



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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022
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 2021 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 2021.

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 2021.

On 1 January 2022, the Company adopted the following amended MFRS.

| Amendments | Title |
|---|--|
| Amendments to MFRS 3 | : Business Combinations - Reference to the Conceptual Framework |
| Amendments to MFRS 116 | : Property, Plant and Equipment - Proceeds before Intended Use |
| Amendments to MFRS 137 | : Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract |
| Amendments to MFRS 1, MFRS 9, MFRS 16, MFRS 141 | : Annual Improvements to MFRS Standards 2018-2020 |

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 (Con't):

- MFRS 17, Insurance Contracts (*Effective from 1 Jan 2023*)
- Amendments to MFRS 17, Insurance Contracts (*Effective from 1 Jan 2023*)
- Amendments to MFRS 17, Initial Application of MFRS 17 and MFRS 9 – Comparative Information (*Effective from 1 Jan 2023*)
- Amendments to MFRS 101, Classification of Liabilities as Current or Non-current (*Effective from 1 Jan 2023*)
- Amendments to MFRS 101, Disclosure of Accounting Policies (*Effective from 1 Jan 2023*)
- Amendments to MFRS 108, Definition of Accounting Estimates (*Effective from 1 Jan 2023*)
- Amendments to MFRS 112, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (*Effective from 1 Jan 2023*)
- Amendments to MFRS 10 and MFRS 128, Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (*Deferred*)

A3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the financial year ended 31 December 2021 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 2021. 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 2022.



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A8. Dividend Paid

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

A9. Segmental Information

Segmental information for the six months period ended 30 June 2022 and 30 June 2021 are as follows:-

| | Malaysia | | Overseas | | Elimination | | Consolidated | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| REVENUE | | | | | | | | |
| External sales | 16,025,483 | 15,117,280 | 18,553,528 | 20,590,144 | | | 34,579,011 | 35,707,424 |
| Inter-segment sales | 7,440,569 | 7,349,146 | - | - | (7,440,569) | (7,349,146) | - | - |
| Total Revenue | <u>23,466,052</u> | <u>22,466,426</u> | <u>18,553,528</u> | <u>20,590,144</u> | <u>(7,440,569)</u> | <u>(7,349,146)</u> | <u>34,579,011</u> | <u>35,707,424</u> |
| RESULT | | | | | | | | |
| Segment results | 2,119,696 | 2,663,213 | (1,901,030) | 2,144,488 | - | - | 218,666 | 4,807,701 |
| Interest income | | | | | | | 448,237 | 671,989 |
| Amortisation | | | | | | | (1,778,573) | (169,342) |
| Depreciation | | | | | | | (1,042,786) | (1,093,789) |
| Impairment losses | | | | | | | (2,296,010) | (6,400) |
| Other non cash expenses | | | | | | | 68,861 | (541,987) |
| Finance costs | | | | | | | (34,281) | (65,434) |
| (Loss)/Profit before Tax | | | | | | | <u>(4,415,886)</u> | <u>3,602,738</u> |
| Income tax expense | | | | | | | <u>(725,743)</u> | <u>(632,761)</u> |
| (Loss)/Profit after Tax | | | | | | | <u>(5,141,629)</u> | <u>2,969,977</u> |

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 2022 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 2022.

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 RM19.4 million for the current quarter ("Q2FY2022"), a minor reduction of RM269K as compared to revenue of RM19.7 million in previous year's corresponding quarter ("Q2FY2021"). In tandem with the reduced top-line and increase in operating expenses, the Group reported loss before tax of RM2.4 million as compared to profit before tax of RM2.8 million in Q1FY2021. To illustrate, the decrease in profit before tax was mainly due to a one-off impairment cost on contract asset and amortization on cloud-based software. As a result, the Group registered loss attributable to equity holders of the parent company of RM2.9 million as compared to profit attributable to equity holders of the parent company of RM2.7 million for Q2FY2021.

Current cumulative period against previous year cumulative period

The Group recorded revenue of RM34.6 million, a decrease of RM1.1 million as compared to the corresponding financial period in the previous year. The decrease in revenue was driven by the lower revenue from the China segment due to government policy on the property industry control measures and Covid-19 lock down in various major cities. On a positive note, both Malaysia and Indonesia segment continues to regain its momentum in sales deliverables. The Group reported loss before tax of RM4.4 million as compared to profit before tax of RM3.6 million in preceding year's corresponding financial period. As a result, the Group registered loss attributable to equity holders of the parent company of RM5.2 million as compared to profit attributable to equity holders of the parent company of RM2.9 million for the corresponding quarter last year.

B2. Comparison with Preceding Quarter's Results

| | Current Quarter Ended 30.06.2022 RM '000 | Preceding Quarter Ended 31.3.2022 RM '000 |
|-----------------|---|--|
| Revenue | 19,395 | 15,184 |
| Gross Profits | 18,389 | 14,883 |
| Gross Margin | 95.0% | 98.0% |
| Loss Before Tax | (2,430) | (1,986) |

The Group registered a revenue of RM19.4 million for current quarter ("Q2FY2022") as compared to RM15.2 million in preceding quarter ("Q1FY2022"), representing an increase of 27.7% or RM4.2 million. The significant increase in revenue was contributed by Malaysia and China segment.

Despite the higher revenue, the Group recorded a loss before tax of RM2.4 million for Q2FY2022 which represents a decrease of RM443K as compared to loss before tax of RM1.9 million in Q1FY2022. The decrease in bottom-line was mainly due to higher amortisation cost and a one-off impairment cost on contract asset incurred.



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B3. Business Prospects

The unexpected prolonged strict lockdowns in China during the first and second quarters of the financial year had severely impacted the Group's business there. The China market situation was also worsened by the chain effect of the Evergrande liquidity crisis and the government's "three red lines" policy, which led to tightening of cash and slowdown of activities in the local property sector. As a result, the revenue and earnings of IFCA China recorded a dip for the 1HY2022. The 2HY2022 performance will depend on the successful clinching of a few large projects being pursued by IFCA China and easing of cash flow in the property industry.

However, the Malaysian market despite inflation, fear of recession and uncertainty caused by the Ukraine-Russian war, remains healthy as order book increased by 25% in 1HY2022 compared to the same period in 2021. The change of our solution's pricing model from conventional outright purchase to annual licensing, will continue to improve the recurring revenue over the long term in IFCA's Malaysia segment.

In addition, the Indonesia segment continues to contribute positively to revenue and earnings. We expect this growth to continue in 2HY2022.

Barring any worsening of the Covid-19 pandemic in China, existing property industry challenges, the Ukraine-Russian war and the prediction of recessions, the board of directors is confident that the Group will be able to recover in 2HY2022.

As at 30 June 2022, the Group has unbilled orders in hand amounting to RM33.2 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 30.06.2022 RM | Cumulative Quarter 6 months ended 30.06.2022 RM |
|--------------|--|--|
| Current Year | 367,474 | 747,778 |
| Deferred tax | 1,646 | (22,035) |
| | <u>369,120</u> | <u>725,743</u> |

The effective tax rate is lower than the Malaysian statutory tax rate due to certain entities utilization of unabsorbed losses and overseas tax incentives granted to High-Tech enterprise.

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 2022 comprised hire purchase payables as follows: -

| | Current Quarter Ended 30.06.2022 RM |
|--------------------------------|--|
| Secured – due within 12 months | 65,429 |
| Secured – due after 12 months | - |
| | <hr/> 65,429 <hr/> |

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 are as follows:

| | 30.06.2022 |
|--|-------------------|
| Final dividend for financial year ended | 31 December 2021 |
| Amount per share | 1.0 sen |
| Total dividend payable | RM 6,062,871 |
| Approved and declared on | 27 May 2022 |
| Entitlement to dividends based on record of Depositors as at | 21 June 2022 |
| Date Payable (paid as of reporting date) | 5 July 2022 |



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B13. Earnings per Share

| | 3 months ended | | 6 months ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 30.06.2022 | 30.06.2021 | 30.06.2022 | 30.06.2021 |
| | RM | RM | RM | RM |
| Total Comprehensive (Expense)/Income attributable to: | | | | |
| Owners of the parents | (2,947,508) | 2,668,488 | (5,223,917) | 2,887,483 |
| Non-controlling interests | 148,636 | 90,869 | 82,288 | 82,494 |
| | <u>(2,798,872)</u> | <u>2,759,357</u> | <u>(5,141,629)</u> | <u>2,969,977</u> |
| Number of shares | | | | |
| Weighted average number of shares in issue for basic earnings per share | 608,290,900 | 608,290,900 | 608,290,900 | 608,290,900 |
| Effect of treasury shares held | (2,003,800) | (1,391,200) | (2,003,800) | (1,391,200) |
| Weighted average number of shares in issue of diluted earnings per share | <u>606,287,100</u> | <u>606,899,700</u> | <u>606,287,100</u> | <u>606,899,700</u> |
| Earnings per share (sen) | | | | |
| -Basic | (0.48) | 0.44 | (0.86) | 0.47 |
| -Diluted | (0.49) | 0.44 | (0.86) | 0.48 |



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B14. Notes to the Condensed Statement of Comprehensive Income

| GROUP | Year-to-date ended | |
|--|---------------------------|------------------|
| | 30.6.2022 | 30.6.2021 |
| (Loss)/Profit before tax is arrived at after (charging) / crediting : | RM | RM |
| Depreciation of property, plant and equipment | (558,000) | (415,824) |
| Depreciation of right-of-use assets | (484,786) | (677,965) |
| Amortisation | (1,778,573) | (169,342) |
| Interest expenses | (34,281) | (65,434) |
| Interest income from short term deposits | 448,238 | 671,989 |
| Rental income | 12,120 | 1,920 |
| Reversal of impairment loss on trade receivables | 80,600 | 138,712 |
| Impairment loss on trade receivables | (192,143) | (723,181) |
| Foreign exchange gain (realised/unrealised) | 185,850 | 49,033 |
| Foreign exchange loss (realised/unrealised) | (31) | (1,685) |
| Property, plant and equipment written off | (1,284) | (1,627) |
| Impairment loss on contract asset | (2,296,010) | (6,400) |

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 22 August 2022.