

IFCA MSC BERHAD

(Company No: 453392-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 30 JUNE 2018

**Condensed Statement of Comprehensive Income
For the Six Months Period Ended 30 June 2018**

	Current Quarter		Cumulative Y-T-D		
	3 months ended		6 months ended		
Note	30.6.2018 RM	30.6.2017 RM	30.6.2018 RM	30.6.2017 RM	
Continuing Operations					
Revenue	19,500,622	20,578,063	38,763,332	39,886,027	
Other income	2,372,594	1,640,541	3,876,724	2,695,345	
Employee benefits expenses	(13,048,701)	(11,938,384)	(25,384,520)	(22,863,747)	
Changes in inventories	(291,948)	(730,850)	(516,069)	(1,223,537)	
Depreciation of property, plant and equipment	(206,727)	(219,302)	(426,280)	(473,070)	
Amortisation	(1,330,029)	(1,237,386)	(2,634,035)	(2,489,461)	
Other expenses	(4,943,598)	(4,940,500)	(10,201,598)	(9,548,913)	
Profit from operations	2,052,213	3,152,182	3,477,554	5,982,644	
Finance costs	(6,569)	(6,533)	(13,960)	(13,628)	
Profit before tax from continuing operations	2,045,644	3,145,649	3,463,594	5,969,016	
Income tax expense	B5	(751,827)	(1,881,388)	(2,015,224)	
Profit for the year, net of tax					
	1,293,817	2,402,976	1,582,206	3,953,792	
Profit/(Loss) Attributable to:					
Owners of the Company	1,401,147	2,509,654	1,713,842	4,182,322	
Non-controlling interest	(107,330)	(106,678)	(131,636)	(228,530)	
	1,293,817	2,402,976	1,582,206	3,953,792	
Other comprehensive income:					
Profit for the year, net of tax	1,293,817	2,402,976	1,582,206	3,953,792	
Foreign currency translation	94,198	(67,983)	(338,554)	(203,799)	
Total comprehensive income for the year	1,388,015	2,334,993	1,243,652	3,749,993	
Attributable to:					
Owners of the Company	1,495,345	2,441,671	1,375,288	3,978,523	
Non-controlling interest	(107,330)	(106,678)	(131,636)	(228,530)	
	1,388,015	2,334,993	1,243,652	3,749,993	
Total comprehensive income attributable to holders of the Company in sen:					
- Basic	B13	0.23	0.41	0.28	0.69
- Diluted	B13	0.23	0.41	0.28	0.69

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

IFCA MSC BERHAD (Company No: 453392-T)
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Condensed Consolidated Statement of Financial Position
As at 30 June 2018

		As at 30.6.2018 (Unaudited) RM	As at 31.12.2017 (Audited) RM
ASSETS	Note		
NON-CURRENT ASSETS			
Property, plant and equipment		8,285,888	8,907,969
Investment properties		240,000	240,000
Deferred development costs		10,321,520	12,650,234
Intangible asset		511,451	774,369
Goodwill		25,111,525	25,111,525
Other investments		275,674	275,674
		<u>44,746,058</u>	<u>47,959,771</u>
CURRENT ASSETS			
Trade receivables		16,542,936	17,299,963
Other receivables		2,047,316	2,785,077
Other current assets		883,978	661,446
Tax recoverable		3,449,734	2,719,144
Deposits, cash and bank balances		69,718,464	73,229,864
		<u>92,642,428</u>	<u>96,695,494</u>
TOTAL ASSETS		<u>137,388,486</u>	<u>144,655,265</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		83,947,005	83,947,005
Treasury shares		(276,769)	(38,052)
Retained profits		31,364,408	30,007,711
Other reserves		(2,371,089)	(2,032,535)
		<u>112,663,555</u>	<u>111,884,129</u>
Non-Controlling Interest		<u>(626,166)</u>	<u>(494,530)</u>
Total equity		<u>112,037,389</u>	<u>111,389,599</u>
Non-current liabilities			
Other liabilities		3,200,000	3,384,020
Hire purchase and finance lease payable	B9	188,748	429,206
Deferred tax liabilities		1,451,404	1,514,504
		<u>4,840,152</u>	<u>5,327,730</u>
Current Liabilities			
Trade payables		1,122,453	2,411,717
Other payables		7,435,177	9,406,690
Other liabilities		11,777,534	15,494,922
Hire purchase and finance lease payable	B9	175,781	254,010
Current Tax Payable		-	370,597
		<u>20,510,945</u>	<u>27,937,936</u>
Total liabilities		<u>25,351,097</u>	<u>33,265,666</u>
TOTAL EQUITY AND LIABILITIES		<u>137,388,486</u>	<u>144,655,265</u>
Net asset per share		0.13	0.13

The condensed consolidated statement of financial position should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Changes in Equity
For the Six Months Period Ended 30 June 2018**

	Attributable to Owners of the Company							
	Non-Distributable		Distributable					
	Share Capital	Share Premium	Treasury shares	Other Reserve	Retained earnings	Total	Non-controlling Interest	Total Equity
	RM	RM		RM	RM	RM	RM	RM
At 1 January 2018	83,947,005	-	(38,052)	(2,032,535)	30,007,711	111,884,129	(494,530)	111,389,599
Total comprehensive expense	-	-	-	-	1,713,842	1,713,842	(131,636)	1,582,206
Foreign Currency Translation	-	-	-	(338,554)	-	(338,554)	-	(338,554)
Dividends paid	-	-	-	-	(357,145)	(357,145)	-	(357,145)
Open market purchase shares	-	-	(238,717)	-	-	(238,717)	-	(238,717)
At 30 June 2018	83,947,005	-	(276,769)	(2,371,089)	31,364,408	112,663,555	(626,166)	112,037,389

At 1 January 2017	60,829,090	23,117,915	(25,216)	(1,246,660)	23,393,825	106,068,954	(308,859)	105,760,095
Total comprehensive income	-	-	-	-	4,182,322	4,182,322	(228,529)	3,953,793
Foreign currency translation	-	-	-	(203,799)	-	(203,799)	-	(203,799)
Open market purchase shares	-	-	(8,791)	-	-	(8,791)	-	(8,791)
At 30 June 2017	60,829,090	23,117,915	(34,007)	(1,450,459)	27,576,147	110,038,686	(537,388)	109,501,298

The condensed consolidated statement of changes in equity changes should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows
For the Six Months Period Ended 30 June 2018

	6 months ended	
	30.6.2018	30.6.2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,463,594	5,969,016
Adjustments for :		
Non cash items	3,030,220	3,220,529
Non-operating items	(622,459)	(681,618)
Operating profit before working capital changes	5,871,355	8,507,926
Working capital changes:		
Net changes in assets	1,425,982	(3,395,900)
Net changes in liabilities	(3,871,238)	549,037
Total working capital changes	(2,445,255)	(2,846,864)
Net cash generated from operations	3,426,100	5,661,064
Income taxes paid	(3,239,657)	(1,773,636)
Net cash generated from operating activities	186,443	3,887,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	511,765	426,922
Purchase of property, plant and equipment	(223,761)	(1,046,715)
Proceeds from disposal of property, plant and equipment	297,568	115,723
Profit guarantee in respect of acquisition of business	(3,293,785)	(4,000,000)
Net cash used in investing activities	(2,708,213)	(4,504,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(13,960)	(13,628)
Payments to hire purchase and finance lease	(317,831)	(103,516)
Open market share buy-back	(238,717)	(8,792)
Net cash used in financing activities	(570,507)	(125,936)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,092,278)	(742,578)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(419,122)	(479,033)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	73,229,864	70,787,391
CASH AND CASH EQUIVALENTS AT END OF PERIOD	69,718,464	69,565,780

The condensed consolidated statement of cash flows should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018
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 2017 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 2017.

A2. Significant Accounting Policies

Adoption of Amendments and Annual Improvements to Standards

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual consolidated financial statements of the Group for the financial year ended 31 December 2017.

On 1 January 2018, the Company adopted the following amended MFRS.

Amendments to MFRS 1	:	First-time Adoption of Malaysian Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (Annual Improvements 2014 – 2016 Cycle)
Amendments to MFRS 2	:	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140	:	Transfers of Investment Property
Amendments to MFRS 128	:	Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (Annual Improvements 2014 - 2016 Cycle)
IC Interpretation 22	:	Foreign Currency Transactions and Advance Consideration
MFRS 15	:	Revenue from Contracts with Customers
MFRS 9	:	Financial Instruments

A2. Significant Accounting Policies (Con't)

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 Leases

The adoption of the above Amendments and Annual improvements to Standards, did not have any material financial impact to 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 2017 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 2017. 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 2018.

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 2018 and 30 June 2017 are as follows:-

	Malaysia		Overseas		Elimination		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	17,710,470	19,267,455	21,052,862	20,618,572			38,763,332	39,886,027
Inter-segment sales	8,364,684	6,749,382	-		(8,364,684)	(6,749,382)	-	-
Total Revenue	26,075,154	26,016,837	21,052,862	20,618,572	(8,364,684)	(6,749,382)	38,763,332	39,886,027
							-	
RESULT								
Segment results	3,269,968	4,488,816	2,655,956	4,456,359	-	-	5,925,924	8,945,175
Interest income							511,765	426,922
Amortisation							(2,634,035)	(2,489,461)
Depreciation							(426,280)	(473,070)
Other non cash expenses							100,180	(426,922)
Finance costs							(13,960)	(13,628)
Profit before Tax							3,463,594	5,969,016
Income tax expense							(1,881,388)	(2,015,224)
Profit for the Period							1,582,206	3,953,792

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 June 2018 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 2018.

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 reported revenue of RM19.5 million for the current quarter, representing a decrease of 5.2% or RM1.1 million compared to previous year's corresponding quarter. The decrease in revenue is mainly attributable sales reduction from the local hardware segment and resulted in the decrease of profit before tax for Q2 2018 at RM2.1 million from RM3.2 million as compared to the profit in the preceding year's corresponding quarter. Consequently, the Group registered profit attributable to equity holders of the parent company of RM1.4 million as compared to RM2.5 million for the corresponding quarter last year.

Year-to-date (YTD), the Group reported a lower revenue of RM38.8 million, a decrease of RM1.1 million or 2.8% as compared to the corresponding financial period in the previous year. As a result of the lower revenue, the Group reported a lower profit before tax of RM3.5 million compared to RM6.0 million for preceding year's previous corresponding financial period. Hence, the Group registered profit attributable to equity holders of the parent company of RM1.7 million as compared to RM4.2 million for the corresponding quarter last year.

Group cash reserves stood at RM69.7 million as at 30 June 2018 as the business continues to have stable cash generation.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter Ended 30.6.2018 RM '000	Preceding Quarter Ended 31.3.2018 RM '000
Revenue	19,501	19,263
Gross Profits	18,054	18,216
Gross Margin	92.6%	94.6%
Profit Before Tax	2,046	1,418

The Group reported a revenue of RM19.5 million for current quarter as compared to RM19.3 million in the immediate preceding quarter primarily.

As the result of continuous expenditure rationalization exercise, the Group recorded profit before tax of RM2.1 million for the current quarter which represents an increase of RM0.7 million as compared to profit before tax of RM1.4 million in the preceding quarter.

B3. Business Prospects

Integrated Property Sales Platform

All property developers are looking for new ways to be more effective in today's challenging market, especially in sales. After interacting and consulting with our key customers, we have developed an Integrated Property Sales Platform that increases the collaboration of all parties in the sales process, a key factor in increasing the success rate of sales. The users of this platform includes internal sales teams, property agencies, solicitors and bankers, who will experience better communication, tracking of status and sharing of information. These factors are crucial in ensuring a productive and seamless sales journey.

The recent launch of our Integrated Property Sales Platform has seen good traction in the market with encouraging feedback, registering over 30 project launches and over 500 users. This enhances the "leads-to-cash" conversion cycle and provides greater insight via business intelligence dashboards, leading to quicker and more strategic decisions. Most importantly it assist in delivering what businesses seek, better sales, better results.

Geographic Focus and Growth

Growth continues in our China business with encouraging new sales orders whilst it continues to be very busy in the delivery process. Building capacity and capability continues to remain a priority and we are in the progress of finalizing our cloud strategy for the China market. Indonesia had a slower Q2 due to Lebaran (Hari Raya Aidilfitri), however, we expect business to pick-up in the second half of the year.

Malaysia's economic activity restarts after GE14 when many projects were delayed. We will continue to focus on growth and keep our focus on providing more solutions to assist our customers to be competitive.

IFCA continues its geographic expansion strategy, by establishing our presence in Ho Chi Minh, Vietnam to penetrate the Indo-China market. This market has good potential for us as it is a developing economic zone within the greater ASEAN region.

As at 30 June 2018, the Group has unbilled orders in hand amounting to RM39.04 million.

B4. Profit Forecast

The Group has not provided any profit forecasts in any public documents for the current quarter under review.

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B5. Taxation

	Current Quarter Ended 30.06.2018 RM	Cumulative Quarter 6 months ended 30.6.2018 RM
Current Year	783,378	1,944,489
Deferred tax	(31,550)	(63,100)
	<u>751,827</u>	<u>1,881,388</u>

The effective tax rate is higher than the Malaysian statutory tax rate due to non-tax deductibility of certain expenses incurred by the Group.

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.

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 2018 comprised hire purchase payables and finance lease as follows:-

	Current Quarter Ended 30.06.2018 RM
Secured - due within 12 months	175,781
Secured - due after 12 months	188,748
	<u>364,529</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.

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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:

30.06.2018

Final dividend for financial year ended	31 December 2017
Amount per share	0.5 sen
Total dividend payable	RM 3,037,498
Approved and declared on	25 May 2018
Entitlement to dividends based on record of Depositors as at	13 June 2018
Date Payable (paid as of reporting date)	5 July 2018

B13. Earnings per Share

	3 months ended		6 months ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM	RM	RM	RM
Total Comprehensive (Expense)/ Income attributable to:				
Owners of the parents	1,401,146	2,509,654	1,713,841	4,182,322
Non-controlling Interests	(107,330)	(106,678)	(131,636)	(228,530)
	<u>1,293,816</u>	<u>2,402,976</u>	<u>1,582,205</u>	<u>3,953,792</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	(116,193)	(3,222)	(412,660)	(9,249)
Weighted average number of shares in issue of diluted earnings per share	<u>608,174,707</u>	<u>608,287,678</u>	<u>607,878,240</u>	<u>608,281,651</u>
Earnings per share (sen)				
- Basic	0.23	0.41	0.28	0.69
- Diluted	0.23	0.41	0.28	0.69

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B14. Notes to the Condensed Statement of Comprehensive Income

GROUP	Year-to-date ended	
	Six months ended	
	30.06.2018	30.06.2017
Profit before tax is arrived at after (charging) / crediting :	RM	RM
Depreciation of property, plant and equipment	(426,280)	(473,070)
Amortisation	(2,634,035)	(2,489,461)
Interest expenses	(13,960)	(13,628)
Interest income from short term deposits	511,765	426,922
Rental income	7,218	7,218
Reversal of impairment loss on trade receivables	110,694	254,696
Impairment loss on trade receivables	(6,746)	(144,918)
Foreign exchange gain (realised/unrealised)	58,813	204,856
Foreign exchange loss (realised/unrealised)	(29,691)	(118,805)
Loss on disposal of property, plant and equipment	-	(46,654)
Property, plant and equipment written off	(3,768)	-

There were no impairment, 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.

B.15 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors during its meeting held on 16 August 2018.