

SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2007

ANNOUNCEMENT

The Board of Directors of Scicom (MSC) Berhad (hereinafter referred to as “Scicom” or “the Company”) is pleased to announce the following unaudited consolidated results for the second quarter ended 31 December 2007.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year Quarter 31.12.2007	Preceding Year Corresponding Quarter 31.12.2006	Current Year To Date 31.12.2007	Preceding Year To Date 31.12.2006
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Audited) RM'000
Revenue	30,955	27,246	60,292	54,849
Operating expenses	(29,015)	(23,560)	(57,352)	(47,512)
Other operating income	0	0	22	12
Finance income	92	146	166	322
Finance costs	(42)	(42)	(73)	(92)
Profit before taxation	1,990	3,790	3,055	7,579
Taxation	(186)	(519)	(150)	(1,070)
Profit for the financial year	1,804	3,271	2,905	6,509
Attributable to:				
- Equity holders of the Company	1,450	3,275	2,521	6,513
- Minority interest	354	(4)	384	(4)
	1,804	3,271	2,905	6,509
Earnings per share attributable to equity holders of the Company:				
- Basic (sen) *	0.55	1.26	0.95	2.51
- Diluted (sen) *	0.54	1.24	0.94	2.47

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31.12.2007 (Unaudited) RM'000	As At Preceding Financial Year Ended 30.06.2007 (Audited) RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	16,535	18,340
Deferred tax assets	84	197
	16,619	18,537
Current Assets		
Trade receivables	19,866	19,861
Deposits, prepayments and other receivables	7,685	6,397
Deposits with a licensed bank	7,085	7,632
Cash and bank balances	2,357	277
	36,993	34,167
TOTAL ASSETS	53,612	52,704
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the Company		
Share capital	26,518	26,360
Share premium reserve	3,907	3,594
Retained earnings	14,967	15,096
Currency translation reserve	(308)	(239)
	45,084	44,811
Minority interest	410	26
TOTAL EQUITY	45,494	44,837
Non-Current Liabilities		
Payables and accruals	0	5
Borrowings (secured and interest-bearing)	161	215
	161	220
Current Liabilities		
Payables and accruals	6,766	5,551
Dividend payable	0	0
Current and tax liabilities	706	418
Borrowings (secured and interest-bearing)	485	1,678
	7,957	7,647
TOTAL LIABILITIES	8,118	7,867
TOTAL EQUITY AND LIABILITIES	53,612	52,704
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)	0.17	0.17

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial report.

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**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**

	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable		Distributable	Attributable to equity holders of the Company	Minority interest	Total equity
	Number of shares	Nominal value	Share premium reserve	Currency translation reserve	Retained earnings			
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 31.12.2006 (Unaudited)								
As at 1 July 2006	128,481	12,848	15,177	(29)	9,001	36,997	0	36,997
Currency translation differences, representing total income and expense recognised directly in equity	0	0	0	(177)	0	(177)	0	(177)
Net profit for the financial period	0	0	0	0	6,513	6,513	0	6,513
Total recognised income and expense for the financial period	0	0	0	(177)	6,513	6,336	0	6,336
Dividends for the financial year ended:								
- 30 June 2005	0	0	0	0	0	0	0	0
- 30 June 2006	0	0	0	0	(2,590)	(2,590)	0	(2,590)
Bonus issue	129,433	12,943	(12,943)	0	0	0	0	0
Bonus issue expenses			(62)	0	0	(62)	0	(62)
Listing expenses	0	0		0	0	0	0	0
Issuance of shares pursuant to Employee Share Option Scheme ("ESOS") *	2,819	282	849	0	0	1,131	0	1,131
As at 31 December 2006	260,733	26,073	3,021	(206)	12,924	41,812	0	41,812
6 months ended 31.12.2007 (Unaudited)								
As at 1 July 2007	263,603	26,361	3,594	(239)	15,096	44,812	26	44,838
Currency translation differences, representing total income and expense recognised directly in equity	0	0	0	(69)	0	(69)	0	(69)
Net profit for the financial period	0	0	0	0	2,521	2,521	384	2,905
Total recognised income and expense for the financial period	0	0	0	(69)	2,521	2,452	384	2,836
Dividends for the financial year ended:								
- 30 June 2007	0	0	0	0	(2,650)	(2,650)	0	(2,650)
Issuance of shares pursuant to ESOS **	1,565	157	313	0	0	470	0	470
As at 31 December 2007	265,168	26,518	3,907	(308)	14,967	45,084	410	45,494

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

** Issuance of 1,443,000 and 122,000 new Scicom shares at an issue price of RM0.30 pursuant to employees exercising their share option under the ESOS on 31 July 2007 and 31 October 2007, respectively

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 2007 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year To Date 31.12.2007 (Unaudited) RM'000	Preceding Year To Date 31.12.2006 (Unaudited) RM'000
Operating Activities		
Profit attributable to the equity holders of the Company	2,521	6,513
Adjustments:		
Depreciation of plant and equipment	3,456	3,385
Interest expense	73	92
Interest income	(166)	(322)
Unrealised foreign exchange loss	205	413
Gain on disposal of plant and equipment	0	1
Taxation	150	1,070
Waiver of debts	0	(18)
Minority interest share of profit	384	(4)
Operating profit before changes in working capital	6,623	11,130
Receivables	(1,785)	(4,139)
Payables	1,209	(237)
Cash flow from operations	6,047	6,754
Interest received	166	322
Taxation refund/ (paid)	469	(2,748)
Net cash flow generated from operating activities	6,682	4,328
Investing Activity		
Purchase of plant and equipment	(1,651)	(7,286)
Net cash flow used in investing activity	(1,651)	(7,286)
Financing Activities		
Repayment of finance lease principal	(514)	(700)
Proceeds from issuance of shares	470	1,255
Payment of bonus issue expenses	0	(63)
Payment of dividends	(2,650)	(2,588)
Interest paid	(73)	(92)
Net cash flow received from/ (used in) financing activities	(2,767)	(2,188)
Net increase/ (decrease) in cash and cash equivalents	2,264	(5,146)
Effect of foreign exchange on cash and cash equivalents	1	(320)
Cash and cash equivalents at beginning of financial year	7,177	21,971
Cash and cash equivalents at end of financial year	9,442	16,505

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial report.



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UNAUDITED NOTES TO THE INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) 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 report should be read in conjunction with the Group's most recent audited financial statements for the year ended 30 June 2007.

The accounting policies and methods of computation adopted in the Group's annual audited financial statements for the financial year ended 30 June 2007 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 2007:

- FRS 117 – Leases
- FRS 124 – Related Party Disclosures

The adoption of FRS 117 and 124 does not have significant financial impact on the Group.

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 2007.

3. SEASONAL / CYCLICAL FACTORS

The operations of the Group were not significantly affected by seasonal 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.

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5. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

6. MOVEMENT IN DEBT AND EQUITY SECURITIES

During the current financial year, 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 pursuant to employees exercising their option under the ESOS on the following exercise dates:

Date of exercise	Issue price per ordinary share	Number of shares exercised	Proceeds from the shares issued
31 July 2007	RM0.30	1,443,000	432,900
31 October 2007	RM0.30	122,000	36,600

7. DIVIDENDS PAID

On 26 October 2007, a final tax exempt dividend of 1 sen per ordinary share amounting to RM2,650,460 was paid in respect of the financial year ended 30 June 2007.

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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8. SEGMENT RESULTS AND REPORTING (CONTINUED)

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

	Current Year Quarter 31.12.2007	Current Year To Date 31.12.2007
	RM'000	RM'000
Revenue		
Malaysia	2,201	3,953
Singapore	16,658	32,089
United States of America	7,911	15,741
Australia	1,132	2,395
United Arab Emirates	1,393	2,654
Other countries	1,660	3,460
	30,955	60,292

The Group maintains assets in the following countries:

	As At Current Financial Period Ended 31.12.2007	As At Preceding Financial Period Ended 31.12.2006
	RM'000	RM'000
Total assets		
Malaysia	37,559	37,630
United States of America	9,559	11,088
Other countries	6,493	3,020
	53,611	51,738
Capital expenditure		
Malaysia	1,633	2,947
United States of America	0	4,138
Other countries	18	202
	1,651	7,287

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9. VALUATION OF PLANT AND EQUIPMENT

There was no revaluation of plant and equipment during the quarter ended 31 December 2007. As at 31 December 2007, all plant and equipment were stated at cost less accumulated depreciation.

10. SUBSEQUENT MATERIAL EVENTS

There were no other material events subsequent to the end of the quarter up to the date of the interim financial report.

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 period.

12. CONTINGENT LIABILITY OR CONTINGENT ASSET

There was no contingent liability or contingent asset arising since the last audited annual balance sheet date as at 30 June 2007.

13. COMMITMENTS

Commitments for the Group not provided for as of 31 December 2007 are as follows:

(a) Capital commitments

In respect of plant and equipment
 - Authorised and contracted
 - Authorised but not yet contracted

Current Year To Date 31.12.2007
RM'000
132
0

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(b) Non-cancelable operating leases

	Current Year To Date 31.12.2007
	RM'000
Future minimum lease payments	
- not later than 1 year	4,581
- later than 1 year and not later than 5 years	672
	5,253

14 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

15. REVIEW OF PERFORMANCE

For the current quarter, the Group recorded revenue and profit after taxation of RM31.0 million and RM1.8 million respectively. The Group's revenue increased by 13.6% but profit after taxation decreased by 45% respectively as compared to the preceding year corresponding quarter's result.

	Q2 2008	Q2 2007	Variance
Revenue	30,955	27,246	3,709
Profit before taxation	1,990	3,790	(1,800)

The lower profit before taxation is mainly due to the following:

	RM'000
Reduction in contribution from projects with a major customer due to decrease in recovery of overhead costs, mark up and strengthening of the Ringgit against the USD	(2,860)
Increase in contribution from other projects and Jade Apple Marketing	1,060
Net decrease in profit before taxation	(1,800)

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16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Q2 2008	Q1 2008	Variance
Revenue	30,955	29,337	1,658
Profit before taxation	1,990	1,065	925

	RM'000
Reduction in contribution from projects with a major customer due to decrease in recovery of overhead costs, mark up and strengthening of the Ringgit against the USD	(12)
Increase in contribution from other projects and Jade Apple Marketing	937
Net increase in profit before taxation	925

17. CURRENT YEAR PROSPECTS

The current year has provided the Group with multiple external challenges. The appreciation of the Ringgit Malaysia and the global economic downturn has resulted in the Group's major MNC client base themselves operating in challenging cost environment which has translated to a commensurate reduction in the Group's earnings. While revenue has increased, the increasing competitive landscape has had an impact on Group earnings. However, while there are signs of a global economic downturn, the Group is very favourably placed with operations in cost competitive countries such as India and Malaysia to secure new business as global MNC's accelerate their off shoring initiatives in an effort to reduce cost in their current operating environment.

The Group is confident that with an increase in contribution from new business prospects secured and in the pipeline, the Board of Directors expects the Group second half earnings to be better than the first half for financial year ending 30 June 2008.

18. EXPLANATORY NOTES FOR VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST OR PROFIT GUARANTEE

The Group did not publish any profit forecast in respect of the financial year ending 30 June 2008.

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19. TAXATION

	Current Year Quarter 31.12.2007 RM '000	Current Year To Date 31.12.2007 RM '000
<u>Group</u>		
Current tax	115	73
Deferred tax	71	77
	186	150

Scicom's Multimedia Super Corridor pioneer status accords the Company with tax exemption on its statutory income.

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

20. DIVIDENDS

The Board has declared an interim dividend of 1 sen per share tax exempt in respect for the financial year ending 30th June 2008, amounting to RM2,651,680. The proposed dividend will be paid on 7th March 2008 to shareholders registered at the close of business on 25th February 2008. The register of members will be closed on 25th February 2008 for the purposes of determining shareholders' entitlement to the dividend.

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

There were no sales of unquoted investments and/or properties during the current quarter and financial period.

22. PURCHASES AND SALE OF QUOTED SECURITIES

There was no acquisition or disposal of quoted securities during the current financial period. Scicom does not hold any investments in quoted securities as at 31 December 2007.



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23. STATUS OF CORPORATE PROPOSALS ANNOUNCED

Memorandum of Understanding with PT Infomedia Nusantara (“Infomedia”) a subsidiary of PT Telekomunikasi Indonesia.

The Group is pleased to announce that PT Telekomunikasi Indonesia International has disclosed that they are now a substantial shareholder in Scicom for the specific purpose of having a strategic investment in Scicom.

The Group is in the final stages of negotiations with PT Telekomunikasi Indonesia to set up a joint operating entity in Indonesia, which management expects to be concluded by the end of the third quarter of the financial year.

24. GROUP BORROWINGS AND DEBT SECURITIES

The Group’s borrowings as at 31 December 2007 is as follows:

	Current liabilities	Non-current liabilities	Total
	RM'000	RM'000	RM'000
Secured			
Finance lease liabilities	485	161	646

The Group’s borrowings are denominated in Ringgit Malaysia. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments entered into by the Group as at 28 January 2008.

26. CHANGES IN MATERIAL LITIGATION

There were no material litigation matters dealt with during the period under review or pending as at 28 January 2008.

27. EARNINGS PER SHARE (“EPS”)

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

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Basic earnings per share

	Current Year Quarter 31.12.2007	Current Year To Date 31.12.2007
Profit attributable to the equity holders of the Company for the financial year (RM'000)	1,450	2,521
Weighted average number of ordinary shares in issue ('000)	265,127	264,843
Basic earnings per share (sen)	0.55	0.95

Diluted earnings per share

	Current Year Quarter 31.12.2007	Current Year To Date 31.12.2007
Profit attributable to the equity holders of the Company for the financial year (RM'000)	1,450	2,521
Weighted average number of ordinary shares in issue for diluted EPS ('000)	265,127	264,843
Adjusted for share options granted ('000)	1,989	2,158
Adjusted weighted average number of ordinary shares ('000)	267,116	267,001
Diluted earnings per share (sen)	0.54	0.94

By order of the Board of Directors

LEO SURESH ARIYANAYAKAM
DIRECTOR
28 January 2008