



IFCA MSC BERHAD

Registration No. 199701037892 (453392-T)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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.

Amendments	Title
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

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 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 30 June 2020.

A8. Dividend Paid

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

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A9. Segmental Information

Segmental information for the six months period ended 30 June 2020 and 30 June 2019 are as follows:-

	Malaysia		Overseas		Elimination		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	15,362,716	17,667,241	20,448,926	21,212,272			35,811,642	38,879,513
Inter-segment sales	6,349,448	7,211,182	-	-	(6,349,448)	(7,211,182)	-	-
Total Revenue	21,712,164	24,878,423	20,448,926	21,212,272	(6,349,448)	(7,211,182)	35,811,642	38,879,513
RESULT								
Segment results	2,344,225	2,701,693	3,626,520	1,308,563	-	-	5,970,745	4,010,256
Interest income							939,236	704,216
Amortisation							(1,832,339)	(2,497,506)
Depreciation							(618,867)	(466,185)
Impairment losses							(2,140,834)	-
Other non cash expenses							(552,131)	169,867
Finance costs							(15,310)	(16,789)
Profit before Tax							1,750,500	1,903,858
Income tax expense							(777,547)	(958,647)
Profit after Tax							972,953	945,211

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 July 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 30 June 2020.

A14. Capital Commitments

There were no material capital commitments as at the date of this report.

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS FOR THE ACE MARKET**

B1. Review of Performance

Current quarter against previous year preceding quarter

The Group recorded revenue of RM20.5 million for the current quarter ("Q2FY2020"), a decrease of RM0.6 million as compared to revenue of RM21.1 million in previous year's corresponding quarter ("Q2FY2019"). The decrease in revenue was primarily attributable to project slowdown in both Malaysia and Indonesia after the implementation of Movement Control Order ("MCO") in Malaysia from 18th March 2020 and Large-scale Social Restriction ("PSBB") in Indonesia since April 2020. Despite the lower revenue, the Group recorded profit before tax in Q2FY2020 at RM4.3 million, an increase of RM3.2 million as compared to the profit in Q2FY2019. The RM3.2 million increased in profit before tax mainly due to rapid recovery in China economy and overall operating costs reduction in the group. Hence, the Group registered profit attributable to equity holders of the parent company of RM3.7 million as compared to RM1.0 million for the Q2FY2019.

Current cumulative period against previous year cumulative period

The Group reported revenue of RM35.8 million, a decrease of RM3.1 million as compared to the corresponding financial period in the previous year due to Covid-19 pandemic lock down in China and Movement Control Order ("MCO") in Malaysia which caused shorter operational period in current cumulative period. Subsequently, the Group reported a slightly lower profit before tax of RM1.8 million after the one-time impairment loses of RM2.1 million as compared to RM1.9 million for preceding year's previous corresponding financial period. As a result, the Group registered profit attributable to equity holders of the parent company of RM1.1 million as compared to RM1.3 million for the corresponding quarter last year.

Group cash reserves stood at RM72.4 million as at 30 June 2020.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter Ended 30.06.2020 RM '000	Preceding Quarter Ended 31.03.2020 RM '000
Revenue	20,501	15,311
Gross Profits	19,595	14,560
Gross Margin	96.0%	95.0%
Profit/(Loss) Before Tax	4,329	(2,579)

The Group reported revenue of RM20.5 million for current quarter ("Q2FY2020") as compared to RM15.3 million in the immediate preceding quarter ("Q1FY2020"), representing an increase of 33.9% or RM5.2 million. The increase in revenue was mainly due to rapid recovery in China after being disrupted by the Covid-19 outbreak in Q1FY2020.

Thus, the Group recorded profit before tax of RM4.3 million for the Q2FY2020 which represents an increase of RM6.9 million as compared to loss before tax of RM2.6 million in the Q1FY2020 which incurred a one-time impairment loses of RM2.1 million.

B3. Business Prospects

The economic outlook for 2HY2020 continues to be challenging as we progress through an uneven and intermittent recovery following the ongoing Covid-19 pandemic and US-China trade war. Nevertheless, as lockdown restrictions in China easing since April 2020, business activities and operations are almost normalized in IFCA China so as to Malaysia operations. Indonesia operation is sluggish as Covid-19 infections continued to surge, after social restrictions were eased and businesses reopened.

The importance of agility, flexibility, and mobility for businesses is more pertinent than ever. With increasing focus on equipping business operations with the right digital infrastructure and technology systems, the Board of Directors is confident that the upcoming launch of our latest mobile internet solutions leveraging on cloud computing, Internet of Things (iOT) and Artificial Intelligent (AI) will meet business needs under the new normal.

Barring the third wave of Covid-19 outbreak and social lockdown in Malaysia & China, the Board of Directors are optimistic about the business outlook moving forward as sales has recovered steadily if not rapidly as reflected profit after tax in Q2Y2020 of RM3.8 million compared to a loss of RM2.9 million in Q1Y2020. The Board of Directors believe we are well into the recovery stage and are positioned to capitalize on new revenue streams covering SME market with recurring yearly licensing pricing model.

As at 30 June 2020, the Group has unbilled orders in hand amounting to RM35.8 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 30.06.2020	Cumulative Quarter 6 months ended 30.06.2020
	RM	RM
Current Year	313,904	997,742
Deferred tax	174,233	(220,195)
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	488,137	777,547

The effective tax rate is higher than the Malaysian statutory tax rate due to tax losses accumulation from a few subsidiaries, whilst provision of tax has been taken accordingly for the rest of the subsidiaries.

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.



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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 June 2020 comprised hire purchase payables as follows:-

	Current Quarter Ended 30.6.2020	RM
Secured - due within 12 months	60,006	
Secured - due after 12 months	<u>128,162</u>	
	<u><u>188,168</u></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

Details of the Final Dividend under the single-tier system approved by the shareholders at the Company's Annual General Meeting is as follows:

30.06.2020

Final dividend for financial year ended	31 December 2019
Amount per share	1.0 sen
Total dividend payable	RM 6,068,997
Approved and declared on	21 August 2020
Entitlement to dividends based on record of Depositors as at Date Payable (paid as of reporting date)	11 September 2020 25 September 2020



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B13. Earnings per Share

	3 months ended		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM	RM	RM	RM
Total Comprehensive Income				
attributable to:				
Owners of the parents	3,674,931	1,037,301	1,067,544	1,310,550
Non-controlling Interests	166,290	(381,691)	(94,591)	(365,339)
	<u>3,841,221</u>	<u>655,610</u>	<u>972,953</u>	<u>945,211</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 treasury shares held	-	(1,253,422)	-	(1,253,422)
Weighted average number of shares in issue of diluted earnings per share	<u>608,290,900</u>	<u>607,037,478</u>	<u>608,290,900</u>	<u>607,037,478</u>
Earnings per share (sen)				
- Basic	0.60	0.17	0.18	0.22
- Diluted	0.60	0.17	0.18	0.22

B14. Notes to the Condensed Statement of Comprehensive Income

GROUP	Year-to-date ended	
	Six months ended	30.06.2019
	30.06.2020	RM
Profit before tax is arrived at after (charging) / crediting :		
Depreciation of property, plant and equipment	(515,585)	(394,116)
Depreciation of right-of-use assets	(103,282)	(72,069)
Amortisation	(1,832,339)	(2,497,057)
Interest expenses	(15,310)	(16,789)
Interest income from short term deposits	939,235	704,216
Rental income	18,750	1,920
Reversal of impairment loss on trade receivables	580,442	137,775
Bad debt written off	(34,497)	-
Impairment loss on trade receivables	(729,967)	-
Foreign exchange gain (realised/unrealised)	18,558	128,316
Foreign exchange loss (realised/unrealised)	(367,361)	(20,112)
Loss on disposal of property, plant and equipment	(14,471)	(64,136)
Property, plant and equipment written off	(1,487)	(21,107)
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 21 August 2020.