



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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 2020.



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A8. Dividend Paid

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

	30.09.2020	30.09.2019
Final dividend for financial year ended	31 December 2019	31 December 2018
Approved and declared on	21 August 2020	29 May 2019
Date paid	25 September 2020	5 July 2019
No of ordinary shares on which dividends were paid	606,899,700	606,899,700
Dividend per share (single-tier)	1.0 sen	1.0 sen
Net dividend paid	RM 6,068,997	RM 6,068,997

A9. Segmental Information

Segmental information for the nine months period ended 30 September 2020 and 30 September 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	23,136,379	29,703,413	34,729,206	33,832,627			57,865,585	63,536,040
Inter-segment sales	8,853,271	10,997,616	-	-	(8,853,271)	(10,997,616)	-	-
Total Revenue	31,989,650	40,701,029	34,729,206	33,832,627	(8,853,271)	(10,997,616)	57,865,585	63,536,040
-								
RESULT								
Segment results	2,251,693	5,865,088	9,490,838	2,647,407	-	-	11,742,531	8,512,495
Interest income							1,344,421	1,000,140
Amortisation							(2,482,848)	(3,732,679)
Depreciation							(939,085)	(781,665)
Impairment losses							(2,140,834)	-
Other non cash expenses							(582,664)	(125,561)
Finance costs							(20,817)	(27,405)
Profit before Tax							6,920,704	4,845,325
Income tax expense							(1,888,367)	(1,676,383)
Profit after Tax							5,032,337	3,168,942

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 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 September 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

Current quarter against previous year preceding quarter

The Group recorded revenue of RM22.1 million for the current quarter ("Q3FY2020"), a decrease of RM2.6 million as compared to revenue of RM24.7 million in previous year's corresponding quarter ("Q3FY2019"). The decrease was primarily attributable to reduction of revenue in both Malaysia and Indonesia, which affected by the Movement restriction as imposed by the local government in response to the Covid-19 pandemic. Despite the lower revenue, the Group recorded profit before tax in Q3FY2020 at RM5.2 million, an increase of RM2.2 million or 75.8% as compared to the profit in Q3FY2019. The increase in profit before tax was mainly due to overall operating costs reduction in the group. Hence, the Group registered profit attributable to equity holders of the parent company of RM4.0 million as compared to RM1.8 million for the Q3FY2019, representing an improvement of 118.6%.

Current cumulative period against previous year cumulative period

Group revenue for nine months period ended 30 September 2020 decreased by 8.9% to RM57.9 million as compared to RM63.5 million recorded in the corresponding period last year. The lower revenue was mainly due to project slowdown in Malaysia. Despite of lower revenue, Group profit before tax has improved by 42.8% to RM6.9 million after the one-time impairment loss of RM2.1 million. Preceding year's corresponding financial period was RM4.8 million. Hence, the Group registered profit attributable to equity holders of the parent company of RM5.0 million as compared to RM3.1 million for the corresponding quarter last year, an improvement of 60.8%.

Group cash reserves stood at RM71.6 million as at 30 September 2020.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter Ended 30.09.2020 RM '000	Preceding Quarter Ended 30.06.2020 RM '000
Revenue	22,054	20,501
Gross Profits	21,072	19,595
Gross Margin	96.0%	96.0%
Profit Before Tax	5,170	4,329

The Group reported revenue of RM22.1 million for current quarter ("Q3FY2020") as compared to RM20.5 million in the immediate preceding quarter ("Q2FY2020"), representing an increase of 7.6% or RM1.6 million. This signal a strong recovery in the Group's overseas businesses after being disrupted by the Covid-19 outbreak since Q1FY2020.

Thus, the Group recorded profit before tax of RM5.2 million for Q3FY2020 which represents an increase of RM0.9 million as compared to profit before tax of RM4.3 million in Q2FY2020.



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B3. Business Prospects

The economic outlook for the remainder of 2020 continues to be challenging as we brave through the third wave of the Covid-19 pandemic. Similarly Indonesia too is experiencing surge in Covid-19 cases. With the reintroduction of movement control orders in Malaysia and movement restriction in Indonesia, business activities and operations are undoubtedly impacted. However, our business operations in China is on recovery path as China government has successfully contained the pandemic.

Nevertheless, now more than ever, we are seeing increased interest and focus on innovation and digital transformation. Businesses are taking steps in the right direction to bolster their technology systems and digital infrastructure. The Board of Directors are excited to unveil our latest mobile internet solutions leveraging on cloud computing, Internet of Things (IoT) and Artificial Intelligent (AI) as well as strategic partnerships we have lined up for 2021.

The Directors are cautiously optimistic on longer term prospects that the business will gradually recover amidst the fluid economic environment and the Group is optimistic to deliver a reasonable performance for the financial year ending 31 December 2020.

As at 30 September 2020, the Group has unbilled orders in hand amounting to RM31.6 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 30.09.2020 RM	Cumulative Quarter 9 months ended 30.09.2020 RM
Current Year	965,510	1,963,252
Deferred tax	145,310	(74,885)
	<u>1,110,820</u>	<u>1,888,367</u>

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 September 2020 comprised hire purchase payables as follows:-

	Current Quarter Ended 30.9.2020 RM
Secured - due within 12 months	60,688
Secured - due after 12 months	112,734
	<u>173,422</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 2020.



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B13. Earnings per Share

	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Total Comprehensive Income				
<i>attributable to:</i>				
Owners of the parents	3,938,266	1,801,763	5,005,810	3,112,312
Non-controlling Interests	121,118	421,969	26,527	56,630
	4,059,384	2,223,732	5,032,337	3,168,942
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	-	(1,276,347)	-	(1,276,347)
Weighted average number of shares in issue of diluted earnings per share	608,290,900	607,014,553	608,290,900	607,014,553
Earnings per share (sen)				
- Basic	0.65	0.30	0.82	0.51
- Diluted	0.65	0.30	0.82	0.51



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B14. Notes to the Condensed Statement of Comprehensive Income

GROUP	Year-to-date ended	
	Nine months ended	
Profit before tax is arrived at after (charging) / crediting :	30.09.2020	30.09.2019
	RM	RM
Depreciation of property, plant and equipment	(784,657)	(649,784)
Depreciation of right-of-use assets	(154,428)	(131,881)
Amortisation	(2,482,848)	(3,732,680)
Interest expenses	(20,817)	(27,405)
Interest income from short term deposits	1,344,421	1,000,140
Rental income	29,610	22,680
Reversal of impairment loss on trade receivables	694,891	528,398
Bad debt written off	(37,146)	-
Impairment loss on trade receivables	(817,074)	(612,573)
Foreign exchange gain (realised/unrealised)	8,117	96,526
Foreign exchange loss (realised/unrealised)	(383,132)	(55,155)
Loss on disposal of property, plant and equipment	(14,471)	(48,415)
Property, plant and equipment written off	(1,533)	(47,331)
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 20 November 2020.