IFCA

IFCA MSC BERHAD
(Company No: 453392-T)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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)

The adoption of the above pronouncement has no material financial impact to the Group other than as asset out below:

i. MFRS 9: Financial instruments

The Group adopted MFRS 9: Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale. The Group has elected to classify the equity investments as FVTPL and present subsequent changes in the investment's fair value to profit or loss.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model and the recognition of equity investments to FVTPL are as follows:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018
	RM
Decrease in retained earnings	803,068
Decrease in trade receivables	803,068

The current year to date impact of RM24,262 of expected credit losses reverse into profit or loss in the current year.

ii. MFRS 15: Revenue from Contract with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of MFRS 15 does not have any material effect on the Group's financial statements.

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 31 December 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 twelve months period ended 31 December 2018 and 31 December 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	41,738,572	45,601,837	52,240,699	43,225,956			93,979,271	88,827,793
Inter-segment sales	14,881,784	12,354,396	-		(14,881,784)	(12,354,396)	-	-
Total Revenue	56,620,356	57,956,233	52,240,699	43,225,956	(14,881,784)	(12,354,396)	93,979,271	88,827,793
							-	
RESULT								
Segment results	14,250,971	11,132,219	9,780,187	7,452,336	-	-	24,031,158	18,584,555
Interest income							1,453,267	1,292,310
Amortisation							(5,282,470)	(5,155,243)
Depreciation							(870,484)	(1,029,685)
Other non cash expenses							(3,264,909)	4,194
Finance costs							(28,084)	(30,510)
Profit before Tax							16,038,478	13,665,621
Income tax expense							(3,578,826)	(4,196,252)
Profit for the Period							12,459,652	9,469,369

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 January 2019 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 31 December 2018.

A14. Capital Commitments

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

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS FOR THE ACE MARKET

B1. Review of Performance

The Group recorded revenue of RM33.0 million for the current quarter, an increase of 27.3% or RM7.1 million compared to previous year's corresponding quarter. This resulted in the increase of profit before tax for Q4 2018 of RM10.4 million against RM5.0 million in the preceding year's corresponding quarter. Consequently, the profit attributable to equity holders of the parent company lifted to RM9.5 million compared to RM3.7 million for the corresponding quarter last year.

Year-to-date (YTD), the Group recorded higher revenue of RM94.0 million, representing a growth of RM5.2 million or 5.8% as compared to the corresponding financial period in the previous year. As a result of the revenue growth, the Group reported a higher profit before tax of RM16.0 million compared to RM13.7 million in the preceding year's previous corresponding financial period. Hence, the Group registered profit attributable to equity holders of the parent company of RM12.1 million as compared to RM9.7 million for the corresponding quarter last year.

Group cash reserves stood at RM75.4 million as at 31 December 2018 as the business continues to have strong cash generation.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter Ended 31.12.2018 RM '000	**Preceding Quarter Ended 30.9.2018 RM '000**
Revenue	33,020	22,196
Gross Profits	31,671	21,449
Gross Margin	*95.9%*	*96.6%*
Profit Before Tax	10,375	2,200

The Group reported a revenue of RM33.0 million for current quarter as compared to RM22.2 million in the immediate preceding quarter, representing an increase of 48.8% or RM10.8 million, primarily contributed in the segment of Software & Software Related Service (SSRS).

With this, the Group recorded profit before tax of RM10.4 million for the current quarter which represents an increase of RM8.2 million as compared to profit before tax of RM2.2 million in the preceding quarter.

B3. Business Prospects

Transformation continues at IFCA to further reinvent growth for the future.

Leveraging Market Leadership, Experience for Accelerated Customer Growth

Historically, IFCA's strength has been in the Enterprise segment or namely the larger businesses of the vertical markets that we serve, such as property, construction, HR and Hospitality. We have developed proven and trusted products that has helped us build a very strong customer base.

A natural next step is for us to leverage on our market experience, leadership and products to move further into the SME market which has a much higher volume of potential customers. This will allow us to accelerate customer growth which will positively impact our top-line and bottom-line.

Our strong execution plan in 2019 to make our products available in smaller packages, provide accelerated training to reduce start-up time, and offering competitive and affordable subscription pricing, all are key ingredients to accelerate this growth and on a wider mission, enabling automation and digitization in SMEs. Our sales force will be focused on this growth with increased coverage into all potential geographical areas.

Simple, Collaborative Mobile Solutions for Exponential User Adoption

The cloud and mobility have empowered every single person to be more connected and productive by creating value anytime, anywhere as well as consuming vital information to do their job even better. This motivated the foundation of our vision for our future products to be simple to use, collaborative and passionately, mobile first.

In the past, a typical IFCA solution would only attract users in the Finance or IT departments but with the new collaborative and mobile solutions, our users will grow exponentially from the inside out. First from the internal organization of sales, marketing, customer service and operations units and then connecting customers, suppliers, contractors and business partners on the outside. This brings everyone together to cooperate and create more business value on one platform, reducing unnecessary repetition of communication and work, and allowing for fast and effective decisions.

This model has seen success and traction in our Property CRM Sales solution where we have the property agents, internal sales, as well the banker and solicitor working together on a sales transaction instead of multiple systems. This has increased the speed of execution as well as sharing of information and productivity.

Expect all our new mobile solutions to drive exponential user and customer growth.

B3. Business Prospects (continued)

Geographic Updates

China has recently reported a slow-down of their economy partially impacted by the on-going trade war between the US and China. Our view on China continues to remain consistent, that the vastness of China's geography will continue to provide us with opportunities for growth as the government pushes growth from the tier 1 cities back to the 2nd, 3rd and 4th tier cities. This is evidenced in our recent sales pipelines and closed deals. Taking a prudent position, we will remain watchful on the on-going developments but do not forecast any adverse impact to our business in the short-term.

For 2019 we have planned for aggressive sales growth in Indonesia by leveraging our strong market leadership. Traditionally focused on the top tier of property developers, we are now moving our well accepted and localized solutions to a broader audience of property developers to tap the fast-growing Indonesian economy. This will be achieved by re-packaging and re-positioning some of our best solutions to fit and attack an enlarged target market with subscription and competitive price offerings. Mobility extensions are also being added to further enhance the collaborative element and value of our solutions to this market.

Even-though the economic outlook is still a bit uncertain for Malaysia, we see 2 clear trends. First, the established property players are taking the lull in the market as an opportunity to re-define and re-tool themselves to be more competitive. Secondly, we see new comers taking an opportunity to enter the market with the advantage of being light and nimble and offering highly curated, competitive products. For both these market segments IFCA has clearly defined market offerings. We will take a very assertive stance in the market to be highly competitive and capture these opportunities.

Growth Products

Property365

IFCA's Property365 CRM Sales solution has continued to grow strongly and is now used in 82 active projects, up from 54 reported in the previous quarter. The number of actual reserved units on the platform has also increased from 6,000 to over 11,000 units. Feedback and close collaboration with our users have resulted in great new features that will drive higher sales productivity and results from using our solutions. These enhancements will be released in a new update of the platform in Q2 2019. We expect this to further boost our competitiveness and leadership in this segment of the market.

Following on the success of Property365 CRM Sales, IFCA will be launching Property365 Customer Service apps at the end of Q1 2019. Great customer service is the hallmark of any sustainable, growing business and with this offering we would be providing a platform for property developers to have superior online engagement with their customers, be it for an additional sales opportunity, information on the construction progress, billing information or a service request. In today's online, real-time world, every customer engagement opportunity is a chance to build a better brand value and be truly competitive in the market based on great customer experiences.

B3. Business Prospects (continued)

Property365 (continued)

IFCA has also recently launched the Property365 Suite which is a cloud hosted, standard version of our time-proven sales administration solution, used by two thirds of the top property developers in the country. Paired together with CRM Sales platform, it is simple yet complete start-up solution for any property developer launching a new project. Subscription pricing further makes it highly affordable, and coupled with a fast-track training approach, we are able to get our users fully trained in a matter of days. We will be aggressively positioning this to the market, and we believe it will become the de facto choice for most new project launches.

Contract365

This business recently signed on one of the largest construction companies in the country and is confidently moving ahead, positioning itself to deliver more value in features and functions to the top tier players in this industry. Our enterprise solution has solid and extensive features and we will continue to target the tier 1 construction companies to offer our Contract365 product and professional services.

With a quests to enable more automation for the construction businesses, Contract365 has launched a new cloud solution, Contract Management. This solution targets small and mid-sized construction and project companies and enables them to manage very industry specific requirements such as contract management, sub-contractor management, variation orders, retention sum, claims and many related features which are critical in the everyday running of such businesses. It comes at an extremely affordable price, starting at RM 500 per month with up to 3 projects whilst training will take only a few days to get the business users up and running. We are optimistic that this solution will bring digital transformation and great business value to the construction market.

HR365

Our HR and Payroll business continues to make in-roads in the enterprise market by closing 3 large accounts in the pharmaceutical, LED and property industry in the previous quarter. With this momentum, we plan to push wider in the large HR and payroll market by launching our mobile app-centric HR365 solution, which is fully on the cloud for SMEs. Packaged with a very competitive and affordable subscription package, SMEs will be able to enjoy our enterprise grade, standard HR and Payroll solutions, from just a few hundred ringgits per month. The targeted launch date is in Q2 2019.

Hotel365

We are in the process of developing the next generation, fully mobile based Property Management Systems (PMS) for the hospitality industry that will highly increase the productivity of hotel operations and add ultimate convenience to the consumer by simplifying all features and making the experience a seamless one from booking to the stay itself. Initial feedback from early sharing has been extremely positive and we aim to bring this to the market in 2H 2019.

As at 31 December 2018, the Group has un-billed orders in hand amounting to RM41.46 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 31.12.2018 RM	Cumulative Quarter 12 months ended 31.12.2018 RM
Current Year	1,177,765	3,951,355
Deferred tax	(277,878)	(372,529)
	899,887	3,578,826

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

	Current Quarter Ended 31.12.2018 RM
Secured - due within 12 months	221,022
Secured - due after 12 months	329,188
	550,210

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 31 December 2018.

B13. Earnings per Share

	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Total Comprehensive Income attributable to:				
Owners of the parents	9,017,545	3,724,810	12,075,595	9,655,040
Non-controlling Interests	457,186	(73,169)	384,057	(185,671)
	9,474,731	3,651,641	12,459,652	9,469,369
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	(620,823)	(15,302)	(620,823)	(15,302)
Weighted average number of shares in issue of diluted earnings per share	607,670,077	608,275,598	607,670,077	608,275,598
Earnings per share (sen)				
- Basic	1.48	0.61	1.99	1.59
- Diluted	1.48	0.61	1.99	1.59

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B14. Notes to the Condensed Statement of Comprehensive Income

	Year-to-date ended	
GROUP	**Twelve months ended**	
	31.12.2018	**31.12.2017**
Profit before tax is arrrived at after (charging) / crediting :	**RM**	**RM**
Depreciation of property, plant and equipment	(870,484)	(1,029,685)
Amortisation	(5,282,470)	(5,155,243)
Interest expenses	(28,084)	(30,510)
Interest income from short term deposits	1,453,267	1,292,310
Rental income	11,839	14,436
Reversal of impairment loss on trade receivables	255,844	460,708
Impairment loss on trade receivables	(2,464,495)	(625,240)
Foreign exchange gain (realised/unrealised)	-	451,737
Foreign exchange loss (realised/unrealised)	(445,624)	-
Loss on disposal of property, plant and equipment	(50,144)	(90,592)
Property, plant and equipment written off	(9,443)	(11,882)

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 27 February 2019.