



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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 2022.

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A8. Dividend Paid

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

	30.09.2022	30.09.2021
Final dividend for financial year ended	31 December 2021	31 December 2020
Approved and declared on	27 May 2022	*19 May 2021
Date paid	5 July 2022	5 July 2021
No of ordinary shares on which dividends were paid	606,287,100	606,899,700
Dividend per share (single-tier)	1.0 sen	0.5 sen
Net dividend paid	RM 6,062,871	RM 3,034,498

** Due to the Movement Control Order 3.0 imposed by the Government on 12 May 2021, the Company had on 19 May 2021 called off the 23rd Annual General Meeting which was supposed to be held physically on 28 May 2021; and subsequently changed the First and Final Dividend which announced on 28 April 2021 to an Interim Dividend with no change to the dividend details.*

A9. Segmental Information

Segmental information for the nine months period ended 30 September 2022 and 30 September 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	25,228,967	22,939,931	29,696,299	33,130,753			54,925,266	56,070,684
Inter-segment sales	10,565,641	10,039,422	-	-	(10,565,641)	(10,039,422)	-	-
Total Revenue	35,794,608	32,979,353	29,696,299	33,130,753	(10,565,641)	(10,039,422)	54,925,266	56,070,684
							-	
RESULT								
Segment results	3,923,823	3,907,052	(1,219,924)	3,976,366	-	-	2,703,899	7,883,418
Interest income							689,952	969,596
Amortisation							(2,668,237)	(264,039)
Depreciation							(1,533,133)	(1,659,654)
Impairment losses							(2,296,010)	(227,415)
Other non cash expenses							(65,330)	(446,824)
Finance costs							(49,315)	(98,559)
(Loss)/Profit before Tax							(3,218,174)	6,156,523
Income tax expense							(1,288,211)	(1,703,181)
(Loss)/Profit after Tax							(4,506,385)	4,453,342

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 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 September 2022.

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 September 2022.

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 RM20.3 million for the current quarter ("Q3FY2022"), a slight reduction of RM17K as compared to revenue of RM20.4 million in previous year's corresponding quarter ("Q3FY2021"). In tandem with the higher amortization on cloud-based software, the Group reported a lower profit before tax of RM1.2 million as compared to profit before tax of RM2.6 million in Q3FY2021. As a result, the Group registered profit attributable to equity holders of the parent company of RM800K as compared to profit attributable to equity holders of the parent company of RM1.6 million for Q3FY2021.

Current cumulative period against previous year cumulative period

The Group recorded revenue of RM54.9 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 Covid-19 lock down in various major cities and restrictive government policy relating to the property sector. The Group reported loss before tax of RM3.2 million as compared to profit before tax of RM6.2 million in preceding year's corresponding financial period. This was mainly attributable to the 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 RM4.4 million as compared to profit attributable to equity holders of the parent company of RM4.4 million for the corresponding quarter last year.

B2. Comparison with Preceding Quarter's Results

	Current Quarter Ended 30.09.2022 RM '000	Preceding Quarter Ended 30.6.2022 RM '000
Revenue	20,346	19,395
Gross Profits	19,605	18,389
Gross Margin	96.0%	95.0%
Profit/(Loss) Before Tax	1,198	(2,430)

The Group registered a higher revenue of RM20.3 million for current quarter ("Q3FY2022") as compared to RM19.4 million in preceding quarter ("Q2FY2022") mainly due to sales improvement in both China and Indonesia segment.

As a result, the Group recorded a profit before tax of RM1.2 million for Q3FY2022 as compared to loss before tax of RM2.4 million in Q2FY2022, which represents an increase of RM3.6 million.



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B3. Business Prospects

Malaysian market response to our award-winning mobile internet X-series products has been favorable as Malaysia had transitioned to endemic since Q2 2022. Our mobile internet solutions with IR 4.0 help businesses streamline the business processes by decreasing reliance on human resources, improve service level and system connectivity at all times at anywhere. 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.

The unexpected prolonged strict lockdowns in China since first quarter of the financial year had severely impacted the Group's business there. Although there is slight improvement in Q3 Y2022 in our China market but the China market situation was worrying by the chain effect of the Zero Covid policy, 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.

Indonesia segment continues to contribute positively to revenue and earnings. We expect this growth to continue in Q4Y2022.

As at 30 September 2022, the Group has unbilled orders in hand amounting to RM33.9 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 30.09.2022 RM	Cumulative Quarter 9 months ended 30.09.2022 RM
Current Year	578,657	1,326,435
Deferred tax	(16,189)	(38,224)
	562,468	1,288,211

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 total borrowings of the Group as at 30 September 2022 comprised hire purchase payables as follows: -

	Current Quarter Ended 30.09.2022 RM
Secured – due within 12 months	49,320
Secured – due after 12 months	-
	49,320

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 September 2022.

B10. Earnings per Share

	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM	RM	RM	RM
Total Comprehensive (Expense)/Income attributable to:				
Owners of the parents	823,157	1,551,055	(4,400,760)	4,438,538
Non-controlling interests	(187,913)	(67,690)	(105,625)	14,804
	635,244	1,483,365	(4,506,385)	4,453,342

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)	(1,391,200)	(3,086,100)	(1,391,200)
Weighted average number of shares in issue of diluted earnings per share	605,204,800	606,899,700	605,204,800	606,899,700

Earnings per share (sen)

-Basic	0.14	0.25	(0.72)	0.73
-Diluted	0.14	0.26	(0.73)	0.73



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B11. Notes to the Condensed Statement of Comprehensive Income

GROUP	Year-to-date	
	Nine months ended	
	30.9.2022	30.9.2021
(Loss)/Profit before tax is arrived at after (charging) / crediting :	RM	RM
Depreciation of property, plant and equipment	(811,688)	(642,699)
Depreciation of right-of-use assets	(721,445)	(1,016,955)
Amortisation	(2,668,237)	(264,039)
Interest expenses	(49,315)	(98,559)
Interest income from short term deposits	689,953	969,596
Rental income	20,363	4,580
Reversal of impairment loss on trade receivables	234,081	387,969
Bad debt written off	-	(429,582)
Impairment loss on trade receivables	(549,219)	(489,165)
Foreign exchange gain (realised/unrealised)	472,190	85,581
Foreign exchange loss (realised/unrealised)	-	(26,939)
Property, plant and equipment written off	(1,284)	(1,627)
Impairment loss on contract asset	(2,296,010)	(227,415)

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 21 November 2022.