SCICOM (MSC) BERHAD
(Company No. 200201029763 (597426-H))
(Incorporated in Malaysia)

FOURTH QUARTER REPORT ENDED 30 JUNE 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 fourth quarter ended 30 June 2020.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter 30.6.2020	Preceding Year Corresponding Quarter 30.6.2019	Changes	Current Financial Year Ended 30.6.2020	Preceding Financial Year Ended 30.6.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	42,483	42,230	1%	181,330	161,160	13%
Operating expenses*	(33,301)	(33,716)	-1%	(134,134)	(128,093)	5%
Depreciation and amortisation*	(4,151)	(1,528)	172%	(15,983)	(6,289)	154%
Operating profit	5,031	6,986	-28%	31,213	26,778	17%
Share of loss of joint venture (net of tax)	-	-	0%	-	(3)	-100%
(Loss)/Gain on foreign exchange	(150)	219	-168%	(329)	(277)	19%
Bad debts written off	-	-	0%	(345)	(306)	13%
Finance income	196	196	0%	972	871	12%
Finance costs*	(162)	-	100%	(839)	-	100%
Profit before taxation	4,915	7,401	-34%	30,672	27,063	13%
Taxation	(520)	(2,661)	-80%	(8,619)	(7,039)	22%
Profit for the financial year	4,395	4,740	-7%	22,053	20,024	10%

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(Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 30 JUNE 2020

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (cont'd)

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter 30.6.2020	Preceding Year Corresponding Quarter 30.6.2019	Changes	Current Financial Year Ended 30.6.2020	Preceding Financial Year Ended 30.6.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Other comprehensive (loss)/ income, net of tax						
Foreign currency translation differences for foreign operations	56	12	367%	(196)	(726)	-73%
Total comprehensive income for the financial year	4,451	4,752	-6%	21,857	19,298	13%
Profit attributable to:						
- Owners of the Company	4,397	4,788	-8%	22,052	20,211	9%
- Non-controlling interest	(2)	(48)	-96%	1	(187)	-101%
Profit for the financial year	4,395	4,740	-7%	22,053	20,024	10%
Total comprehensive income attributable to:						
- Owners of the Company	4,453	4,800	-7%	21,856	19,485	12%
- Non-controlling interest	(2)	(48)	-96%	1	(187)	-101%
Total comprehensive income for the financial year	4,451	4,752	-6%	21,857	19,298	13%
Earnings per share attributable to equity holders of the Company:						
- Basic (sen)	1.24	1.35	-8%	6.20	5.69	9%
- 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 Year Ended 30.6.2020	As At Preceding Financial Year Ended 30.06.2019
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	10,031	8,492
Software licences	11,046	9,283
Right-of-use assets*	8,114	-
Deferred tax assets	700	700
	29,891	18,475
Current Assets		
Trade receivables	33,543	24,932
Unbilled receivables	18,845	19,247
Deposits, prepayments and other receivables	10,033	7,885
Tax recoverable	91	196
Investments in cash funds	23,409	14,969
Cash and bank balances	5,707	25,536
	91,628	92,765
TOTAL ASSETS	121,519	111,240
EQUITY AND LIABILITIES		
Capital and reserves attributable to Owners of the Company		
Share capital	35,545	35,545
Retained earnings	71,010	66,730
Currency translation reserve	(3,585)	(3,389)
	102,970	98,886
Non-controlling interest	(1,609)	(1,610)
TOTAL EQUITY	101,361	97,276
Non-Current Liabilities		
Lease liabilities*	2,032	-
Deferred tax liabilities	81	66
	2,113	66
Current Liabilities		
Trade and other payables	11,181	12,450
Lease liabilities*	6,283	-
Current tax liabilities	581	1,448
	18,045	13,898
TOTAL LIABILITIES	20,158	13,964
TOTAL EQUITY AND LIABILITIES	121,519	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		
	Number of shares	Share capital	Currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
12 months ended 30.6.2019						
As at 1 July 2018	355,453	35,545	(2,663)	73,178	(1,423)	104,637
Currency translation differences, representing total income and expense recognised directly in equity	0	0	(726)	0	0	(726)
Net profit for the financial year	0	0	0	20,211	(187)	20,024
Total comprehensive (loss)/income	0	0	(726)	20,211	(187)	19,298
Dividends paid for the financial year ended:						
- 30 June 2018	0	0	0	(10,665)	0	(10,665)
- 30 June 2019	0	0	0	(15,994)	0	(15,994)
As at 30 June 2019	355,453	35,545	(3,389)	66,730	(1,610)	97,276
12 months ended 30.6.2020						
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	(196)	0	0	(196)
Net profit for the financial year	0	0	0	22,052	1	22,053
Total comprehensive (loss)/income	0	0	(196)	22,052	1	21,857
Dividends paid for the financial year ended:						
- 30 June 2019	0	0	0	(3,554)	0	(3,554)
- 30 June 2020	0	0	0	(14,218)	0	(14,218)
As at 30 June 2020	355,453	35,545	(3,585)	71,010	(1,609)	101,361

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 Year Ended 30.6.2020 RM'000	Preceding Financial Year Ended 30.6.2019 RM'000
Operating Activities		
Net profit for the financial year	22,053	20,024
Adjustments:		
Depreciation of plant and equipment	4,206	4,500
Amortisation of software licenses	1,595	1,789
Depreciation of right-of-use assets*	10,182	-
Bad debts written off	345	306
Unrealised foreign exchange loss	356	737
Plant and equipment written off	-	1
Gain on acquisition of a subsidiary	-	4
Gain on disposal of plant and equipment	(1)	-
Gain on decognition of lease liability	(40)	-
Taxation	8,619	7,038
Finance income	(972)	(871)
Finance cost*:		
- accretion on lease liabilities	839	-
Share of loss of joint venture	-	3
Operating profit before changes in working capital	47,182	33,531
Receivables	(10,683)	(6,011)
Payables	(1,957)	1,051
Cash flow from operations	34,542	28,571
Interest received	972	871
Net tax paid	(9,405)	(7,202)
Net cash flow generated from operating activities	26,109	22,240
Investing Activities		
Distribution received from joint venture	-	134
Proceeds from disposal of plant and equipment	1	4
Purchases of plant and equipment	(5,762)	(2,472)
Purchases of software licences	(3,400)	(3,876)
Investment in cash funds	(8,439)	(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	(11,600)	(11,694)
Financing Activities		
Repayment of lease liabilities*	(10,031)	-
Payment of dividends	(17,772)	(26,659)
Net cash flow used in financing activities	(27,803)	(26,659)
Net decrease in cash and cash equivalents	(13,294)	(16,113)
Effect of foreign exchange on cash and cash equivalents	(535)	(1,138)
Cash and cash equivalents at beginning of financial year	18,536	35,787
Cash and cash equivalents at end of financial year	4,707	18,536
Deposits with maturity of more than 3 months	1,000	7,000
Cash and bank balances at the end of the financial year	5,707	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'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- Annual improvements to MFRSs 2015 – 2017 cycle

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 year, 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.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 year to date arising from the adoption of MFRS16 are as follows:

	INDIVIDUAL QUARTER Current Period Quarter 30-Jun-20			CUMULATIVE QUARTERS Current Financial Period Ended 30-Jun-20		
	MFRS117 RM'000	Adoption of MFRS16 RM'000	Adjusted RM'000	MFRS117 RM'000	Adoption of MFRS16 RM'000	Adjusted RM'000
Statement of Comprehensive Income						
Operating expenses	35,632	(2,331)	33,301	144,483	(10,349)	134,134
Depreciation and amortisation	1,746	2,405	4,151	5,801	10,182	15,983
Finance cost	-	162	162	-	839	839
Statement of Financial Position						
Right-of-use assets – non-current	-	8,114	8,114	-	8,114	8,114
Lease liabilities – non-current	-	(2,032)	(2,032)	-	(2,032)	(2,032)
Lease liabilities – current	-	(6,283)	(6,283)	-	(6,283)	(6,283)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards early adopted by the Group

The Group elected to early adopt the following amendments:

- Amendments to MFRS 16 – COVID-19 Related Rent Concessions effective for annual period beginning on or after 1 June 2020.

  The amendment grants an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

  The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

  1. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  2. any reduction in lease payments affects only payments due on or before 30 June 2021; and
  3. there is no substantive change to other terms and conditions of the lease.

  The amendments above did not have a material impact to the financial statements of the Group.

Standards and amendments that have been issued but not yet effective

<u>Effective for annual reporting periods beginning on or after 1 January 2020</u>
- Conceptual Framework for Financial Reporting (Revised 2018)
- Definition of a Business (Amendments to MFRS 3)
- Definition of Material (Amendments to MFRS 101 and MFRS 108)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards and amendments that have been issued but not yet effective (cont'd)

Effective for annual reporting periods beginning on or after 1 January 2022

- Annual improvements to MFRS standards 2018 – 2020 (Amendments to MFRS 1 and MFRS 16)
- Amendments to MFRS 3 'Business Combinations'
- Amendments to MFRS 116 'Property, Plant and Equipment'

Effective for annual reporting periods beginning on or after 1 January 2023

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current'

The amendments above are not expected to have a material impact on the financial statements of the Group.

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 year 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 year to date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

7. MOVEMENT IN DEBT AND EQUITY SECURITIES

During the current financial quarter and financial year 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 year 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
2020	Interim dividend of 1.0 sen per ordinary share	29 June 2020	RM3,554,536

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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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9. SEGMENT RESULTS AND REPORTING (cont'd)

Segmental analysis by geographical areas:

	Current Period Quarter 30.6.2020	Preceding Year Corresponding Quarter 30.6.2019
	RM'000	RM'000
Revenue		
Malaysia	22,737	22,789
Singapore	2,362	2,585
Philippines	7,139	5,848
Sri Lanka	1,231	1,378
China	5,253	5,380
Others	3,761	4,250
	42,483	42,230

Segmental analysis by business segment is as follows:

For the financial year ended 30 June 2020

FY 2020	Current Financial Year Ended 30.6.2020			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	181,160	170	-	181,330
Inter-segment revenue	613	1,864	(2,477)	-
Total revenue	181,773	2,034	(2,477)	181,330
Segment results	46,193	329		46,522
Unallocated income/ other gains				-
Depreciation of plant and equipment				(4,206)
Amortisation of software licences				(1,595)
Amortisation of right-of-use assets				(10,182)
Finance income				972
Finance cost				(839)
Profit before taxation				30,672
Taxation				(8,619)
Net profit for the financial year				22,053

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9. SEGMENT RESULTS AND REPORTING (cont'd)

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

For the financial year ended 30 June 2019

FY 2019	Preceding Financial Year Ended 30.6.2019			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	160,642	518	-	161,160
Inter-segment revenue	-	4,604	(4,604)	-
Total revenue	160,642	5,122	(4,604)	161,160
Segment results	31,338	1,146		32,484
Unallocated income/ other gains				-
Depreciation of plant and equipment				(4,500)
Amortisation of software licences				(1,789)
Share of results of joint venture (net of tax)				(3)
Finance income				871
Finance cost				-
Profit before taxation				27,063
Taxation				(7,039)
Net profit for the financial year				20,024

10. VALUATION OF PLANT AND EQUIPMENT

There was no revaluation of plant and equipment during the financial quarter under review and financial year to date. As at 30 June 2020, all plant and equipment were stated at cost less accumulated depreciation.

11. SUBSEQUENT EVENTS

On 22 July 2020, Scicom has entered into a Joint Venture and Shareholders' Agreement ("JV Agreement") with Microlink Solutions Berhad. Under the JV Agreement, both parties will be equal shareholders of Asian Contact Solutions Sdn Bhd *(formerly known as Asian Contact Centres Sdn Bhd)*("ACSSB")("Proposed Joint Venture"), currently a wholly-owned subsidiary of the Company. In consequent thereof, the Company would transfer 50% of its equity stake in ACSSB to Mircrolink Solutions Berhad. The Proposed Joint Venture is intended to enable the Parties to combine their skills, expertise, experience, capabilities and resources to collectively bid for tenders with regard to eGovernment solutions and services in Malaysia.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

11. SUBSEQUENT EVENTS (cont'd)

Other than the above, 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

On 22 May 2020, the Company has subscribed for an additional 9,998 ordinary shares at an issue price of RM1.00 per share in the share capital of ACSSB, a wholly-owned subsidiary of the Company, increasing the share capital of ACSSB to RM10,000.00

Other than the above, 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 30 June 2020 are as follows:

(a) Capital commitments

	Current Financial Year Ended 30.6.2020
	RM'000
In respect of plant and equipment - Authorised and contracted	1,795

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16. REVIEW OF PERFORMANCE

PERFORMANCE BY QUARTER

Financial quarter ended	30 Jun 2020	30 Jun 2019	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
BPO	42,483	42,166	317
Education	-	64	(64)
Total revenue	**42,483**	**42,230**	**253**
Profit before taxation	**4,915**	**7,401**	**(2,486)**

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.

The Movement Control Order ("MCO") and travel ban due to Covid-19 has had a mixed impact on the financial performance of the Group's BPO business for the current financial quarter under review. The Group's BPO clients primarily in the tourism, leisure and the education verticals, have seen a reduction in transaction volume during the current financial quarter under review resulting in a decrease in the Group's BPO revenue amounting to approximately RM8.77 million.

The above reduction has been mitigated by an increase in business activities of certain BPO clients within the online consumer product vertical and also new clients secured since the preceding year corresponding quarter. Increase in billings from both existing clients and also new clients secured amounted to RM6.93 million and RM2.16 million, respectively totaling approximately RM9.09 million.

The net increase in the Group's BPO revenue for the current financial quarter under review as compared to the preceding quarter corresponding quarter is RM0.32 million.

Education

There is no revenue for the Group's Education business as all corporate trainings have been deferred due to Covid-19. For the current financial quarter under review, the Education business has developed and conducted an online English Language assessment for all the staff in the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16. REVIEW OF PERFORMANCE (cont'd)

PERFORMANCE BY QUARTER (cont'd)

b. Profit before taxation

The lower profit before tax for the current financial quarter under review as compared to the preceding year corresponding quarter is due mainly to the following:

	RM'000
Change in composition of revenue for BPO business and its associated profit margin and accompanying cost that resulted in a decrease in operating profit as compared to the preceding year corresponding quarter	1,331
Forex loss position in the current financial year quarter under review against a forex gain position in the preceding year corresponding quarter	369
Lower capitalization of software development cost in the current financial year quarter under review against the preceding year corresponding quarter	550
Impact of adoption of MFRS16 for the current financial year quarter under review	236
Total reduction in profit before taxation	2,486

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16. REVIEW OF PERFORMANCE (cont'd)

PERFORMANCE BY FINANCIAL YEAR TO DATE

Financial year ended	30 Jun 2020	30 Jun 2019	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
BPO	181,160	160,642	20,518
Education	170	518	(348)
Total revenue	**181,330**	**161,160**	**20,170**
Profit before taxation	**30,672**	**27,063**	**3,609**

a. Revenue

<u>BPO</u>

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.

Despite the impact from the MCO and travel ban due to Covid-19 that came into effect at the end of the 3rd financial quarter of the current financial year under review, the Group's BPO business has registered a growth in revenue approximating RM20.52 million as compared to the preceding financial year, The growth in revenue is primarily contributed by organic growth for existing clients and also contribution from newly secured clients amounted to RM11.43 million and RM9.09 million, respectively.

<u>Education</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16. REVIEW OF PERFORMANCE (cont'd)

PERFORMANCE BY FINANCIAL YEAR TO DATE (cont'd)

b. Profit before taxation

The higher profit before tax for the current financial year under review as compared to the preceding year is due to the following:

	RM'000
Higher operating profit due mainly to the corresponding higher revenue for the BPO business as compared with the preceding year	6,209
Lower capitalization of software development cost in the current financial year under review against the preceding year	(1,928)
Impact of adoption of MFRS16 for the current financial year under review	(672)
Total increase in profit before taxation	3,609

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Financial quarter ended	30 Jun 2020	31 Mar 2020	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
BPO	42,483	44,959	(2,476)
Education	-	-	-
Total revenue	**42,483**	**44,959**	**(2,476)**
Profit before taxation	**4,915**	**7,369**	**(2,454)**

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 decrease in the Group's BPO revenue byRM2.48 million for the current financial quarter under review as compared to the preceding quarter.

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

Education

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

a. Profit before taxation

The lower profit before taxation for the current financial quarter under review as compared to the preceding quarter is due mainly to the corresponding decrease in revenue for the Group's BPO business.

18. CURRENT YEAR REVIEW

Despite the impact from the MCO and travel ban due to Covid-19 that came into effect at the end of the 3rd financial quarter of the financial year under review, the Group registered an increase in revenue and profit before taxation of 12.5% and 13.3% respectively, for the current financial year under review as compared to the preceding year. The improvement in the Group's performance for the current financial year is primarily contributed by an increase in transactional volume and its corresponding billings for existing clients and also newly secured clients. Newly secured clients as a result of successful business development effort in the preceding financial year contributes 45.1% of the total growth in the Group's revenue.

Prospects for financial year 2021

BPO

With the Government's success in controlling the spread of the Covid-19 pandemic in Malaysia and the subsequent lifting of the MCO and travel ban in June 2020, the Group is already experiencing a gradual increase in transactional volume for the BPO's clients and expects volume to return to the pre-Covid-19 level by the 2nd quarter of the financial year 2021. Certain existing clients for BPO business have already planned for an increase in headcount in their operations forecast starting from the 2nd quarter of the financial year 2021. The Group has also intensified its business development efforts during the MCO period and is optimistic in converting some of the prospects in the pipeline by this financial year 2021.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

18. CURRENT YEAR REVIEW (cont'd)

Prospects for financial year 2021 (cont'd)

BPO (cont'd)

The Gov-tech division has also participated in several tenders from both local and international governments. With the Group's experience, good track record, strong financial standing and our ability to offer innovative solutions, we are in a strong position to convert some of our strategic government prospects in FY2021. On 22 July 2020, the Group entered into a strategic joint venture with Microlink Solutions Berhad to enable the Parties to combine their skills, expertise, experience, capabilities and resources to collectively bid for tenders with regard to eGovernment solutions and services in Malaysia. The Group is confident that this will further enhance the Group's business development efforts with regard to eGovernment projects.

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.

Overall

The Group remains cognizant of the uncertainties presented by the ongoing pandemic and the challenging economic environment in Malaysia and across the world. However, the Group's ability to change, innovate and adapt has resulted in the Group's products and services being relevant thus resulting in an increase in transactional volumes for existing BPO clients. This is expected to increase revenue and contribution from existing BPO clients along with new projects in the current sales pipeline. The Group is confident to achieve growth in terms of revenue and profitability for the financial year 2021. However the full impact of the Covid-19 pandemic is still unknown.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

20. TAXATION

	Current Financial Quarter Ended 30.6.2020 RM '000	Current Financial Year Ended 30.6.2020 RM '000
Group		
Current tax	474	8,506
Deferred tax	46	113
	520	8,619
Effective tax rate	11%	28%

For the current financial quarter under review, the Group's effective tax rate is lower than the statutory tax rate due to the effective utilisation of prior years tax losses in Scicom (Academy) Sdn Bhd. Meanwhile the Group's effective tax rate for current financial year is higher than the statutory tax rate due mainly to current year 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 wholly owned subsidiary of the Company, Scicom Contact Centre Services Private Limited (India) 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 28 August 2020, being the date of this report.

22. GROUP BORROWINGS AND DEBT SECURITIES

The Group does not have any borrowings and debt securities as at 30 June 2020.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

23. UPDATE ON LITIGATION

(i) On 24th July 2019, Scicom (MSC) Berhad ("the Company") received an Originating Summons ("OS") filed by 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 wishes 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 to date not received any notice of arbitration from EMGS or its solicitors. There has been no new updates since the date of the previous quarterly announcement on 29 May 2020.

(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 its 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, maintained that the claim is time barred, frivolous and has no merits and has assessed the potential liability to the Company as nil.

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.

23. UPDATE ON LITIGATION (cont'd)

(ii) The Company took out an application to stay the proceedings and refer the dispute to arbitration. On 27th July 2020, the Kuala Lumpur High Court ("Court") dismissed the Company's application to stay the Court proceedings pending a reference to arbitration under the terms of the agreement between the parties. The Company appealed the Kuala Lumpur High Court decision to the Court of Appeal. On the 12th of August 2020, the Court of Appeal granted the Company a stay of proceedings pending disposal of its appeal against the decision of the High Court of 27th July 2020. On legal advice, the Company is optimistic that its appeal will be successful.

(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 to 3rd September 2020 due to the restrictions on normal court service imposed by the COVID-19 crisis.

Other than the above, there were no material litigation matters dealt with during the financial year or pending as at 28th August 2020, being the date of this report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

24. DIVIDENDS

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

	Current Financial Year Ended 30.6.2020	Preceding Financial Year Ended 30.6.2019
Interim dividend for the financial year ended 30 June	**2020**	**2019**
Fourth interim		
Approved and declared on	28-Aug-20	28-Aug-19
Date payable/paid	29-Sep-20	30-Sep-19
Based on register members dated	14-Sep-20	13-Sep-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**
Third interim		
Approved and declared on	29-May-20	23-May-19
Date 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 paid (RM)	3,554,536	3,554,536
Interim dividend for the financial year ended 30 June	**2020**	**2019**
Second interim		
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**
First interim		
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

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 30.6.2020	Current Financial Year Ended 30.6.2020
Profit attributable to the Owners of the Company for the financial year (RM'000)	4,397	22,052
Weighted average number of ordinary shares in issue ('000)	355,454	355,454
Basic earnings per share (sen)	1.24	6.20

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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 30 June 2020 disclosed in the report approximate their fair values.

The following table represents the assets measured at fair value:

	Current Financial Year Ended 30.6.2020 RM'000	As at Preceding Financial Year Ended 30.6.2019 RM'000
Available-for-sale financial assets		
Investments in cash funds - Recurring fair value measurement at Level 1 of the fair value hierarchy	23,409	14,969

By order of the Board of Directors

DATO' SRI LEO SURESH ARIYANAYAKAM
DIRECTOR
28 AUGUST 2020