

SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2006

ANNOUNCEMENT

The Board of Directors of Scicom (MSC) Berhad is pleased to announce the following unaudited consolidated results for the first quarter ended 30 September 2006.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter 30.9.2006	Preceding Year Corresponding Quarter 30.9.2005	Current Year To Date 30.9.2006	Preceding Year Corresponding Period 30.9.2005
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Revenue	27,603	14,303	27,603	14,303
Operating expenses	(23,952)	(12,795)	(23,952)	(12,795)
Other income	12	8	12	8
Profit from operations	3,663	1,516	3,663	1,516
Net interest income	125	(36)	125	(36)
Profit before taxation	3,788	1,480	3,788	1,480
Taxation	(551)	22	(551)	22
Profit after taxation	3,237	1,502	3,237	1,502
Basic earnings per share (sen)	2.51	1.57	2.51	1.57
Diluted earnings per share (sen)	2.46	1.56	2.46	1.56

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006**

	As At End of Current Quarter 30.9.2006	As At Preceding Financial Year Ended 30.6.2006
	(Unaudited) RM'000	(Audited) RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	19,142	15,806
Deferred tax assets	0	47
	19,142	15,853
Current Assets		
Trade Receivables	13,218	8,667
Deposits, prepayments and other receivables	3,312	2,839
Deposits with financial institutions	11,955	16,334
Cash and Bank Balances	2,460	5,786
	30,945	33,626
TOTAL ASSETS	50,087	49,479
EQUITY AND LIABILITIES		
Equity		
Share capital	12,943	12,848
Share premium	15,653	15,177
Retained earnings	9,650	9,001
Currency translation reserve	(43)	(29)
Shareholders' Equity	38,203	36,997
Non-Current Liabilities		
Borrowings (secured and interest-bearing)	929	1,236
Payables and accruals	0	34
Deferred taxation	7	0
	936	1,270
Current Liabilities		
Payables and accruals	8,865	8,166
Taxation	918	1,786
Borrowings (secured and interest-bearing)	1,165	1,260
	10,948	11,212
Total Liabilities	11,884	12,482
TOTAL EQUITY AND LIABILITIES	50,087	49,479
NET ASSETS PER SHARE (RM)	0.30	0.29

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current Year Period Ended 30.9.2006	Preceding Year Corresponding Period Ended 30.9.2005
	(Unaudited) RM'000	(Unaudited) RM'000
Net cash (used in) / generated from operating activities	(206)	466
Net cash used in investing activities	(4,940)	(441)
Net cash (used in) / generated from financing activities	(2,470)	18,899
Net (decrease) / increase in cash and cash equivalents	(7,616)	18,924
Effect of foreign exchange on cash and cash equivalents	(91)	(35)
Cash and cash equivalents at beginning of financial period	21,971	643
Cash and cash equivalents at end of financial period	14,264	19,532

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**

	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable		Distributable	Total
	Number of shares	Nominal value	Share premium	Currency translation reserve	Retained earnings	
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 30.9.2005 (Unaudited)						
As at 1 July 2005	75,000	7,500	0	(13)	4,510	11,997
Dividend	0	0	0	0	(2,040)	(2,040)
Rights issue of shares	20,400	2,040	0	0	0	2,040
Issuance of shares	32,600	3,260	16,300	0	0	19,560
Listing expenses	0	0	(1,343)	0	0	(1,343)
Net profit for the financial period	0	0	0	0	1,502	1,502
Currency translation differences	0	0	0	(2)	0	(2)
As at 30 September 2005	128,000	12,800	14,957	(15)	3,972	31,714
3 months ended 30.9.2006 (Unaudited)						
As at 1 July 2006	128,481	12,848	15,177	(29)	9,001	36,997
* Final dividend for the financial year ended 30 June 2006	0	0	0	0	(2,588)	(2,588)
** Issuance of shares pursuant to ESOS	952	95	476	0	0	571
Net profit for the financial year	0	0	0	0	3,237	3,237
Currency translation differences	0	0	0	(14)	0	(14)
As at 30 September 2006	129,433	12,943	15,653	(43)	9,650	38,203

* Tax exempt final dividend for the financial year ended 30 June 2006 of RM0.02 per ordinary share was paid on 29 September 2006.

** Issuance of 952,000 new Scicom shares at an issue price of RM0.60 pursuant to employees exercising their share option under the ESOS on 11 August 2006.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – 30 SEPTEMBER 2006

1. BASIS OF PREPARATION

The interim financial statements has been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) No. 134 – Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market. The interim financial statements should be read in conjunction with the Group’s most recent audited financial statements for the financial year ended 30 June 2006.

The accounting policies and methods of computation adopted in the Group’s annual audited financial statements for the financial year ended 30 June 2006 have been consistently adopted in the preparation of the interim financial statements except for the adoption of the following new and revised FRS issued by Malaysian Accounting Standards Board (“MASB”) that are effective for the Group for the financial period beginning 1 July 2006:

- FRS 2 – Share-based Payment
- FRS 116 – Property, Plant and Equipment
- FRS 121 – The Effects of Changes in Foreign Exchange Rates

The adoption of FRS 2, 116 and 121 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRS are discussed below :

(i) FRS 2: Share-based Payment

The adoption of FRS 2 has resulted in a change in accounting policy for share-based payment arising from share options granted by the Company to employees (including directors) of the Group. Upon the adoption of FRS 2, where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The adoption of the standard does not have any financial impact on the Group’s result as the Group’s Employee Share Options Scheme was fully granted and vested before 31 December 2005 and under the transitional provisions of FRS 2, this standard applies to only share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2006.



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(ii) FRS 116: Property, Plant and Equipment

Under FRS 116, the residual value of the assets is the estimated amount that the entity can currently receive if the asset were already of the age and in condition expected at the end of the useful life.

(iii) FRS 121: The Effects of Changes in Foreign Exchange Rates

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

2. AUDITORS' REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2006.

3. SEASONAL / CYCLICAL FACTORS

The operations of the Group were not significantly affected by seasonality and cyclical factors during the quarter under review.

4. UNUSUAL ITEMS

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

5. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There have been no significant changes in the basis of estimates of amounts previously reported which have a material effect in the quarter under review.



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6. MOVEMENT IN DEBT AND EQUITY SECURITIES

During the current financial year to date, there were no issuances, repurchases, resale and repayments of debt and equity securities other than the issuance of new ordinary shares of RM0.10 each at an issue price of RM0.60 per ordinary share pursuant to employees exercising their option under the ESOS on the following exercise dates:

Date of exercise	Number of shares exercised
11 August 2006	925,000

7. DIVIDENDS PAID

On 29 September 2006, a final tax exempt dividend of 2 sen per ordinary share amounting to RM2,588,660 was paid in respect of the financial year ended 30 June 2006.

8. SEGMENT RESULTS AND REPORTING

The Group operates in a single line of business, namely the provision of customer contact centre within the Business Process Outsourcing space. In determining the geographical segments of the Group, segmental revenue is based on the country in which the customer is located. There is no inter-segment transaction during the period under review. Total assets and capital expenditure are determined based on where the assets are located.

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The Group derives revenue from customers in the following geographical areas:

	Current Year Quarter 30.9.2006 RM'000	Current Year To Date 30.9.2006 RM'000
Revenue		
Malaysia	1,326	1,326
Singapore	14,830	14,830
United Kingdom	1,163	1,163
United States of America	8,694	8,694
Other countries	1,590	1,590
	27,603	27,603

The Group maintains assets in the following countries:

	As At Current Financial Period Ended 30.9.2006 RM'000	As At Preceding Financial Year Ended 30.6.2006 RM'000
Total assets		
Malaysia	35,977	34,295
United States of America	11,833	13,087
Other countries	2,277	2,097
	50,087	49,479
Capital expenditure		
Malaysia	1,355	4,001
United States of America	3,530	4,687
Other countries	55	154
	4,940	8,842



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9. VALUATION OF PLANT AND EQUIPMENT

There were no revaluation of plant and equipment during the quarter ended 30 September 2006. As at 30 September 2006, all plant and equipment were stated at cost less accumulated depreciation.

10. SUBSEQUENT MATERIAL EVENTS

Subsequent to the financial period ended 30 September 2006, the Company completed the bonus issue exercise, by way of capitalization of the share premium account, the issuance of 129,433,000 new ordinary shares on the basis of one (1) new Share for every one (1) existing Share held in Scicom (MSC) Berhad.

The authorized share capital of the Company was increased from RM25,000,000 comprising 250,000,000 shares to RM100,000,000 comprising 1,000,000,000 shares.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations for the current financial year to date.

12. CONTINGENT LIABILITY

There were no significant changes in contingent liabilities since the last annual balance sheet as at 30 September 2006.

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13. COMMITMENTS

(a) Capital commitments

Capital expenditure of the Group approved by the Directors but not provided for in the condensed financial statements are as follows:

Plant and equipment
- Authorised and contracted

Current Year To Date 30.9.2006
RM'000
1,694

(b) Non-cancelable operating leases

The future minimum lease payments under non-cancelable operating leases for the Group are as follows:

- not later than 1 year
- later than 1 year and not later than 5 years

Current Year To Date 30.9.2006
RM'000
3,817
1,107
4,924

14. SIGNIFICANT RELATED PARTY TRANSACTION

There were no significant related party transactions as at the date of this announcement.



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15. REVIEW OF PERFORMANCE

For the current quarter, the Group recorded revenue and profit after taxation of RM27.6 million and RM3.2 million respectively. The Group's revenue and profit after taxation increased by 93% and 116% respectively as compared to the preceding year corresponding quarter's result. The significant increase in the Group's result is due to full quarter contribution from projects secured during the financial year ended 30 June 2006.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's revenue and profit after taxation remained consistent with the preceding quarter result, showing an increase of 5.9% and 0.5%. The increase in revenue contribution was off-set by higher staff cost and depreciation during the quarter.

17. CURRENT YEAR PROSPECTS

With stable contribution from existing projects and new business prospects in the pipeline, the Board of Directors expects the Group to achieve double digit growth in results for the financial year ending 30 June 2007.

18. TAXATION

	Current Year Quarter 30.9.2006 RM '000	Current Year To Date 30.9.2006 RM '000
<u>Group</u>		
Current tax	517	517
Deferred tax	34	34
	551	551



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The Company's Multimedia Super Corridor pioneer status accords the Company with tax exemption on the Company's statutory income. Current tax relates to a subsidiary's operations in the United States of America.

The Group's effective tax rate is thus lower than the Malaysian statutory tax rate of 28%.

19 DIVIDEND

No interim ordinary dividend has been declared for the financial period ended 30 September 2006.

21. PROFIT/(LOSS) ON SALES OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and/or properties during the current quarter and financial year-to-date.

22. PURCHASES AND SALES OF QUOTED SECURITIES

Scicom does not hold any investments in quoted securities as at 30 September 2006. There was no acquisition or disposal of quoted securities during the current financial year.

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23. STATUS OF CORPORATE PROPOSALS ANNOUNCED

The status of utilisation of proceeds raised from the Initial Public Offering is as follows:

	Proposed utilisation proceeds *	Amount utilised as at 13.10.2006	Transfer **	Amount outstanding	Expected timeframe for utilisation *
	RM'000	RM'000	RM'000	RM'000	
Working Capital	13,060	(13,196)	136	0	12 months from listing date
Capital Expenditure	5,000	(759)	0	4,241	24 months from listing date
Share issue expenses	1,500	(1,364)	(136)	0	3 months from listing date
	19,560	(15,319)	0	4,241	

* Proposed utilisation as set out in Scicom's prospectus dated 7 September 2005.

** The unutilised share issue expenses of RM136,000 is transferred to working capital.

There were no other corporate proposals announced but not completed as at 13 October 2006.

24. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 30 September 2006 is as follows:

	Current liabilities	Non-current liabilities	Total
	RM'000	RM'000	RM'000
Secured			
Finance Lease	1,165	929	2,094

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no outstanding off balance sheet financial instruments as at 13 October 2006.



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26. CHANGES IN MATERIAL LITIGATION

There were no material litigation matters dealt with during the period under review or pending as at 13 October 2006.

27. EARNINGS PER SHARE

The basic and diluted earnings per share for the quarter under review are computed as follows:

Basic earnings per share

	Current Year Quarter 30.9.2006	Current Year To Date 30.9.2006
Profit after taxation for the financial period (RM'000)	3,237	3,237
Weighted average number of ordinary shares in issue ('000)	129,014	129,014
Basic earnings per share (sen)	2.51	2.51

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Diluted earnings per share

	Current Year Quarter 30.9.2006	Current Year To Date 30.9.2006
Profit after taxation for the financial period (RM'000)	3,237	3,237
Weighted average number of ordinary shares in issue for diluted EPS ('000)	129,014	129,014
Adjusted for share options granted ('000)	2,367	2,367
Adjusted weighted average number of ordinary shares ('000)	131,381	131,381
Diluted earnings per share (sen)	2.46	2.46

By order of the Board of Directors

LEO SURESH ARIYANAYAKAM
DIRECTOR
18 October 2006