for current quarter as compared to RM22.1 million in the immediate preceding quarter, representing a decrease of 30.6% or RM6.8 million. The decrease in revenue was primarily attributable to Covid-19 pandemic lockdown in China and implementation of MCO in Malaysia.

Consequently, the Group recorded a loss before tax of RM2.6 million for the current quarter which represents a decrease of RM5.9 million as compared to profit before tax of RM3.3 million in the preceding quarter.



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**B3. Business Prospects**

The economic outlook for 1HY2020 continues to be challenging due to the unprecedented Covid-19 pandemic and the ongoing US-China trade war. However, there is a silver lining for a handful of industries including IT due to the increased focus on health, social distancing and remote working under the changing business conditions and new social norms. The sudden and substantial increase in people working remotely has caused strains on existing processes and digital infrastructure, thereby increasing appetite for technology solutions that are fit for purpose.

Hence, the board of directors are confident that our latest mobile-based cloud solutions coupling with Internet of Things (IoT) and Artificial Intelligent (AI) will perfectly match the latest business needs under the new normal. Additionally, China government has eased the lockdown since early April 2020 and business operations had gradually normalized. As such, the board of directors are cautiously optimistic that the Group will deliver satisfactory performance in this financial year.

As at 31 March 2020, the Group has unbilled orders in hand amounting to RM33.3 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  
31.03.2020**

**RM**

Current Year	683,838
Deferred Tax	(394,428)
	<u>289,410</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.



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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 31 March 2020 comprised hire purchase payables as follows:-

	<b>Current Quarter            Ended            31.03.2020            RM</b>
Secured - due within 12 months	99,990
Secured - due after 12 months	194,450
	294,440

**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 31 March 2020.

**B13. Earnings per Share**

	<b>3 months ended</b>	
	<b>31.03.2020</b>	<b>31.03.2019</b>
	<b>RM</b>	<b>RM</b>
<b>Total Comprehensive (Expense)/Income attributable to:</b>		
Owners of the parents	(2,607,387)	273,249
Non-controlling Interests	(260,882)	16,352
	(2,868,269)	289,601
<b>Numer of shares</b>		
Weighted average number of share in issue for basic earnings per share	608,290,900	608,290,900
Effect of treasury shares held	-	(1,221,200)
Wighted average number of shares in issued of diluted earnings per share	608,290,900	607,069,700
 Earnings per share (sen)		
- Basic	(0.43)	0.05
- Diluted	(0.43)	0.05



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**B14. Notes to the Condensed Statement of Comprehensive Income**

	31.03.2020	31.03.2019
	RM	RM
<b>(Loss)/Profit before tax is arrived at after (charging) / crediting :</b>		
Depreciation of property, plant and equipment	(237,056)	(178,809)
Depreciation of right-of-use assets	(59,840)	(37,913)
Amortisation	(1,178,415)	(1,247,858)
Interest expenses	(7,628)	(9,078)
Interest income from short term deposits	476,114	208,339
Rental income	10,860	960
Reversal of impairment loss on trade receivables	254,345	67,720
Bad debt written off	(582)	-
Impairment loss on trade receivables	(373,053)	-
Foreign exchange gain (realised/unrealised)	8,443	-
Foreign exchange loss (realised/unrealised)	(449,400)	(194,878)
Loss on disposal of property, plant and equipment	(14,471)	(33,986)
Property, plant and equipment written off	(1,487)	-
Impairment loss on deferred development cost	(2,140,834)	-

There were 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.

**B15. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors during its meeting held on 26 June 2020.