



SCICOM (MSC) BERHAD
 (Company No. 200201029763 (597426-H))
 (Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 MARCH 2020

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 third quarter ended 31 March 2020.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter	Preceding Year Corresponding Quarter	Changes	Current Financial Period Ended	Preceding Financial Period Ended	Changes
	31.3.2020	31.3.2019		31.3.2020	31.3.2019	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	44,959	40,562	11%	138,847	118,930	17%
Operating expenses*	(34,016)	(32,860)	4%	(100,834)	(94,379)	7%
Depreciation and amortisation*	(4,028)	(1,577)	155%	(11,831)	(4,761)	149%
Operating profit	6,915	6,125	13%	26,182	19,790	32%
Share of loss of joint venture (net of tax)	-	-	0%	-	(3)	-100%
Gain/(Loss) on foreign exchange	633	(589)	-207%	(179)	(496)	-64%
Bad debts written off	(203)	(306)	-34%	(345)	(306)	13%
Finance income	243	189	29%	776	675	15%
Finance costs*	(219)	-	100%	(677)	-	100%
Profit before taxation	7,369	5,419	36%	25,757	19,660	31%
Taxation	(2,297)	(1,381)	66%	(8,099)	(4,378)	85%
Profit for the financial period	5,072	4,038	26%	17,658	15,282	16%

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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (cont'd)

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter 31.3.2020	Preceding Year Corresponding Quarter 31.3.2019	Changes	Current Financial Period Ended 31.3.2020	Preceding Financial Period Ended 31.3.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Other comprehensive (loss)/ income, net of tax						
Foreign currency translation differences for foreign operations	(83)	337	-125%	(252)	(738)	-66%
Total comprehensive income for the financial period	4,989	4,375	14%	17,406	14,544	20%
Profit attributable to:						
- Owners of the Company	5,073	4,083	24%	17,655	15,421	14%
- Non-controlling interest	(1)	(45)	-98%	3	(139)	-102%
Profit for the financial period	5,072	4,038	26%	17,658	15,282	16%
Total comprehensive income attributable to:						
- Owners of the Company	4,990	4,420	13%	17,403	14,683	19%
- Non-controlling interest	(1)	(45)	-98%	3	(139)	-102%
Total comprehensive income for the financial period	4,989	4,375	14%	17,406	14,544	20%
Earnings per share attributable to equity holders of the Company:						
- Basic (sen)	1.43	1.15	24%	4.97	4.34	14%
- Diluted (sen)	N/A	N/A	N/A	N/A	N/A	N/A

* Adoption of MFRS 16 Leases, as set out in Note 1 to the unaudited interim financial statements.

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At Current Financial Period Ended 31.3.2020 RM'000	As At Preceding Financial Year Ended 30.06.2019 RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	6,934	8,492
Software licences	9,695	9,283
Right-of-use assets*	10,182	-
Deferred tax assets	700	700
	27,511	18,475
Current Assets		
Trade receivables	27,478	24,932
Unbilled receivables	16,036	19,247
Deposits, prepayments and other receivables	14,781	7,885
Tax recoverable	171	196
Investments in cash funds	29,137	14,969
Cash and bank balances	9,753	25,536
	97,356	92,765
TOTAL ASSETS	124,867	111,240
EQUITY AND LIABILITIES		
Capital and reserves attributable to Owners of the Company		
Share capital	35,545	35,545
Retained earnings	70,167	66,730
Currency translation reserve	(3,641)	(3,389)
	102,071	98,886
Non-controlling interest	(1,607)	(1,610)
TOTAL EQUITY	100,464	97,276
Non-Current Liabilities		
Lease liabilities*	2,111	-
Deferred tax liabilities	35	66
	2,146	66
Current Liabilities		
Trade and other payables	10,172	12,450
Lease liabilities*	8,586	-
Current tax liabilities	3,499	1,448
	22,257	13,898
TOTAL LIABILITIES	24,403	13,964
TOTAL EQUITY AND LIABILITIES	124,867	111,240
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)	0.29	0.28
* Adoption of MFRS 16 Leases, as set out in Note 1 to the unaudited interim financial statements.		
The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial report.		

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares		Non-distributable	Distributable	Non-controlling interest	Total Equity
	Number of shares	Share capital	Currency translation reserve	Retained earnings		
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 31.3.2019						
As at 1 July 2018	355,453	35,545	(2,663)	73,179	(1,423)	104,638
Currency translation differences, representing total income and expense recognised directly in equity	0	0	(738)	0	0	(738)
Net profit for the financial period	0	0	0	15,421	(139)	15,282
Total comprehensive (loss)/income	0	0	(738)	15,421	(139)	14,544
Dividends paid for the financial year ended:						
- 30 June 2018	0	0	0	(10,664)	0	(10,664)
- 30 June 2019	0	0	0	(12,440)	0	(12,440)
As at 31 March 2019	355,453	35,545	(3,401)	65,496	(1,562)	96,078
9 months ended 31.3.2020						
As at 1 July 2019	355,453	35,545	(3,389)	66,730	(1,610)	97,276
Currency translation differences, representing total income and expense recognised directly in equity	0	0	(252)	0	0	(252)
Net profit for the financial period	0	0	0	17,655	3	17,658
Total comprehensive (loss)/income	0	0	(252)	17,655	3	17,406
Dividends paid for the financial year ended:						
- 30 June 2019	0	0	0	(3,554)	0	(3,554)
- 30 June 2020	0	0	0	(10,664)	0	(10,664)
As at 31 March 2020	355,453	35,545	(3,641)	70,167	(1,607)	100,464

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 2019 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Financial Period Ended 31.3.2020 RM'000	Preceding Financial Year Ended 30.6.2019 RM'000
Operating Activities		
Net profit for the financial period	17,658	20,022
Adjustments:		
Depreciation of plant and equipment	3,085	4,500
Amortisation of software licenses	1,202	1,789
Amortisation of right-of-use assets*	7,544	-
Bad debts written off	345	306
Unrealised foreign exchange loss	117	737
Plant and equipment written off	-	1
Gain on acquisition of a subsidiary	-	4
Taxation	7,938	7,039
Finance income	(776)	(871)
Finance cost*:		
- accretion on lease liabilities	677	-
Share of loss of joint venture	-	3
Operating profit before changes in working capital	37,790	33,530
Receivables	(6,694)	(5,987)
Payables	(2,277)	1,028
Cash flow from operations	28,819	28,571
Interest received	776	871
Taxation paid	(5,893)	(7,201)
Net cash flow generated from operating activities	23,702	22,241
Investing Activities		
Distribution received from joint venture	-	134
Proceeds from disposal of plant and equipment	-	4
Purchases of plant and equipment	(1,442)	(2,255)
Purchases of software licences	(1,614)	(3,770)
Investment in cash funds	(14,168)	(1,484)
Decrease/(Increase) in fixed deposits with maturity of more than 3 months	6,000	(4,000)
Net cash flow used in investing activities	(11,224)	(11,371)
Financing Activities		
Repayment of lease financing*	(7,706)	-
Payment of dividends	(14,218)	(26,658)
Net cash flow used in financing activities	(21,924)	(26,658)
Net decrease in cash and cash equivalents	(9,446)	(15,788)
Effect of foreign exchange on cash and cash equivalents	(337)	(1,463)
Cash and cash equivalents at beginning of financial year	18,536	35,787
Cash and cash equivalents at end of financial period	8,753	18,536
Deposits with maturity of more than 3 months	1,000	7,000
Cash and bank balances at the end of the financial period	9,753	25,536

* Adoption of MFRS 16 Leases, as set out in Note 1 to the unaudited interim financial statements.

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 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 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

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 2019. The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 July 2019:

- MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations.
- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’
- Amendments to MFRS 128 ‘Long-term Interests in Associates and Joint Ventures’
- Amendments to MFRS 9 Financial Instruments - ‘Prepayment features with negative compensation’
- Amendments to MFRS 119 Employee Benefits - ‘Plan amendment, curtailment or settlement’
- Annual improvements to MFRSs 2015 – 2017 cycle:
 - Amendments to MFRS 3 ‘Business Combinations’
 - Amendments to MFRS 11 ‘Joint Arrangements’
 - Amendments to MFRS 112 ‘Income Taxes’
 - Amendments to MFRS 123 ‘Borrowing Costs’

The adoption of these standards and amendments had no significant effect on the financial performance or position of the Group, except for MFRS 16 ‘Leases’.

Adoption of MFRS 16 ‘Leases’ (‘MFRS16’)

The Group has adopted MFRS16 in the current financial period, where MFRS16 supersedes MFRS 117 ‘Leases’ and the related interpretations. Under MFRS16, a lease is a contract (or part of contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS16 eliminates the classification of leases by the lessee as either finance leases or operating leases.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

MFRS16 requires the lessee to recognise in the statements of financial position, a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payment for most leases. The right-of use asset is depreciated in accordance with the principle in MFRS116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognized in the statement of profit or loss.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

The adoption of MFRS16 impacts the Group's financial performance in the current financial period as below:

- (a) On the statements of comprehensive income, expenses which previously included in operating expenses as rentals within EBITDA were replaced by interest expense on lease liabilities (include within 'finance costs') and amortisation of the right-of-use assets (included within 'depreciation and amortisation').
- (b) On the statements of cash flows, operating lease rental outflows previously recorded within 'net cash flows from operating activities' were reclassified as 'net cash flows used in financing activities' for repayment of the principal and interest of lease liabilities.

The financial effects on the financial quarter under review and financial period to date arising from the adoption of MFRS16 are as follows:

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter 31.3.2020			Current Financial Period Ended 31.3.2020		
	Adoption of			Adoption of		
	MFRS117 RM'000	MFRS16 RM'000	Adjusted RM'000	MFRS117 RM'000	MFRS16 RM'000	Adjusted RM'000
Statement of Comprehensive Income						
Operating expenses	36,964	(2,948)	34,016	108,852	(8,018)	100,834
Depreciation and amortisation	1,299	2,729	4,028	4,287	7,544	11,831
Finance cost	-	219	219	-	677	677
Statement of Financial Position						
Right-of-use assets – non-current	-	10,182	10,182	-	10,182	10,182
Lease liabilities – non-current	-	(2,111)	(2,111)	-	(2,111)	(2,111)
Lease liabilities – current	-	(8,586)	(8,586)	-	(8,586)	(8,586)



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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

MFRS, amendments and Improvements to MFRSs and IC Interpretation that are applicable to the Group but not yet effective.

The Malaysian Accounting Standards Board had issued the following new standard, amendments and improvements to MFRSs and IC Interpretation, all of which are effective for the financial period beginning on or after 1 January 2020. The Group did not early adopt these new standards, amendments and improvements to MFRSs and IC Interpretation and they are not expected to have a significant effect on its consolidated financial statements:

- Amendments to MFRS 3 Definition of a Business
- Amendments to MFRS 101 and MFRS 108 Definition of Material

3. AUDITORS' REPORT OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2019 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
2019	Interim dividend of 1.0 sen per ordinary share	30 September 2019	RM3,554,536
2020	Interim dividend of 1.5 sen per ordinary share	24 December 2019	RM5,331,803
2020	Interim dividend of 1.5 sen per ordinary share	20 March 2020	RM5,331,803

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. Business Process Outsourcing (BPO)'s suite of services include integrated solutions in Customer Lifecycle Management, Digital/ E-Commerce Solutions and E-Government (Gov-Tech) Solutions.
- b. Education includes educational and industrial training services primarily focused on customer care in the service industry, English Language Testing/ Assessments and also internal training for the Group.

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9. SEGMENT RESULTS AND REPORTING (cont'd)

Segmental analysis by geographical areas:

	Current Period Quarter 31.3.2020 RM'000	Preceding Year Corresponding Quarter 31.3.2019 RM'000
Revenue		
Malaysia	25,955	22,238
Singapore	2,083	2,863
Philippines	7,000	6,395
Hong Kong	2,024	116
Sri Lanka	1,294	1,320
China	5,240	4,616
Others	1,363	3,014
	44,959	40,562

Segmental analysis by business segment is as follows:

For the financial period ended 31 March 2020

FY 2020	Current Financial Period Ended 31.3.2020			
	Outsourcing services RM'000	Education RM'000	Elimination RM'000	Consolidated RM'000
Revenue from external customers	138,677	170	-	138,847
Inter-segment revenue	-	-	-	-
Total revenue	138,677	170	-	138,847
Segment results	39,145	(1,311)		37,834
Unallocated income/ other gains				-
Depreciation of plant and equipment				(3,085)
Amortisation of software licences				(1,202)
Amortisation of right-of-use assets				(7,544)
Bad debts				(345)
Finance income				776
Finance cost				(677)
Profit before taxation				25,757
Taxation				(8,099)
Net profit for the financial period				17,658

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9. SEGMENT RESULTS AND REPORTING (cont'd)

Segmental analysis by business segment is as follows (cont'd):

For the financial period ended 31 March 2019

FY 2019	Preceding Financial Period Ended 31.3.2019			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	118,476	454	-	118,930
Inter-segment revenue	-	2,743	(2,743)	-
Total revenue	118,476	3,197	(2,743)	118,930
Segment results	23,959	96		24,055
Unallocated income/ other gains				-
Depreciation of plant and equipment				(3,415)
Amortisation of software licences				(1,346)
Share of results of joint venture (net of tax)				(3)
Bad debts				(306)
Finance income				675
Finance cost				-
Profit before taxation				19,660
Taxation				(4,378)
Net profit for the financial period				15,282

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 31 March 2020, 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.



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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 2019.

14. COMMITMENTS

Commitments for the Group not provided for as at 31 March 2020 are as follows:

(a) Capital commitments

In respect of plant and equipment
- Authorised and contracted

Current Financial Period Ended 31.3.2020
RM'000
801

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 quarter ended	31 Mar 2020	31 Mar 2019	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
BPO	44,959	40,460	4,499
Education	-	102	(102)
Total revenue	44,959	40,562	4,397
Profit before taxation	7,369	5,419	1,950

a. Revenue

BPO

The Group's BPO business principally comprises services provided to clients on long term contracts. The Group also secures clients that requires ad-hoc short term services. For the financial quarter under review, revenue from existing BPO projects and newly secured projects increased by RM1.45 million and RM3.05 million, respectively as compared to the preceding year corresponding quarter.

Education

There is no revenue for the Group's Education business as all corporate trainings have been deferred due to Covid-19.

b. Profit before taxation

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



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16. REVIEW OF PERFORMANCE (cont'd)

PERFORMANCE BY FINANCIAL PERIOD TO DATE

Financial period ended	31 Mar 2020	31 Mar 2019	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
BPO	138,677	118,476	20,201
Education	170	454	(284)
Total revenue	138,847	118,930	19,917
Profit before taxation	25,757	19,660	6,097

a. Revenue

BPO

The Group's BPO business principally comprises services provided to clients on long term contracts. The Group also secures clients that requires ad-hoc short term services. For the financial quarter under review, revenue from existing BPO projects and newly secured projects increased by RM15.31 million and RM4.89 million, respectively as compared to the preceding year corresponding period.

Education

The revenue from the Group's Education business decreased due mainly to lower English Language Testing/ Assessments and corporate trainings.

b. Profit before taxation

The higher profit before tax for the current financial period under review as compared to the preceding year corresponding period is due to higher revenue for BPO business.



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17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Financial quarter ended	31 Mar 2020	31 Dec 2019	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
BPO	44,959	45,695	(736)
Education	-	101	(101)
Total revenue	44,959	45,796	(837)
Profit before taxation	7,369	9,104	(1,735)

a. Revenue

BPO

The Group's BPO 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 transactions for certain projects has resulted in a reduction of billable revenue from these projects amounted to RM0.74 million for the financial quarter under review as compared to the preceding quarter.

Education

There is no revenue for the Group's Education business as all corporate trainings have been deferred due to Covid-19.

b. Profit before taxation

The lower profit before taxation for the current financial quarter under review as compared to the preceding quarter is due to lower revenue for BPO business.



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18. CURRENT YEAR REVIEW

The Group registered an increase in revenue and profit before taxation of 16.7% and 31.0% respectively, for the current financial period under review as compared to the preceding year financial period due to the increase in transactional volume for BPO's major clients and new clients secured during the financial year. New clients secured contributed 23.6% of the revenue growth for the current financial period under review as compared to the preceding year financial period.

BPO

The Covid-19 pandemic and the subsequent Movement Control Order ("MCO") and Travel Ban enforced by the Malaysian Government has had a mixed effect on the Group's BPO business. Certain projects that are within the online consumer product vertical have requested for additional headcount to manage an increase in contact volumes while projects that are in the tourism, leisure and education verticals are facing reduction in billable transactions.

Despite the operational challenges from the sudden enforcement of the MCO, the Group was able to implement its Business Continuity Plan ("BCP") and placed more than 90% of its staff on work from home and managed to minimize any disruption to the Group's services to our clients. The success of our BCP and our demonstrable ability to recruit during the MCO period has resulted in an increase in headcount during the MCO period. The Group expects the BCP to continue to be enforced at various levels until the beginning of the next financial year.

Education

The Group's Education business unit has been affected by the MCO as newly secured training contracts have been postponed to a later date. The Group has been developing online training and assessment programs that will be offered to both internal and external clients.

The Group is expecting a decrease in transactional volume in the remaining quarter for the current financial year which will impact the Group's anticipated growth in revenue and profitability. To mitigate the impact from Covid-19, the Group continues to aggressively enhance its pipeline of prospects locally and has made significant inroads in its business development efforts for its suite of products globally. The Group's internal development team has successfully deployed a Covid-19 tracking application and has collaborated with Malaysia's premier primary care provider, the Qualitas Medical Group in launching Malaysia's first integrated Covid-19 testing platform. The Group remains cognizant of the uncertainties and opportunities presented by the ongoing pandemic. In this challenging period, the Group's focus is to strive for growth in the next financial year.

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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 2020.

20. TAXATION

	Current Financial Quarter Ended 31.3.2020 RM '000	Current Financial Period Ended 31.3.2020 RM '000
<u>Group</u>		
Current tax	2,297	8,130
Deferred tax	-	(31)
	2,297	8,099
 Effective tax rate	 31%	 31%

The Group's effective tax rate for the current financial quarter and current financial period is higher than the statutory tax rate due mainly to current period losses of subsidiaries. The Malaysian current income tax is calculated at the statutory tax rate of 24% (2019: 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 (2019: 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 crystallize from these assessments.

21. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed as at 29 May 2020, 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 31 March 2020.

23. UPDATE ON LITIGATION

- (i) On 24th July 2019, Scicom (MSC) Berhad (“the Company”) received an Originating Summons (“OS”) filed by the Education Malaysia Global Services (“EMGS”). The Originating Summons was filed by EMGS pursuant to an agreement dated 1st November 2012 entered into between the Company and EMGS wherein EMGS is seeking to enforce a right under the said agreement to access the data captured in the Company’s proprietary system.

On the 15th August 2019 an application to stay proceedings (“Stay Application”) was filed on behalf of the Company in the High Court. The Stay Application was heard on the 11th of December 2019. The Company is pleased to announce that the High Court allowed the Company’s application to stay the proceedings brought by EMGS seeking declaratory and injunctive relief over access to the Company’s proprietary system data. The High Court ordered that any dispute be referred to arbitration in accordance with the terms of the agreement entered into between the parties. The High Court awarded costs to the Company.

The 30 day period for EMGS to lodge an appeal against the Court Order for a stay lapsed on 10th January 2020 and the Company has not received any notice of arbitration from EMGS or its solicitors.

- (ii) On the 7th February 2020, a Writ was issued on the Company (Ref: Kuala Lumpur High Court Suit No. WA-22NCVC-88-02/2020). It was only served on the Company on 21st February 2020. The Company entered an appearance through the solicitors on 26th February 2020. No prior demands or discussions in relation to the matters on which the Writ is purportedly based took place between the parties prior to the service of the Writ.

The claim against the Company is for declaratory relief, general damages of approximately RM24.5 million and unliquidated damages. The Board, based on legal advice obtained, the claim is time barred, frivolous and has no merits and has assessed the potential liability to the Company as nil.



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23. UPDATE ON LITIGATION (cont'd)

(ii) The breaches alleged against the Company are contravention of Section 12(1)(f) of the Passports Act 1966, Section 8(1)(e)(iii) of the Official Secrets Act and Section 40 of the Personal Data and Protection Act. The alleged breaches relate to the handling of foreign student passports and their personal data during the processing of their visas. The Company states that the system has been functioning seamlessly for over 7 years with all the requisite clearances from the authorities. The Company is advised by counsel that these allegations are time barred, frivolous and lack credibility. The allegations will be defended rigorously at the proper forum.

The current status of the proceedings is that the Company is applying to stay proceedings. Documents in support have been filed by the Company and the case is listed for hearing on 23rd June 2020.

(iii) On 29th November 2019, the Company was served with an Application for an Interim Injunction against the Company and its wholly-owned subsidiary namely Scicom Lanka (Pvt) Ltd ("SLPL") along with six (6) employees of SLPL which was fixed for hearing on the 9th of December 2019 at the Commercial High Court of Colombo, the Democratic Socialist Republic of Sri Lanka ("Sri Lanka"). The Application for the Interim Injunction was filed by Informatics International Limited ("IIL"), a company incorporated in Sri Lanka. IIL is seeking to restrain its ex-employees currently employed by SLPL, the Company and SLPL from engaging in the provision of certain consultancy and solution services. There is no monetary claim sought in this action.

The Company has appointed Counsel in Sri Lanka to represent its interests and that of its employees. The Company has sought and obtained legal advice that the Application for the Interim Injunction filed by IIL is frivolous and without merit. The Application for the Interim Injunction has no material financial or operational implications to the Company.

The original hearing was adjourned due to the restrictions on normal court service imposed by the COVID-19 crisis. The case has been mentioned on the 26th May 2020 and the oral hearing has been fixed on the 25th June 2020.

Other than the above, there were no material litigation matters dealt with during the financial period to date or pending as at 29th May 2020, being the date of this report.

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24. DIVIDENDS

The Board of Directors has approved and declared a third interim dividend of 1.0 sen, tax exempt, per ordinary share, amounting to RM3,554,536 which is payable on 29 June 2020.

	Current Financial Period Ended 31.3.2020	Preceding Financial Period Ended 31.3.2019
Interim dividend for the financial year ended 30 June	2020	2019
<u>Third interim</u>		
Approved and declared on	29-May-20	23-May-19
Date payable/paid	29-Jun-20	25-Jun-19
Based on register members dated	16-Jun-20	10-Jun-19
Amount per share	1.0 sen tax exempt	1.0 sen tax exempt
Net dividend payable/paid(RM)	3,554,536	3,554,536
Interim dividend for the financial year ended 30 June	2020	2019
<u>Second interim</u>		
Approved and declared on	21-Feb-20	26-Feb-19
Date paid	20-Mar-20	26-Mar-19
Based on register members dated	06-Mar-20	12-Mar-19
Amount per share	1.5 sen tax exempt	1.5 sen tax exempt
Net dividend paid (RM)	5,331,803	5,331,803
Interim dividend for the financial year ended 30 June	2020	2019
<u>First interim</u>		
Approved and declared on	25-Nov-19	22-Nov-18
Date paid	24-Dec-19	21-Dec-18
Based on register members dated	10-Dec-19	07-Dec-18
Amount per share	1.5 sen tax exempt	2.0 sen tax exempt
Net dividend paid (RM)	5,331,803	7,109,071
Interim dividend for the financial year ended 30 June	2019	2018
<u>Fourth interim</u>		
Approved and declared on	28-Aug-19	27-Aug-18
Date paid	30-Sep-19	28-Sep-18
Based on register members dated	13-Sep-19	13-Sep-18
Amount per share	1.0 sen tax exempt	3.0 sen tax exempt
Net dividend paid (RM)	3,554,536	10,633,607

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25. EARNINGS PER SHARE (“EPS”)

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

	Current Financial Quarter Ended 31.3.2020	Current Financial Period Ended 31.3.2020
Profit attributable to the Owners of the Company for the financial year (RM'000)	5,073	17,655
Weighted average number of ordinary shares in issue ('000)	355,454	355,454
Basic earnings per share (sen)	1.43	4.97

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

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

The Group measure fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- (i) Level 1 - quoted price (unadjusted) in active market for identical assets or liabilities;
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- (iii) Level 3 - inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).



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26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments carried at fair value:

The carrying value of the financial assets and liabilities of the Group as at 31 March 2020 disclosed in the report approximate their fair values.

The following table represents the assets measured at fair value:

	Current Financial Period Ended 31.3.2020 RM'000	As at Preceding Financial Period Ended 31.3.2019 RM'000
<u>Available-for-sale financial assets</u>		
Investments in cash funds		
- Recurring fair value measurement at Level 1 of the fair value hierarchy	29,137	13,848

By order of the Board of Directors

DATO' SRI LEO SURESH ARIYANAYAKAM
 DIRECTOR
 29 MAY 2020