

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2023
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 2022 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 2022.

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 2022.

On 1 January 2023, the Company adopted the following amended MFRS.

Amendments	Title
MFRS 17	: Insurance Contracts
Amendments to MFRS 17	: Insurance Contracts
Amendments to MFRS 17	: Initial application of MFRS 17 and MFRS 9 – Comparative Information
Amendments to MFRS 101	: Disclosure of Accounting Policies
Amendments to MFRS 108	: Disclosure of Accounting Estimates
Amendments to MFRS 112	: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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):

- Amendments to MFRS 101, Classification of Liabilities as Current or Non-current (*Effective from 1 Jan 2024*)
- Amendments to MFRS 16, Lease Liability in a Sale and Leaseback (*Effective from 1 Jan 2024*)
- Amendments to MFRS 101, Non-current Liabilities with Covenants (*Effective from 1 Jan 2024*)
- Amendments to MFRS 10 and MFRS 128, Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (*Deferred until further notice*)

A3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the financial year ended 31 December 2022 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 2022. 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 2023.

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 2023 and 30 June 2022 are as follows: -

	Malaysia		Overseas		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE:								
External revenue	17,986,255	16,025,483	19,963,147	18,553,528	(1,928,840)		36,020,562	34,579,011
Inter-segment revenue	5,555,057	7,440,569	-	-	(5,555,057)	(7,440,569)	-	-
Total revenue	<u>23,541,312</u>	<u>23,466,052</u>	<u>19,963,147</u>	<u>18,553,528</u>	<u>(7,483,897)</u>	<u>(7,440,569)</u>	<u>36,020,562</u>	<u>34,579,011</u>
RESULT:								
Segment results	3,617,647	2,119,696	2,288,294	(1,901,030)	(1,312,747)	-	4,593,194	218,666
Interest income							592,341	448,237
Amortisation							(1,993,942)	(1,778,573)
Depreciation							(840,618)	(1,042,786)
Impairment losses							(24,150)	(2,296,010)
Other non-cash expenses							47,072	68,861
Finance costs							(11,217)	(34,281)
Profit/(Loss) before Tax							<u>2,362,680</u>	<u>(4,415,886)</u>
Income tax expense							(1,086,384)	(725,743)
Profit/(Loss) after Tax							<u>1,276,296</u>	<u>(5,141,629)</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 2023 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 2023.

A14. Capital Commitments

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

A15. Significant Related Party Transactions

The Group is not aware of any related party transactions which would have a significant impact on the financial position and business of the Group since the last reporting date as at 30 June 2023.

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 RM18.6 million for the current quarter (“Q2FY2023”), a decrease of RM800K as compared to revenue of RM19.4 million in the previous year’s corresponding quarter (“Q2FY2022”). The decline in revenue was primarily observed in the Malaysia and China markets, while the Indonesia segment stood as an exception to this trend. Notably, the Indonesian segment demonstrated growth, which can be attributed to new contracts secured during the financial year. The Group reported profit before tax of RM1.4 million in Q2 FY2023 as compared to loss before tax of RM2.4 million in Q2FY2022. To illustrate, Q2FY2022 incurred a one-off impairment loss on contract assets of RM2.3 million. As a result, the Group registered profit attributable to equity holders of the parent company of RM556K as compared to loss attributable to equity holders of the parent company of RM2.9 million for Q2FY2022.

Current cumulative period against previous year cumulative period

The Group recorded revenue of RM36.0 million, an increase of RM1.4 million as compared to the corresponding financial period in the previous year. The increase in revenue was driven by Malaysia and Indonesia segment. The Group reported a profit before tax of RM2.4 million as compared to a loss before tax of RM4.4 million in the preceding year’s corresponding financial period. As a result, the Group registered profit attributable to equity holders of the parent company of RM846k as compared to loss attributable to equity holders of the parent company of RM5.2 million for the corresponding quarter last year.

B2. Comparison with Preceding Quarter’s Results

	Current Quarter Ended 30.6.2023 RM '000	Preceding Quarter Ended 31.03.2023 RM '000
Revenue	18,584	17,436
Gross Profits	18,004	16,898
Gross Margin	97.0%	97.0%
Profit Before Tax	1,443	920

The Group recorded a higher revenue of RM18.6 million for the current quarter (“Q2FY2023”) as compared to revenue of RM17.4 million in preceding quarter (“Q1FY2023”). The increase is mainly derived from Indonesia segment.

As a result, the Group recorded a higher profit before tax of RM1.4 million as compared to profit before tax of RM920K in Q1FY2023.

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B3. Business Prospects

To enhance awareness on the benefit of IFCA's latest mobile internet solutions, the Malaysia segment has been proactively involved in local and international events, including workshops and seminars. These initiatives are aimed at penetrating unexplored markets in Indochina, reflecting the Group's determination to broaden its reach. The Board is positive that all these efforts will contribute to positive growth of the Group's financial results.

The China segment is currently on the path of gradual recovery since the latter part of FY2022. Simultaneously, the Board is diligently maintaining a cautious approach in cost management, necessitated by the ongoing uncertainties within the China market.

Indonesia segment continues to contribute positively to Group revenue and earnings.

The Board is optimistic that the Group's strategy execution will deliver better performance in FY2023.

As at 30 June 2023, the Group has relatively healthy unbilled orders in hand amounting to RM35.6 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 30.6.2023 RM	Cumulative Quarter 6 months ended 30.6.2023 RM
Current Year	747,629	1,249,813
Deferred tax	(81,714)	(163,429)
	665,915	1,086,384

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

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at the date of this announcement.

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B7. Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as of 30 June 2023.

B8. 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.

B9. Dividend Payable

No interim ordinary dividend has been declared for the financial period ended 30 June 2023.

B10. Earnings per Share

	3 months ended		6 months ended	
	30.06.203	30.06.2022	30.6.2023	30.6.2022
	RM	RM	RM	RM
Total Comprehensive Income/(Expense)				
attributable to:				
Owners of the parents	555,211	(2,947,508)	845,587	(5,223,917)
Non-controlling interests	221,397	148,636	430,709	82,288
	776,608	(2,798,872)	1,276,296	(5,141,629)
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	(3,086,100)	(2,003,800)	(3,086,100)	(2,003,800)
Weighted average number of shares in issue of diluted earnings per share	605,204,800	606,287,100	605,204,800	606,287,100
Earnings per share (sen)				
-Basic	0.09	(0.48)	0.14	(0.86)
-Diluted	0.09	(0.49)	0.14	(0.86)

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B11. Notes to the Condensed Statement of Comprehensive Income

GROUP	Year-to-date	
	Six months ended	
Profit/(Loss) before tax is arrived at after (charging) / crediting :	30.06.2023	30.06.2022
	RM	RM
Depreciation of property, plant and equipment	(472,991)	(558,000)
Depreciation of right-of-use assets	(367,627)	(484,786)
Amortisation	(1,993,942)	(1,778,573)
Interest expenses	(11,217)	(34,281)
Interest income from short term deposits	592,341	448,238
Rental income	12,919	12,120
Reversal of impairment loss on trade receivables	59,795	80,600
Impairment loss on trade receivables	(278,509)	(192,143)
Foreign exchange gain (realised/unrealised)	382,095	185,850
Foreign exchange loss (realised/unrealised)	(1,002)	(31)
Loss on disposal of investment properties	(120,300)	-
Property, plant and equipment written off	(6,769)	(1,284)
Impairment loss on contract asset	(24,150)	(2,296,010)

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.

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors during its meeting held on 15 August 2023.