

SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2010

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 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Period To Date
	31.12.2010 (Unaudited) RM'000	31.12.2009 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000	31.12.2009 (Unaudited) RM'000
Revenue	37,815	29,570	71,656	60,577
Operating expenses	(34,552)	(27,347)	(65,239)	(56,497)
Operating profit	3,263	2,223	6,417	4,080
Share of profit of jointly controlled entity	180	96	348	299
Gain/ (loss) on foreign exchange	41	52	(445)	(101)
Other operating income	6	4	8	23
Finance income	12	18	21	38
Finance costs	(35)	(3)	(58)	(9)
Profit before taxation	3,467	2,390	6,291	4,330
Taxation	(242)	(172)	(28)	(107)
Profit for the financial period	3,225	2,218	6,263	4,223
Other comprehensive income/ (loss) , net of tax				
Foreign currency translation differences for foreign operations	16	(27)	103	(65)
Total comprehensive income attributable to equity holders of the Company	3,241	2,191	6,366	4,158
Earnings per share attributable to equity holders of the Company:				
- Basic (sen) *	1.09	0.76	2.12	1.45
- Diluted (sen) *	N/A	0.76	N/A	1.45
* The basic and diluted earnings per share for the preceding year corresponding quarter and period have been revised to take into account the bonus issue on 30 November 2010.				
The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial report.				

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At Current Financial Period Ended 31.12.2010 (Unaudited) RM'000	As At Preceding Financial Year Ended 30.06.2010 (Audited) RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	12,668	14,518
Investment in jointly controlled entity	940	592
	13,608	15,110
Current Assets		
Trade receivables	23,669	20,198
Unbilled receivables	11,714	11,149
Deposits, prepayments and other receivables	6,404	5,383
Tax recoverable	700	2,240
Deposit, cash and bank balances	9,201	7,471
	51,688	46,441
TOTAL ASSETS	65,296	61,551
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the Company		
Share capital	29,621	26,802
Share premium reserve	1,983	4,478
Retained earnings	24,514	20,944
Currency translation reserve	(63)	(166)
TOTAL EQUITY	56,055	52,058
Non-Current Liabilities		
Deferred tax liabilities	788	884
Borrowings (secured and interest-bearing)	296	200
	1,084	1,084
Current Liabilities		
Payables and accruals	7,855	8,155
Borrowings (secured and interest-bearing)	302	254
	8,157	8,409
TOTAL LIABILITIES	9,241	9,493
TOTAL EQUITY AND LIABILITIES	65,296	61,551
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)	0.19	0.19

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2010 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	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
6 months ended 31.12.2009 (Unaudited)						
As at 1 July 2009	265,293	26,529	3,932	(237)	19,244	49,468
Currency translation differences, representing total income and expense recognised directly in equity	0	0	0	(65)	0	(65)
Net profit for the financial year	0	0	0	0	4,223	4,223
Total comprehensive (loss)/ income	0	0	0	(65)	4,223	4,158
Dividends for the financial year ended: - 30 June 2009	0	0	0	0	(3,979)	(3,979)
Issuance of shares pursuant to ESOS	0	0	0	0	0	0
As at 31 December 2009	265,293	26,529	3,932	(302)	19,488	49,647
6 months ended 31.12.2010 (Unaudited)						
As at 1 July 2010	268,023	26,802	4,478	(166)	20,944	52,058
Currency translation differences, representing total income and expense recognised directly in equity	0	0	0	103	0	103
Net profit for the financial year	0	0	0	0	6,263	6,263
Total comprehensive income	0	0	0	103	6,263	6,366
Dividends for the financial year ended: - 30 June 2010	0	0	0	0	(2,693)	(2,693)
Issuance of shares pursuant to ESOS *	1,260	126	252	0	0	378
Bonus Issue	26,928	2,693	(2,693)	0	0	0
Expenses incurred pursuant to bonus issue	0	0	(54)	0	0	(54)
As at 31 December 2010	296,211	29,621	1,983	(63)	24,514	56,055

* Issuance of 1,260,000 new Scicom shares at an issue price of RM0.30 pursuant to employees exercising their share option under the ESOS on 12 August 2010.

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 2010 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Period	Preceding Period
	To Date	To Date
	31.12.2010	31.12.2009
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Operating Activities		
Profit attributable to the equity holders of the Company	6,263	4,223
Adjustments:		
Allowance for doubtful debts	70	0
Depreciation of plant and equipment	3,216	3,416
Gain on disposal of plant and equipment	0	(64)
Interest expense	58	9
Interest income	(21)	(38)
Plant and equipment written off	0	7
Share of profit of jointly controlled entity	(348)	(299)
Taxation	28	107
Unrealised foreign exchange loss	514	240
Operating profit before changes in working capital	9,780	7,601
Payables	(300)	(3,777)
Receivables	(5,642)	572
Cash flow from operations	3,838	4,396
Interest received	21	38
Taxation refund	1,412	81
Net cash flow generated from operating activities	5,271	4,515
Investing Activities		
Proceeds from disposal of plant and equipment	0	64
Purchase of plant and equipment	(1,437)	(1,256)
Net cash flow used in investing activities	(1,437)	(1,192)
Financing Activities		
Drawdown of finance lease	300	0
Interest paid	(58)	(9)
Payment of dividends	(2,693)	(3,979)
Proceeds from issuance of shares	378	0
Payment of share issuance expenses	(54)	0
Repayment of finance lease principal	(156)	(145)
Net cash flow used in financing activities	(2,283)	(4,133)
Net increase / (decrease) in cash and cash equivalents	1,551	(810)
Effect of foreign exchange on cash and cash equivalents	179	152
Cash and cash equivalents at beginning of financial period	7,471	6,816
Cash and cash equivalents at end of financial period	9,201	6,158

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2010 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 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The interim financial report should be read in conjunction with the Group's most recent audited financial statements for the financial year ended 30 June 2010.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the quarterly condensed consolidated financial statements are consistent with those of the audited financial statements for the year ended 30 June 2010 except for the adoption of:

- FRS 7 “Financial Instruments: Disclosures” (effective from 1 January 2010)
- Amendment to FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2011)
- The revised FRS 101 “Presentation of Financial Statements” (effective from 1 January 2010)
- The revised FRS 3 “Business Combinations” (effective prospectively from 1 July 2010)
- Amendment to FRS 127 “Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” (effective from 1 January 2010)
- FRS 139 “Financial Instruments: Recognition and Measurement” (effective from 1 January 2010)
- IC Interpretation 9 “Reassessment of Embedded Derivatives” (effective from 1 January 2010)
- IC Interpretation 10 “Interim Financial Reporting and Impairment” (effective from 1 January 2010)

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2. CHANGES IN ACCOUNTING POLICIES (cont'd)

The new and revised FRSs and Interpretations above are expected to have no significant financial impact on the financial statements of the Group upon initial application except for the following:

The revised FRS 101 "Presentation of Financial Statements"

- The revised FRS 101 "Presentation of Financial Statements" (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity. "Non-owner changes in equity" are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Group has elected to present both the income statement and statement of comprehensive income as performance statements.

3. AUDITORS' REPORT OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the financial year ended 30 June 2010 was not qualified.

4. SEASONAL / CYCLICAL FACTORS

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

5. UNUSUAL ITEMS

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

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6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

7. MOVEMENT IN DEBT AND EQUITY SECURITIES

During the current financial period to date, there were no issuances, cancellation, 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 and the bonus issue:

Exercise of the ESOS options

Date of exercise	Issue price per ordinary share	Number of shares exercised	Proceeds from the shares issued
12 August 2010	RM0.30	1,260,000	RM378,000

Bonus Issue

Date of exercise	No. of shares issued	Par Value	Consideration	Total Value
30 November 2010	26,928,300	RM0.10	Bonus issue	RM2,692,830

8. DIVIDENDS PAID

On 2 December 2010, a final tax exempt dividend of 1.0 sen per ordinary share amounting to RM2,692,830 was paid in respect of the financial year ended 30 June 2010.

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9. SEGMENT RESULTS AND REPORTING

The Group's core business is Business Process Outsourcing ("BPO"). The Group's other key services include Education and Customer Relationship Management ("CRM") & Consulting.

The two primary segments that are the focus of the management's internal financial and operational reporting structure are as follows:

- a. Outsourcing services comprising of BPO services which offers multi-lingual, multi-channel customer care, technical support help desks, consultative sales and associated fulfillment.
- b. Others include educational and industrial training services primarily focused on customer care in the service industry, consulting services on CRM, E-commerce Applications, Customer Loyalty Management, Web Analytics, Database Profiling and Segmentation, Marketing, Brand Communications and Technology Solutions for contact centre operations.

Segmental analysis for the current financial period to date is as follows:

	Outsourcing services	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	67,156	4,500	-	71,656
Inter-segment revenue	417	-	(417)	-
Total revenue	67,573	4,500	(417)	71,656
Segment results	5,854	474		6,328
Interest income				21
Interest expense				(58)
Profit before taxation				6,291
Taxation				(28)
Net profit for the period				6,263

10. VALUATION OF PLANT AND EQUIPMENT

There was no revaluation of plant and equipment during the financial quarter under review. As at 31 December 2010, all plant and equipment were stated at cost less accumulated depreciation.

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11. SUBSEQUENT EVENTS

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

12. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed below, 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 :-

On 19 November 2010, the Company announced that the Company and Omar Shariff Bin Mydeen had on 18 November 2010 subscribed for 139,998 and 60,000 ordinary shares of RM1.00 each in the paid-up capital of Scicom International College Sdn Bhd (911297-M) ("SICSB") for a total consideration of RM139,998 and RM60,000, respectively. As such, the shareholdings structure of SICSB is 70% equity interest held by Scicom whilst the remaining 30% equity interest is held by Omar Shariff Bin Mydeen.

13. 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 2010.

14. COMMITMENTS

Commitments for the Group not provided for as at 31 December 2010 are as follows:

(a) Capital commitments

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

Current Year To Date 31.12.2010	
RM'000	
537	
0	
537	



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14. COMMITMENTS (CONT'D)

(b) Non-cancelable operating leases

Future minimum lease payments
 - not later than 1 year
 - later than 1 year and not later than 5 years

Current Year To Date 31.12.2010	
RM'000	
9,030	
1,995	
11,025	

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the financial year to date.

16. REVIEW OF PERFORMANCE

For the current quarter and financial period to date, the Group recorded an increase in revenue by 27.9% to RM37.82 million and 18.3% to RM71.66 million, respectively, as compared to the preceding year. The Group achieved an increase in profit before taxation of 45.1% to RM3.47 million for the current quarter and an increase of 45.3% to RM6.29 million for the current period to date as compared to the preceding year. The increase in revenue and profit before taxation is in tandem with an increase in billable headcount for the Group's outsourcing projects and an increase in training revenue for the Group's education business unit.

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Q2 2011	Q1 2011	Variance
	RM'000	RM'000	RM'000
Revenue	37,815	33,841	3,974
Profit before taxation	3,467	2,824	643

For the current quarter, the Group has registered an increase in revenue and profit before taxation of 11.7% and 22.8%, respectively. The increase in revenue and profit before taxation is attributable to an increase in billings for both outsourcing and education business units.

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18. CURRENT YEAR PROSPECTS

For the financial year ending 30 June 2011, the Group continues to consolidate and enhance its suite of services for both domestic and international markets. Profits from the Outsourcing, Education and CRM consulting services are expected to grow and provide greater margins in tandem with our growth strategy for domestic and regional markets.

19. 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 2011.

20. TAXATION

	Current Year Quarter 31.12.2010 RM '000	Current Year To Date 31.12.2010 RM '000
<u>Group</u>		
Current tax	86	128
Deferred tax	156	(100)
	242	28

Scicom's Multimedia Super Corridor pioneer status accords the Company with tax exemption on its statutory income in Malaysia. The Group's effective tax rate for the current financial year is thus lower than the Malaysian statutory tax rate of 25%.

21. DIVIDENDS

	31.12.2010 2011	31.12.2009 2010
Interim dividend for the financial year ending / ended 30 June		
Approved and declared on	9 February 2011	3 February 2010
Date paid / payable	10 March 2011	12 March 2010
Based on register of members dated	25 February 2011	24 February 2010
Amount per share	1.0 sen tax exempt	1.0 sen tax exempt
Net dividend paid / to be paid (RM)	2,962,113	2,657,230

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21. DIVIDENDS (CONT'D)

	31.12.2010	31.12.2009
	2010	2009
Final dividend for the financial year ended 30 June		
Approved and declared on	10 November 2010	26 October 2009
Date paid	2 December 2009	16 November 2009
Based on register of members dated	18 November 2009	2 November 2009
Amount per share	1.0 sen tax exempt	1.5 sen tax exempt
Net dividend paid (RM)	2,692,830	3,979,395

22. 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 year to date.

23. PURCHASES AND SALE OF QUOTED SECURITIES

There was no acquisition or disposal of quoted securities during the current quarter and financial year to date. The Group does not hold any investments in quoted securities as at 31 December 2010.

24. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed as at 9 February 2011, being the date of this report.

25. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 31 December 2010 is as follows:

	Current liabilities RM'000	Non-current liabilities RM'000	Total RM'000
Secured :			
Finance lease liabilities denominated in :			
- Malaysian Ringgit	54	229	283
- Indian Rupees	248	67	315
	302	296	598

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25. GROUP BORROWINGS AND DEBT SECURITIES (CONT'D)

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

26. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments entered into by the Group as at 9 February 2011 being the date of this report.

27. CHANGES IN MATERIAL LITIGATION

There were no material litigation matters dealt with during the financial period under review or pending as at 9 February 2011 being the date of this report.

28. EARNINGS PER SHARE ("EPS")

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

	Current Year Quarter 31.12.2010	Current Period To Date 31.12.2010
Profit attributable to the equity holders of the Company for the financial period (RM'000)	3,225	6,263
Weighted average number of ordinary shares in issue ('000)	296,211	295,842
Basic earnings per share (sen)	1.09	2.12

There is no dilution of earnings per share as all ESOS has been fully exercised on 12 August 2010.

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29. REALISED AND UNREALISED PROFIT/ (LOSSES)

The breakdown of the Group's retained profit for the financial period ended 31 December 2010 and 30 September 2010 is as follows:

	As at Current Financial Period Ended 31.12.2010 (Unaudited) RM'000	As at Financial Period Ended 30.9.2010 (Unaudited) RM'000
Total retained profit/ (accumulated losses) for Scicom and its subsidiaries :		
- Realised	20,737	20,205
- Unrealised	(1,111)	(1,022)
	19,626	19,183
Total share of retained profit/ (accumulated losses) from jointly controlled entity :		
- Realised	940	760
- Unrealised	-	-
	20,566	19,943
Less : Consol adjustments	3,948	4,039
Total Group retained profits as per consolidated accounts	24,514	23,982

By order of the Board of Directors

LEO SURESH ARIYANAYAKAM
DIRECTOR
28 February 2011