



SCICOM (MSC) BERHAD
 (Company No. 597426-H)
 (Incorporated in Malaysia under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2016

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 first quarter ended 30 September 2016.

CONSOLIDATED STATEMENT COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Period Quarter 30.9.2016	Preceding Year Corresponding Quarter 30.9.2015	Current Financial Period Ended 30.9.2016	Preceding Financial Period Ended 30.9.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	52,055	44,751	52,055	44,751
Operating expenses	(38,686)	(34,960)	(38,686)	(34,960)
Depreciation and amortisation	(1,751)	(1,474)	(1,751)	(1,474)
Operating profit	11,618	8,317	11,618	8,317
Share of profit of jointly controlled entity, net of tax	18	14	18	14
Gain on foreign exchange	1,150	1,143	1,150	1,143
Finance income	252	166	252	166
Finance costs	(13)	0	(13)	0
Profit before taxation	13,025	9,640	13,025	9,640
Taxation	(1,089)	(12)	(1,089)	(12)
Profit for the financial period	11,936	9,628	11,936	9,628

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (cont'd)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Period Quarter 30.9.2016	Preceding Year Corresponding Quarter 30.9.2015	Current Financial Period Ended 30.9.2016	Preceding Financial Period Ended 30.9.2015
	RM'000	RM'000	RM'000	RM'000
Other comprehensive (loss)/ income, net of tax				
Foreign currency translation differences for foreign operations	13	(51)	13	(51)
Total comprehensive income for the financial period	11,949	9,577	11,949	9,577
Profit attributable to:				
- Owners of the Company	12,021	9,724	12,021	9,724
- Non-controlling interest	(85)	(96)	(85)	(96)
Profit for the financial period	11,936	9,628	11,936	9,628
Total comprehensive income attributable to:				
- Owners of the Company	12,034	9,673	12,034	9,673
- Non-controlling interest	(85)	(96)	(85)	(96)
Total comprehensive income for the financial period	11,949	9,577	11,949	9,577
Earnings per share attributable to equity holders of the Company:				
- Basic (sen)*	3.38	2.74	3.38	2.74
- Diluted (sen)	N/A	N/A	N/A	N/A

Other disclosure items pursuant to Note 16 of Appendix 9B of the Main Market Listing Requirements of Bursa Securities are not applicable.

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial report.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At Current Financial Period Ended 30.9.2016	As At Preceding Financial Year Ended 30.06.2016
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	14,961	15,808
Software licences	4,485	4,372
Investment in jointly controlled entity	89	1,746
Deferred tax assets	120	120
	19,655	22,046
Current Assets		
Trade receivables	32,517	29,042
Unbilled receivables	14,254	14,120
Deposits, prepayments and other receivables	9,295	7,715
Tax recoverable	294	338
Cash and cash equivalents	35,522	37,004
	91,882	88,219
TOTAL ASSETS	111,537	110,265
EQUITY AND LIABILITIES		
Capital and reserves attributable to Owners of the Company		
Share capital	35,545	35,545
Retained earnings	60,900	59,543
Currency translation reserve	(1,611)	(1,624)
	94,834	93,464
Non-controlling interest	(888)	(803)
TOTAL EQUITY	93,946	92,661
Non-Current Liabilities		
Deferred tax liabilities	32	31
	32	31
Current Liabilities		
Trade and other payables	14,349	14,854
Current tax liabilities	3,210	2,719
	17,559	17,573
TOTAL LIABILITIES	17,591	17,604
TOTAL EQUITY AND LIABILITIES	111,537	110,265
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)	0.27	0.26

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial report.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable	Distributable	Total	Non-controlling interest	Total Equity
	Number of shares	Nominal value	Currency translation reserve	Retained earnings			
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 30.9.2015							
As at 1 July 2015	355,453	35,545	(921)	46,032	80,656	(458)	80,198
Currency translation differences, representing total income and expense recognised directly in equity	0	0	(51)	0	(51)	0	(51)
Net profit for the financial period	0	0	0	9,724	9,724	(96)	9,628
Total comprehensive (loss)/income	0	0	(51)	9,724	9,673	(96)	9,577
Dividends paid for the financial year ended: - 30 June 2015	0	0	0	(7,109)	(7,109)	0	(7,109)
As at 30 September 2015	355,453	35,545	(972)	48,647	83,220	(554)	82,666
3 months ended 30.9.2016							
As at 1 July 2016	355,453	35,545	(1,624)	59,543	93,464	(803)	92,661
Currency translation differences, representing total income and expense recognised directly in equity	0	0	13	0	13	0	13
Net profit for the financial period	0	0	0	12,021	12,021	(85)	11,936
Total comprehensive income/(loss)	0	0	13	12,021	12,034	(85)	11,949
Dividends paid for the financial year ended: - 30 June 2016	0	0	0	(10,664)	(10,664)	0	(10,664)
As at 30 September 2016	355,453	35,545	(1,611)	60,900	94,834	(888)	93,946

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 2016 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Financial Period Ended 30.9.2016	Preceding Financial Period Ended 30.9.2015
	RM'000	RM'000
Operating Activities		
Net profit for the financial period	11,936	9,628
Adjustments:		
Depreciation of plant and equipment	1,508	1,334
Amortisation of software licenses	243	140
Unrealised foreign exchange gain	(989)	(823)
Interest expense	13	0
Taxation	1,089	12
Interest income	(252)	(166)
Gain on disposal of plant and equipment	(5)	0
Share of profit of jointly controlled entity	(18)	(14)
Operating profit before changes in working capital	13,525	10,111
Payables	(4,200)	(3,641)
Receivables	(504)	5,782
Cash flow from operations	8,821	12,252
Interest received	252	166
Taxation paid	(554)	(152)
Net cash flow generated from operating activities	8,519	12,266
Investing Activities		
Distribution received from joint venture	1,675	0
Proceeds from disposal of plant and equipment	5	0
Purchases of plant and equipment	(533)	(568)
Purchases of software licences	(355)	(177)
Net cash flow generated from/(used in) investing activities	792	(745)
Financing Activities		
Interest paid	(13)	0
Payment of dividends	(10,664)	(7,109)
Net cash flow used in financing activities	(10,677)	(7,109)
Net (decrease)/increase in cash and cash equivalents	(1,366)	4,412
Effect of foreign exchange on cash and cash equivalents	(116)	578
Cash and cash equivalents at beginning of financial year	37,004	24,076
Cash and cash equivalents at end of financial year	35,522	29,066

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial report.



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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The unaudited interim financial report should be read in conjunction with the Group’s most recent audited financial statements for the financial year ended 30 June 2016.

The accounting policies and method of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2016.

The following MFRS and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 11 Joint Arrangements- *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets- *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 127 Consolidated and Separate Financial Statements- *Equity Method in Separate Financial Statements*
- Annual Improvements to MFRSs 2012- 2014 Cycle
- Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures – *Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 101 Presentation of Financial Statements – *Disclosure Initiative*

Effective for financial periods beginning on or after 1 January 2017

- Amendments to MFRS 107 Statement of Cash Flows – *Disclosure Initiative*
- Amendments to MFRS112 Income Taxes- *Recognition of Deferred Tax Assets for Unrealised Losses*

Effective for financial periods beginning on or after 1 January 2018

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments



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1. BASIS OF PREPARATION (cont'd)

Effective for financial periods beginning on or after 1 January 2019
MFRS 16 Leases

The MASB had on 16 June 2016 issued Clarifications to MFRS 15 "Revenue from Contracts with Customers" (the Amendments) effective for annual periods on or after 1 January 2018.

The MASB had on 31 December 2015 deferred the effective date of Amendments to MFRS 10 and MFRS 128 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group will adopt the above pronouncements when they become effective in the respective financial periods. The Group does not expect any material impact to the financial statements on the above pronouncement.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted in preparing these consolidated condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2016.

3. AUDITORS' REPORT OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2016 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 and financial period to date.

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 and financial period to date.

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7. MOVEMENT IN DEBT AND EQUITY SECURITIES

During the current financial quarter and financial period to date, there were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities.

8. DIVIDENDS PAID

The following dividends were paid during the financial period to date :-

In respect of the financial year ended	Dividend	Date of dividend payment	Amount paid
2016	Interim dividend of 3.0 sen per ordinary share	28 September 2016	RM10,663,607

9. SEGMENT RESULTS AND REPORTING

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

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. Education includes educational and industrial training services primarily focused on customer care in the service industry.

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9. SEGMENT RESULTS AND REPORTING (cont'd)

Segmental analysis by business segment is as follows:

For the financial period ended 30 September 2016

FY 2017	Current Financial Period Ended 30.9.2016			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	52,055	-	-	52,055
Inter-segment revenue	-	-	-	-
Total revenue	52,055	-	-	52,055
Segment results	15,548	(1,029)		14,519
Unallocated income/ other gains				-
Depreciation of plant and equipment				(1,508)
Amortisation of software licences				(243)
Share of results of jointly controlled entity (net of tax)				18
Finance income				252
Finance cost				(13)
Profit before taxation				13,025
Taxation				(1,089)
Net profit for the financial period				11,936

For the financial period ended 30 September 2015

FY 2016	Preceding Financial Period Ended 30.9.2015			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	44,650	101	-	44,751
Inter-segment revenue	-	-	-	-
Total revenue	44,650	101	-	44,751
Segment results	11,768	(834)		10,934
Unallocated income/ other gains				-
Depreciation of plant and equipment				(1,334)
Amortisation of software licences				(140)
Share of results of jointly controlled entity (net of tax)				14
Finance income				166
Finance cost				-
Profit before taxation				9,640
Taxation				(12)
Net profit for the financial period				9,628



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10. VALUATION OF PLANT AND EQUIPMENT

There was no revaluation of plant and equipment during the financial quarter under review and financial period to date. As at 30 September 2016, all plant and equipment were stated at cost less accumulated depreciation.

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

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 financial quarter under review.

13. CONTINGENT LIABILITY OR CONTINGENT ASSET

There was no contingent liability or contingent asset arising since the last audited financial statement for the financial year ended 30 June 2016.

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14. COMMITMENTS

Commitments for the Group not provided for as at 30 September 2016 are as follows:

(a) Capital commitments

In respect of plant and equipment
- Authorised and contracted

Current Financial Period Ended 30.9.2016	
RM'000	
207	

(b) Non-cancelable operating leases

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

Current Financial Period 30.9.2016	
RM'000	
5,484	
6,849	
29	
12,362	

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the financial period under review.

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16. REVIEW OF PERFORMANCE

PERFORMANCE BY QUARTER/FINANCIAL PERIOD TO DATE

Financial quarter ended	30 Sep 2016	30 Sep 2015	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
Outsourcing	52,055	44,650	7,405
Education	-	101	(101)
Total revenue	52,055	44,751	7,304
Profit before taxation	13,025	9,640	3,385

a. Revenue

Outsourcing

The Group's Outsourcing business principally comprises services provided to clients on long term contracts. Additionally, clients require the Group to provide ad-hoc short term services. The increase in revenue for existing projects and newly secured projects in the financial quarter under review as compared to the preceding year corresponding quarter amounted to RM4.75 million and RM6.06 million, respectively.

The reduction in billable headcount for certain projects as a result of a change in clients' requirements and/or strategies has also resulted in a reduction of billable revenue from these projects amounted to RM3.40 million for the financial quarter under review as compared to the preceding year corresponding quarter.

The net increase in the Group's outsourcing revenue for the financial quarter under review is RM7.41 million.

Education

The Group's Education focus is predicated on both internal and external requirements. The external revenue aspect of the Education business for the quarter under review is nil as the Education business conducted pilot and proof of concepts for new training contracts. The Group expects potential training contracts in the current pipeline to commence in 2nd half of the financial year.

b. Profit before taxation

The higher profit before tax for the financial year quarter under review as compared to the preceding year corresponding quarter is due primarily to the increase in billings for outsourcing projects.



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17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Financial quarter ended	30 Sep 2016	30 Jun 2016	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
Outsourcing	52,055	53,547	(1,492)
Education	-	135	(135)
Total revenue	52,055	53,682	(1,627)
Profit before taxation	13,025	14,286	(1,261)

a. Revenue

Outsourcing

The Group's outsourcing business principally comprises services provided to clients on long term contracts. Additionally, clients require the Group to provide ad-hoc short term services.

The reduction in billable transaction for certain project as a result of a change in clients' requirements and/or strategies has also resulted in a reduction of billable revenue from these projects amounted to RM1.34m million for the financial quarter under review as compared to the preceding financial quarter. Reduction in billings due to completion of an ad-hoc project during the financial quarter under review as compared to the preceding financial quarter amounted to RM1.94 million. Total reduction in revenue is RM3.28 million.

The increase in existing projects in the financial quarter under review as compared to the preceding financial quarter amounted to RM1.16 million and RM0.63 million, respectively. Total increase in revenue is RM1.79 million.

The net decrease in the Group's outsourcing revenue for the financial quarter under review is RM1.49 million.

Education

The Group's Education focus is predicated on both internal and external requirements. The external revenue aspect of the Education business for the quarter under review is nil as the Education business conducted pilot and proof of concepts for new training contracts. The Group expects potential training contracts in the current pipeline to commence in 2nd half of the financial year.



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17. COMPARISON WITH PRECEDING QUARTER'S RESULTS (cont'd)

b. Profit before taxation

The profit before taxation for the financial quarter under review is lower than the preceding financial quarter primarily due to the lower revenue for outsourcing projects.

18. CURRENT YEAR REVIEW

The Group continues to register growth for the current financial period as compared to the preceding year corresponding financial period, with revenue and profit before taxation posting a growth rate of 16.3% and 35.1%, respectively for the financial period ended 30 September 2016. The Group's Outsourcing business continues its growth momentum by recording a 16.6% and 32.1% growth rate for revenue and direct contribution, respectively as compared to the preceding year corresponding period. The increase in Outsourcing's revenue and direct contribution is attributable to organic growth in existing projects and new projects secured.

The external revenue aspect of the Education business for the quarter under review is nil as the Education business conducted pilot and proof of concepts for new training contracts. The Group expects potential training contracts in the current pipeline to commence in 2nd half of the financial year.

Overall the Group expects to achieve growth in terms of revenue and profitability for the financial year 2017.

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 ended 30 June 2016.

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20. TAXATION

<u>Group</u>	Current Financial Quarter Ended 3.9.2016 RM '000	Current Financial Period Ended 30.9.2016 RM '000
Current tax	1,089	1,089
Deferred tax	-	-
	1,089	1,089

The Company was first awarded the Multimedia Super Corridor (“MSC”) status on 7 November 2002 and the latest renewal was for a further five years’ term expiring on 6 November 2017. In association with the MSC status, the Company was awarded pioneer status which accords the Company with five years of income tax exemption on a portion of the Company’s statutory income. During the financial year, the income tax exemption on the Company’s statutory business income was revised down from 100% to 70% for the remainder of its MSC status term beginning 7 November 2015. Then provision for tax expense has been made with the application of the income tax exemption as the Company has met the conditions stipulated by the Ministry of Finance. The Malaysian current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

A subsidiary of the Company has received tax assessment notices of RM1.4 million, INR23.8 million (2015: RM1.4 million, INR23.8 million). These assessments are in respect to transfer pricing adjustments and the disallowance of certain expenses for tax purposes. Currently, the subsidiary is challenging the assessments in the Income Tax Appellate Tribunal, in India. The Board of Directors have received expert advice on this matter from a tax agent. Based on the advice received, the Board of Directors are of the view that no significant liability will crystallise from these assessments.

21. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed as at 7 November 2016, being the date of this report.

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22. GROUP BORROWINGS AND DEBT SECURITIES

The Group does not have any borrowings and debt securities as at 30 September 2016.

23. CHANGES IN MATERIAL LITIGATION

There were no material litigation matters dealt with during the financial year to date or pending as at 7 November 2016, being the date of this report.

24. DIVIDENDS

The Board of Directors has approved and declared a first interim dividend of 2 sen, tax exempt, per ordinary share, amounting to RM7,109,071 which is payable on 7 December 2016.

	Current Financial Period Ended 30.9.2016	Preceding Financial Year Ended 30.9.2015
Interim dividend for the financial year ended 30 June 2017	2017	2016
<u>1st interim</u>		
Approved and declared on	07-Nov-16	30-Nov-15
Date payable/paid	07-Dec-16	30-Dec-15
Based on register members dated	21-Nov-16	14-Dec-15
Amount per share	2.0 sen tax exempt	2.0 sen tax exempt
Net dividend payable/paid (RM)	7,109,071	7,109,071
Interim dividend for the financial year ended 30 June 2016	2016	2015
<u>4th interim</u>		
Approved and declared on	26-Aug-16	21-Aug-15
Date paid	28-Sep-16	22-Sep-15
Based on register members dated	13-Sep-16	07-Sep-15
Amount per share	3.0 sen tax exempt	2.0 sen tax exempt
Net dividend paid (RM)	10,663,607	7,109,071

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25. EARNINGS PER SHARE (“EPS”)

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

	Current Financial Quarter Ended 30.9.2016	Current Financial Period Ended 30.9.2016
Profit attributable to the Owners of the Company for the financial period (RM'000)	12,021	12,021
Weighted average number of ordinary shares in issue ('000)	355,454	355,454
Basic earnings per share (sen)	3.38	3.38

Diluted earnings per share is not applicable as the Company has no potential ordinary shares to be issued.

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26. REALISED AND UNREALISED PROFIT

The breakdown of the retained profit of the Group as at the reporting date, into realized and unrealized profits is as follows:

	As at Current Financial Period Ended 30.9.2016 RM'000	As at Current Financial Year Ended 30.6.2016 RM'000
Total retained profit for Scicom and its subsidiaries :		
- Realised	26,156	22,460
- Unrealised	(507)	(507)
	25,649	21,953
Total share of retained profit from jointly controlled entity :		
- Realised	89	1,746
	25,738	23,699
Add : Consolidation adjustments	35,162	35,844
Total Group retained profits as per consolidated accounts	60,900	59,543

By order of the Board of Directors

LEO SURESH ARIYANAYAKAM
DIRECTOR
7 November 2016