scicom
TOTAL CUSTOMER DELIGHT

ANNUAL REPORT 2018

ON A MISSION TO DIGITIZE NEW FRONTIERS

WE UNDERSTAND

In the age of the consumer, big data, analytics and actionable insights are mission critical for sustainable business success.

WE TRANSFORM

There has never been a greater opportunity for businesses and governments to embrace digital transformation as there is today.

WE INNOVATE

It is imperative to spot the next wave of opportunities in the digital realm. You either disrupt the world digitally, or depart.


scicom
TOTAL CUSTOMER DELIGHT
(sy-com)
THE SCIENCE OF COMMUNICATION

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ON A MISSION TO DIGITIZE NEW FRONTIERS

About Scicom

Scicom (MSC) Berhad is Malaysia's leading Business Process Outsourcing (BPO) company providing integrated and forward-thinking solutions in Customer Lifecycle Management, Education, e-Commerce, Digital Transformation and Gov-Tech services.

In line with global digital transformation demands and growing customer expectations in the new age, Scicom is constantly delighting its clients by re-thinking its approach to delivering quality business and digital solutions that not only add value but are able to set its clients apart from the rest of the competitors.

As both businesses and governments look to digital technologies to enhance agility and scalability in a bid to drive efficiencies and reduce costs, traditional outsourcing is being re-engineered here. To compete in today's digital world, organisations are exploring ways to outsource entire business functions and services, aiming to enjoy digital solutions with ease, innovation, greater business agility and optimized operations. This is the preferred fit Scicom offers all its partners, as it moves into the digital age.

"We are geared towards driving Value, Innovation and Efficiency in the Digital Age."

Building the right bridges between front end and back office functions, data and decisions, people and teams, technologies and various players embedded in the ecosystems, are the keys to succeed in today's Digital Age. Scicom is particularly well-positioned to take advantage of all these, given that the Company has helped transform the many businesses it has managed, into successful world class organizations. Today, using digital technologies, artificial intelligence and machine learning, Scicom, with its innovative solutions, is setting the pace in providing its clients services of unparalleled value.

As industry after industry face digital disruption, businesses are increasingly relying on their outsourcing partners to help them navigate this change. Partnering with Scicom allows businesses to focus on their core competencies. Also, by outsourcing back-office workflows, organizations can spend more time serving customers and delivering value – two key tenets for achieving a successful digital transformation.

Digital transformation is a journey with multiple connected intermediary goals, ultimately striving towards continuous optimization across processes, divisions and the business ecosystem of a hyper-connected age.

Scicom has been serving clients and their customers since 1997. In 2005, Scicom became a Public Listed Company (PLC) and is listed on the Main Market of Bursa Malaysia Securities Berhad. With 2,035 employees, we communicate with millions of customers every year across a multitude of digital channels. While we continue to apply revolutionary ideas in our work, the overall delivery of our proven solutions is based on our fundamental values – Quality, Teamwork, Innovation, Integrity and People. When applied in the digital age, these fundamentals create an invaluable model for our clients.

SOLUTION SETS

• Education Solutions • Changing Customer Behaviour • Data Analytics • Improving Efficiency • Application & System Integration • Social Media Support • Software Solutions • Improving Customer Loyalty • Improving Your Services • Increasing Revenue • CRM Applications • Biometric Solutions • Reducing Risk • Understanding Your Customer • Enhancing Your Brand • Backend Processing Fulfillment • Big Data & Analytics

SECTORS

Central Government • Corporates • Education • Financial • Health • Insurance • Local Government • Retail • Retail Banking • Telecommunications • Media • Transport • Travel & Leisure • Utilities • Technology

SERVICES

• Customer Facing Services • Administration & Business Support • Business Process Management • Consultancy & Change Management • Emergency Services • Customer Contact Management • Process Re-Engineering • E-Commerce • Legal Process Outsourcing • Information Technology • Financial Services • Property and Infrastructure • Service Design • Travel & Events • Software Development • Payment Gateways • Education & Training • Border Security • Insurance Services • Human Resources & Recruitment

AT THE FOREFRONT OF BPO INNOVATION

••• Customer Lifecycle Management

At Scicom, we help our clients drive customer lifetime value at every step along their consumer decision journey. We work with them to analyze the behaviors and needs that characterize their most valuable customers, determine the right objectives and identify the best ways of reaching them. Our team helps clients build integrated, cross-functional solutions through an in-depth understanding of affinity and traction in relation to new and existing customers.

Improving the customer experience creates real and quantifiable value for our clients. Scicom focuses on the clients' customer experience and desired outcomes and works backwards from there. By applying the tools, insights and capabilities vital for clients to satisfy their customers' every need, we are able to deliver service excellence, drive brand loyalty and ultimately increase the profitability of our clients.

We turn satisfied customers into enthusiastic advocates for our clients' brands. Scicom provides digitally enhanced solutions that businesses need to meet and exceed expectations at each phase of our Customer Lifecycle Management (CLM) services. The keys to our success are our customer-centric approach and our capability to connect information, processes and customer relations specialists effectively.

Scicom helps clients think through the full set of touch-points at which they interact with their customers and determine the right level of customer experience to provide. We do understand that great customer experience requires robust processes and technologies, but the most important factor is often culture—and that is why our CLM services are always customer focused.

> "We are constantly embracing new digital trends that make services more personalized for all our clients and more adaptable to their business evolution and their customer demands."


PREMIER CUSTOMER CARE
PREMIER TECHNICAL SUPPORT
SOCIAL MEDIA SUPPORT

TRANSFORMING THE DIGITAL LANDSCAPE, ONE GOVERNMENT AT A TIME

●●● Scicom Gov-Tech

Scicom's Gov-Tech services has rapidly evolved into innovative solutions that include digital transactions, interactive websites, mobile apps and social media services. Our solutions focus on providing solutions in digital government services for federal, local and state government clients to enable them to rapidly deploy digital technology tools and services that are easy to use, easy to maintain and cost effective. These services provide for better integration among government agencies at different levels, create less duplication and contribute towards greater efficiency while paving the way for a more economical, practical, safe and efficient way of good governance.

At Scicom, our Gov-Tech solutions are designed to shorten turn-around time and improve security and compliance. Our systems can capture data from a wide range of sources both nationally and internationally and model data in real time to indicate levels of risks for government agencies and secure communication lines at the country level. Confidentiality and data security are guaranteed at any time throughout the process.

Our Gov-Tech solutions are also modular, flexible and scalable. As technologies continue to evolve, our solutions are designed to be able to process new functionalities and these functionalities can be extended, as and when needed, and processes can easily be modified to fit any requirements for change.

Confidentiality and data security are guaranteed at any time throughout the process. Scicom's Gov-Tech solutions are customised to each client's specific needs. We deliver complex solutions to process and manage the entire Gov-Tech service lifecycle more efficiently.

> "Scicom drives governments to digitize and adapt to change. Our Gov-Tech solutions help to better coordinate resources, to respond to mission critical issues rapidly and effectively, and ultimately help governments and their agencies make sound policy decisions."

OUR RANGE OF SERVICES INCLUDE:

- International Student Management Systems
- Border Control Solutions
- Border Management Intelligence
- Advance Passenger Screening Systems (APS System)
- Interpol Integration
- E-Visa Implementation
- Medical Screening Solutions
- Citizen Identification Solutions
- Phytosanitary Information Management Systems
- Biometric Technology
- Analytics and Business Intelligence
- Blockchain Technologies
- Migrant Worker Management Systems

LEARNING TO THRIVE IN A TRANSFORMING WORLD

Scicom Education Group

The Scicom Education Group is a multi-disciplinary learning institution focused on shaping talent holistically through the acquisition of knowledge, skills and English language proficiency, in a world where changes are moving at an exponential rate.

In today's economic landscape, skills are a global currency. With the growing demand for more and more skilled talent across businesses, being 'job-ready' is a pre-requisite for employability and career progression.

Against this backdrop, the Scicom Education Group provides a suite of education solutions that are centred on vocational and corporate training programmes driven by the future outlook of the global economy and employer demands for work-ready graduates.

Tranforming Talent Building Futures

Committed to the belief that education is the key to success, Scicom Education Group partnered with Pearson, the World's Learning Company to offer a range of Pearson products in skills development, psychometric and aptitude assessment and English language proficiency testing. These services are delivered on a fully digital learning platform and enable learners to enrol online from all across the world.

Pearson, the world's largest education company, with its innovative and holistic approach to education, has helped people of all ages to pursue higher qualifications and make meaningful changes in their lives.

> "The solution to all the world's problems lies in shaping today's talent to fit into the future."

Pearson's products and services are used by millions of learners and teachers around the world every day.

A keystone of the partnership is the set-up and administration of a Pearson Test of English (PTE) Academic Test Centre at Scicom Academy. PTE Academic is the world's leading computer-based test of English for study abroad and immigration. With Scicom's PTE Academic Test Centre located in the heart of Kuala Lumpur, it provides both Malaysians and international test takers with a premier testing experience, complete with state-of-the-art computer-based testing with advanced security measures in a controlled environment that is pleasant and reliable.

The Scicom Education Group brings years of training and education experience to our learning environment with an experienced faculty of lecturers, and the capability of having been engaged in delivering a variety of training and education solutions to both corporate employees and students.

The Scicom Education Group offers total learning solutions for clients and individuals from short corporate training programmes to internationally-recognised certifications in a variety of disciplines.

IN PARTNERSHIP WITH THE WORLD'S LARGEST EDUCATION COMPANY

Pearson

www.scicom.edu.my

SCICOM ACADEMY
ENGLISH LANGUAGE
DEVELOPMENT CENTRE

PEARSON TEST
OF ENGLISH
(PTE ACADEMIC) CENTRE

PEARSON ASSURED
TALENT TRANSFORMATION
& CERTIFICATION

TALENTLENS
PSYCHOMETRIC
ASSESSMENTS

UNIQUE, CUSTOM BUILT E-COMMERCE SOLUTIONS

●●● SCICOM e-Commerce Solutions

Scicom's service portfolio and e-commerce suites help companies optimize their productivity and deliver maximum customer value. We believe that customers' interest, habits and behaviour have become indispensable value propositions that can be used to help our clients target their customers' purchase decisions, hence, implementing successful digital strategies that differentiate themselves from their competitors.

Whether the solution entails mobile application development or custom-built e-commerce platforms, our experienced team will reduce the time-to-market and ensure a successful implementation of our customer's internet sales channel.

With a wide array of skill sets, we not only focus on the software but the sales funnel that will generate the most conversions.We do this by experimenting with different user interfaces, and tracking customer navigation and behaviour on the site.

At Scicom, clients may opt for the whole suite of our e-commerce services or choose a tailor-made option that matches their business specific requirements, with optimum use of modern IT infrastructure. Our teams have the required skill sets to make sure all delivered solutions generate the targeted conversions. Our e-commerce platforms offer integrated solutions to boost the client's revenue and deliver unmatched ROI.

> "Scicom e-Commerce Solutions drive businesses to deliver innovative digital services and next generation platforms, to maximise revenue growth."

E-COMMERCE IS ABOUT INNOVATION. IT'S ABOUT SEEING THE POTENTIAL IN NEW TECHNOLOGIES TO DRIVE REAL CHANGE IN CONSUMER BEHAVIOR AND THEN ACTING ON IT.

OUR INTEGRATED SOLUTIONS

STEERING ACROSS THE DIGITAL TRANSFORMATION AGE

●●● SCICOM Digital

With digital transformation, more brand-new business models appear every day as more companies make the big shift to realize and adopt completely new ways of generating revenue. As billions of digital devices get connected, their businesses are forced to evolve daily.

The Asia-Pacific region, housing some 60% of the world population, is home to some of the fastest-growing digital economies. It is estimated, that by 2019, with 50% of global internet users concentrated in Asia, many Asian consumer companies are scrambling to future-proof their businesses.

With digital technology affecting a greater part of the day-to-day activities of people in Asia compared to other parts of the world, it is no wonder that 60% of Asia's top 1000 enterprises will have placed digital transformation at the core of their corporate strategies. By the end of 2018, many of these enterprises will be looking for independent consultants to drive the implementation of their digital transformation strategies.

According to Forbes' survey of 3000 companies in Asia-Pacific, digital transformation has the potential to double revenues by 2019. Asian firms therefore spend an average of 15 percent of their total revenues, higher than the global figure of 11 percent, on digital initiatives.

> "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change"
>
> \- Charles Darwin

NAVIGATING THE DIGITAL REVOLUTION BY CONNECTING THE PHYSICAL AND DIGITAL REALMS OF CUSTOMER EXPERIENCE

Scicom has an established footprint and an inherent DNA (part of its culture and business strategy) in combining the physical areas of customer experience (CX) with the digital realms (DX) of business to create connected and personalised commercial experiences for the new-age business. This integral business expertise, powered by its people who bring decades of experience and domain knowledge in the areas of customer experience, technology, marketing, communications and business strategy, is what Scicom Digital is all about.

By providing an integrated digital solution to its clients, Scicom Digital can provide a guided, meaningful bridge for businesses to step into the digital space and enhance all their customer focussed touchpoints to create a truly powerful commercial experience. This is our roadmap to creating value for our clients in this digital age. It signifies our entry into the digital realm - into the future of businesses with purpose-led, demand-driven digital propositions.

Artificial intelligence is a technology that, perhaps ironically, will enable more human empathy in the creation and delivery of content. By relegating many of the time-consuming and tedious tasks to machines, we can spend more time understanding and empathizing with our customers, to create commercial experiences that resonate more deeply with the consumer.

A TRANSFORMATIONAL PARTNERSHIP TO POWER US INTO THE digital age

To unlock these powerful digital solutions for its clients, both existing and potential, Scicom Digital has partnered with Adobe, a leader in designing and delivering exceptional digital experiences. Headquartered in San Jose, California, Adobe is one of the largest software companies in the world, with a revenue of approximately US$7.3 billion in fiscal year 2017.

Adobe combines artificial intelligence (AI), machine learning and deep learning platforms to help you discover hidden business opportunities, make tedious processes fast, and offer highly personalized and targeted digital experiences to every customer. Adobe's artificial intelligence and machine learning engine, helps you build more intuitive experiences that will reach your customers based on their interests, preferences and most importantly, through their online behaviours.

The wants and needs of customers evolve quickly. Adobe's machine learning engine does the number crunching for you and helps you see how your customers behave, using those insights to anticipate their next purchase, in order to serve relevant and personalized experiences. You'll discover new look-alike audiences to approach and use predictive modelling to help you make better and more accurate business decisions. This brings the magic of data science to life, in a single click.

Adobe is a multi-award winning global corporation whose accolades include 'Top 100 Global Brands', 'Most Innovative Companies for AI', 'Forbes World's Most Innovative Companies', and 'World's most Ethical Companies'.

Scicom Digital has embarked on this journey with two major clients in the public and corporate sectors, currently in its business portfolio. Scicom Digital is forging inroads across Asia and other emerging markets in Africa by intensifying business and marketing efforts to acquire more clients in these hugely-populated continents in the coming year.

CORPORATE PROFILE

Corporate Directory

BOARD OF DIRECTORS

Krishnan A/L C K Menon
Non-Independent Non-Executive Director/Chairman

Dato' Sri Leo Suresh Ariyanayakam
Non-Independent Executive Director/Chief Executive Officer

Dato' Mohd Salleh Bin Hj Harun
Non-Independent Non-Executive Director

Dato' Nicholas John Lough @ Sharif Lough bin Abdullah
Independent Non-Executive Director

Karen Judith Goonting
Independent Non-Executive Director

Mahani Binti Amat
Independent Non-Executive Director

Mohd Rashid Bin Mohd Yusof
Independent Non-Executive Director

Datuk Joseph Dominic Silva
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Dato' Nicholas John Lough @ Sharif Lough bin Abdullah
Chairman

Dato' Mohd Salleh Bin Hj Harun
Member

Mohd Rashid Bin Mohd Yusof
Member

Datuk Joseph Dominic Silva
Member

NOMINATION & REMUNERATION COMMITTEE

Karen Judith Goonting
Chairman

Dato' Mohd Salleh Bin Hj Harun
Member

Mahani Binti Amat
Member

COMPANY SECRETARY

Wong Wai Foong
(MAICSA 7001358)

Lim Poh Yen
(MAICSA 7009745)

REGISTERED OFFICE

Scicom (MSC) Berhad
(Company No. 597426-H)
Unit 30-01, Level 30, Tower A
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200, Kuala Lumpur
Tel : 03 2783 9191
Fax : 03 2783 9111

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200, Kuala Lumpur
Tel : 03 2783 9299
Fax : 03 2783 9222

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Main Branch, No.2 Leboh Ampang
50100 Kuala Lumpur Malaysia

CIMB Bank Berhad
KLCC Branch, C04-C05
Concourse Level, Petronas Tower 3
Suria KLCC, Jalan Ampang
50088 Kuala Lumpur

BUSINESS OFFICE

25th Floor Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur Malaysia
Tel : 03 2162 1088
Fax : 03 2164 9820

AUDITORS

PricewaterhouseCoopers PLT
Level 10, 1 Sentral Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur Malaysia
Tel : 03 2173 1188
Fax : 03 2173 1288

STOCK EXCHANGE LISTING

Main Market Bursa Malaysia Securities Berhad
(Listed since 26 September 2005)
Stock Name : SCICOM
Stock Code : 0099

WEB

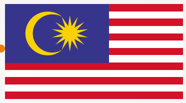
URL : www.scicom-intl.com
E-mail : corpinfo@scicom-intl.com

CORPORATE PROFILE

Group Structure

SCICOM INTERNATIONAL (UK) LIMITED
(London, UK) 100% owned

SCICOM CONTACT CENTRE SERVICES PRIVATE LIMITED
(Bangalore, India) 100% owned



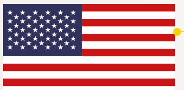
SCICOM (MSC) BERHAD
(Kuala Lumpur and Cyberjaya, Malaysia)
Holding Company

SCICOM (ACADEMY) SDN BHD
(Kuala Lumpur, Malaysia)100% owned

SCICOM INTERNATIONAL COLLEGE SDN BHD
(Kuala Lumpur, Malaysia) 70% owned

SCICOM E SOLUTIONS SDN BHD
(Kuala Lumpur, Malaysia) 100% owned

ASIAN CONTACT CENTRES SDN BHD
(Kuala Lumpur, Malaysia) 50% owned



SCICOM INC
(Glenview, Illinois, USA)
100% owned

SCICOM LANKA (PRIVATE) LTD
(Colombo, Sri Lanka)
100% owned

PT SCICOM INDONESIA
(Jakarta, Indonesia)
100% owned

SCICOM (CAMBODIA) CO., LTD
(Phnom Penh, Cambodia)
100% owned

BOARD OF DIRECTORS

Directors' Profiles

KRISHNAN MENON

Non-Independent Non-Executive Director & Chairman

Krishnan Menon, 68, a Malaysian, was appointed to the Board of Scicom on 10 March 2004. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He spent thirteen (13) years in public practice at Hanafiah, Raslan and Mohamed, seven (7) of those years as a Partner. He then joined Public Bank Berhad as a General Manager, and was subsequently promoted to Executive Vice-President. After serving with two public-listed companies, he joined Putrajaya Holdings Sdn Bhd as its Chief Operating Officer from 1997 until 2000.

He is currently the Chairman of Econpile Holdings Berhad. He is a non-executive director of Petroliam Nasional Berhad.

DATO' SRI LEO ARIYANAYAKAM

Non-Independent Executive Director

Leo Ariyanayakam, 55, a Sri Lankan, was appointed to the Board of Scicom on 30 October 2002. He is also the Chief Executive Officer and Group Executive Director. He holds a Bachelor's Degree in Biochemistry. His main responsibilities as the Chief Executive Officer and Group Executive Director are to maximise shareholders' value, make high-level decisions in terms of the Group's business development, finance, human capital, culture, operations and strategies, and chart the future growth and direction of the Group globally. Under his guidance, Scicom has won several major international industry awards over the years, including the Contact Centre Service Provider of the Year for 3 consecutive years, as conferred by Frost & Sullivan. The Group is now widely regarded as one of the premier contact centre and BPO providers within the industry, with an unblemished performance record. He has been instrumental in building Scicom as the leader in contact centre outsourcing, BPO, training and customer relationship management consulting solutions in the Asia Pacific region, and is a respected visionary and leader in this rapidly growing industry. On 7 October 2006, he was appointed as the President of the Customer Relationship Management and Contact Centre Association of Malaysia, a position which he held until early 2010. In June 2007, he was selected as one of Malaysia's Outstanding Entrepreneurs at the Asia Pacific Entrepreneurship Awards. In the same year he was honored as a 'Key Industry Leader' by PIKOM. In 2008, he was conferred CEO of the year by the Malaysian Canadian Business Council. In 2010 he was appointed as a member to the "Local Advisory Panel"(LAP) nominated by the Malaysian Government specifically to the ICT Industry.

DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Independent Non-Executive Director

Nicholas John Lough, 66, a British citizen, is a Malaysian Permanent Resident. He was appointed to the Board of Scicom on 14 May 2014. He is the Chairperson of the Audit and Risk Management Committee. He holds a diploma from the National Association of Goldsmith, London, Great Britain and is a member of the Gemological Association of Great Britain.

He has extensive experience in the fields of Corporate Finance and Strategic Planning.

Mr. Lough is currently a director of GLM REIT Management Sdn Bhd, the manager of Tower Real Estate Investment Trust, and Hong Leong Bank Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad.

DATO' MOHD SALLEH BIN HJ. HARUN

Non-Independent Non-Executive Director

Dato' Mohd Salleh bin Hj Harun, 74, a Malaysian, was appointed to the Board of Scicom on 22 August 2005. He is a member of the Audit and Risk Management Committee as well as the Nomination and Remuneration Committee. He is a Fellow of the Institute of Bankers and is a member of the Malaysian Institute of Certified Public Accountants. He started his career in the government service in 1971, then he moved on to the banking and financial sector in 1974, where he accumulated thirty-two (32) years of experience holding various senior positions in Aseambankers Malaysia Berhad and Malayan Banking Berhad respectively. He was Deputy Governor of Bank Negara Malaysia between 2000 and 2004. His previous directorships include RHB Bank Berhad, RHB Insurance Berhad (as Chairman), RHB Islamic Bank Berhad, Malayan Banking Berhad (as Vice Chairman), as well as Chairman of Etiqa Insurance Berhad, Etiqa Takaful Berhad, Maybank Ageas Holdings Berhad and Maybank Philippines.

He is the current Chairman of Etiqa Insurance Pte Ltd, ACR ReTakaful Berhad and Board Member of ACR ReTakaful MEA B.S.C (C).

MAHANI BINTI AMAT

Independent Non-Executive Director

Mahani Binti Amat, 64, a Malaysian, was appointed to the Board of Scicom on 15 June 2017. She was appointed on 4 September 2017 as a member of the Nomination and Remuneration Committee. Mahani holds a Bachelor of Economics (Majoring in Business Administration) from the University of Malaya.

She started her career in Bank Negara Malaysia in 1977 where she held various positions in Reserves Management. She then moved on to RHB Bank in Singapore in 1984 and thereafter Head Office Kuala Lumpur in 2001, a total of 20 years in commercial banking. In RHB, she held various positions in Treasury and Offshore banking, Consumer banking, up to Executive Vice President of Operations and Services.

Puan Mahani is currently an Independent Director of Unisem (M) Bhd which is listed on the Main Market of Bursa Malaysia Securities Berhad and a member of the Investment Committee of Opus Asset Management Sdn. Bhd. She is also an Independent Director of Leong Hup International Berhad.

KAREN GOONTING

Independent Non-Executive Director

Karen Goonting, 56, a Malaysian, was appointed to the Board of Scicom on 14 May 2014. She is the Chairman of the Nomination and Remuneration Committee. Karen holds a Bachelor of Law from Victoria University of Wellington, New Zealand and a Bachelor of Science (Psychology) from the University of Upper lowa, USA. She is a Barrister & Solicitor of the High Court of New Zealand and an Advocate & Solicitor of the High Court of Malaya.

Karen has over 30 years of experience in the private sector as a practicing lawyer and thereafter as a legal and regulatory consultant to clients in the energy, healthcare, telecommunications, road safety and government sectors inclusive of 11 years of experience as a psychologist in road safety and behaviour change.

None of the Directors have:

- Any family relationship with any Director and/or substantial shareholder of the Company
- Any conflict of interest with the Company
- Any conviction for offences within the past 5 (five) years (other than traffic offences, if any), and
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

MOHD RASHID BIN MOHD YUSOF

Independent Non-Executive Director

Mohd Rashid Bin Mohd Yusof, 63, a Malaysian, was appointed to the Board of Scicom on 15 June 2017 and appointed as a member of the Audit and Risk Management Committee on 4 September 2017.

Mohd Rashid is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

His working experience include being the Head of Group Accounting, Treasury, and Internal Audit of Petronas. His final positions in Petronas were as Managing Director of Engen Limited in South Africa and Vice President of Supply Chain and Risk Management at Petronas.

Previous directorships include being a Director of Putrajaya Holdings Sdn Bhd, KLCC Holdings Sdn Bhd, Energas Insurance (Labuan) Limited and Chairman/Director of Petronas ICT Sdn Bhd.

Whilst in South Africa, he was also the Chairman of the South African Petroleum Industry Association for 2007.

Mohd Rashid is currently a director of Media Prima Berhad and Velesto Energy Berhad which are listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Standard Chartered Bank Malaysia Berhad.

DATUK JOSEPH DOMINIC SILVA

Independent Non-Executive Director

Datuk Joseph Dominic Silva, 53, a Malaysian, was appointed to the Board of Scicom on 7 February 2018. He was also appointed on the same a member of the Audit and Risk Management Committee. Datuk Dominic is a Finance graduate from the University of Wales. He also holds a Master's Degree in Research (Business) from the University of Liverpool. In addition, he also completed a Senior Management Program at the Henley Management College in the United Kingdom.

Datuk Dominic has over 28 years of experience in the banking, insurance and investment areas of finance. He worked in a number of banking institutions, both locally and internationally. He is presently a Director of DMY Capital, a South Asia and SE Asia focused investment company which he co-founded in 2007. Prior to DMY Capital, Datuk Dominic was the Head of Investments at Khazanah Nasional Berhad – Malaysia's Sovereign Investment Fund, where he spent nine years.

His previous Directorships include being a Director of Astro Holdings Sdn Bhd (Malaysia), CIMB Bank Berhad (Malaysia), CIMB Group Holdings Berhad (Malaysia), Infrastructure Development Finance Co Limited (India), International School of Kuala Lumpur (Malaysia), PT Bank CIMB Niaga, (Indonesia).

Datuk Dominic is presently a Director of Avicennia Capital Sdn Bhd (Malaysia), CIMB Thailand Public Co Limited (Thailand), DMY Capital (Malaysia), and Sinar Haemodialysis Sdn Bhd (Malaysia).

BUSINESS AS USUAL

Senior Management Team

JAYAKUMAR

Chief Financial Officer

Jayakumar, a Malaysian, 60, male, joined Scicom on 16 April 1998. His portfolio of responsibilities includes accounting and financial management, as well as the Group's corporate finance, risk management, administration, corporate secretarial, budgeting and treasury activities. He has over 31 years of experience in financial management and corporate services. Prior to joining Scicom, he worked in Sime Darby Berhad and the Halim Rasip Group (Integrax Berhad).

Jayakumar is an associate of the Association of Chartered Certified Accountants and Institute of Chartered Secretaries and Administrators.

BENNY PHILIP

Chief Operating Officer - Outsourcing

Benny, a Malaysian permanent resident, 50, male, joined Scicom on 21 July 2004. As COO of Outsourcing, Benny manages Scicom's Outsourcing business and is responsible for overall Service Delivery and Client management across all operations. He also manages the human resources, learning & development, project management, management information and quality functions of the Group. In 2011, Benny was the recipient of the Malaysia HR leader of the year award. He has over 24 years of experience with 14 of those being in Senior Management roles. Prior to joining Scicom, Benny was employed by HSBC where he held VP level roles in Human Resources and subsequently in Projects & Planning, for the Global Resourcing division of the HSBC Group. He was awarded the Asia Outstanding Leadership Award conferred by CMO Asia in 2014. Benny has a Master's Degree in Human Resources Management and a Bachelor's Degree in Mathematics and brings to Scicom very significant management experience gained from working with Global organizations such as Unilever, Panasonic, Ford Motor Company and HSBC.

CHANDIMA HEMACHANDRA

Chief Technology Officer

Chandima, a Sri Lankan, 55, male, joined Scicom on 20 January 2011. He is an information technology professional with over 27 years of experience, broad based knowledge and skills in implementing large scale and highly technologically complex projects in major financial institutions in UK, Malaysia, Sri Lanka and Kenya. As a Fellow of the British Computer Society (BCS) - Chartered Institute for IT, UK, he takes his place among the most senior and respected professionals in the field of IT. Prior to joining Scicom, Chandima worked as the Chief Information Officer (CIO) at the Government owned Sri Lanka Insurance Corporation (SLIC), the oldest and one of the largest insurance service providers in Sri Lanka. He has provided consultancy services to many government/private institutions and has been serving as an advisor to three National advisory councils in Sri Lanka. In his early years, he worked as a Systems Analyst with British Hartford-Fairmount Engineering, UK. Thereafter, he held the positions of Chief Manager ICT at Commercial Bank of Ceylon, the Head of ICT and Banking Operations (Deputy General Manager/CIO) at Hatton National Bank in Sri Lanka and the Head of ICT (CIO) at CfCStanbic Bank, the East African Headquarters of Standard Bank Africa in Nairobi, Kenya. He is also a Board Director and Member of the Board Integrated Risk Management Committee of National Savings Bank, Sri Lanka. Chandima holds an Honours degree in Mathematics & Computer Science from the University of Middlesex, UK.

JUDE MOHAN

Chief Operating Officer - Digital Practice & Education

Jude, a Malaysian, 53 male, joined Scicom on 1 October 2007 and helms Scicom Digital Practice and Scicom Education Group. Scicom Education Group is a global educational initiative for formal professional development. This division is the driving force behind the need to create a globally competent work-force for emerging growth markets. Jude's latest business portfolio includes managing Scicom Digital, which spearheads all digital transformation efforts which encompass a wide range of solutions, using a unified digital business platform to create seamless and personalized commercial experiences for clients in all business verticals. Jude also leads the Adobe Digital Practice which emphasizes the use of Analytics and Artificial Intelligence tools to optimize business outcomes in the Digital realm. Historically, Jude has been in the business of product management, strategic marketing, and consumer behavior with particular interests in consumer morphology and ethnomethodology, for more than two decades of his life. An ardent exponent of provocative marketing and consumer solutions, he has worked with over 50 fast moving brands and has successfully seen his ideas bear profit-making results. Some of his past clients include Marlboro Cigarettes for Philip Morris Inc, Kent Cigarettes for British American Tobacco, Hugo Boss, Starbucks Coffee, Porsche and Cerruti. Jude holds a Masters in Business Administration from Newcastle and is a member of the Customer Experience Management Professionals of USA, and the Royal British Society for Philosophers.

JASIM PUTHUCHEARY

Chief Operating Officer - e-Solutions & Gov-Tech

Jasim, a Malaysian, 48, male, joined Scicom on 15 January 2009. As COO for CRM & Consulting, Jasim is responsible for Scicom's client-focused internet and on-line marketing strategies, coupled with over 15 years of CRM and customer management consulting experience. An Adwords and Analytics Professional, Jasim is additionally responsible for Scicom's e-strategy. Jasim started his career in Corporate Finance with RHB Securities. He later moved on to Usaha Tegas where he was involved in the corporate finance division which included projects for Maxis, ASTRO and Powertech. Jasim joined Commerce Dot Com, a company involved in building and operating the Government e-procurement system where he served as its Chief Operating Officer. Jasim holds a degree in Law (LLb) from the University of London.

SHANTI JACQUELINE JEYA RAJ

Senior Vice-President - Human Resources, Learning & Development and Total Quality Management

Shanti, a Malaysian, 53, female, joined Scicom on 3 January 2000 as a Customer Relationship Executive, and within one year, was spearheading the Group's Training Department for both internal and external clients. She was subsequently appointed Head of the Customer Experience Team, where she developed service quality standards for Scicom's operations. Soon she was promoted to Operations and Training Consultant in Scicom (Academy) Sdn Bhd, where she was involved in numerous projects across the Group. Shanti's dedication and comprehensive grasp of the contact centre business have led her to her current position. In her current capacity, she is responsible for all aspects of human resources, learning & development as well as ensuring that the Group's quality initiatives including its processes, compliance with ISO and SCP, and their respective accreditations are constantly reviewed, monitored and enhanced. In a nutshell, she is entrusted with the task of continuously enhancing operational effectiveness and efficiencies across the Group's operations. Prior to joining Scicom, she had worked in various multi-national corporations over a 13-year period, with her areas of expertise covering marketing communications, training development and client services. Shanti holds a Bachelor's Degree in Business Studies and a Diploma in Public Relations. She is also a certified trainer of the Service and Support Professionals Association in the United States, for its Certified Support Professional programme.

KELVIN LOKE CHEONG HIAN

Senior Vice-President-Finance and Commercial

Kelvin, a Malaysian, 43, male, joined Scicom on 20 September 2004. As the Senior Vice-President of Finance and Commercial, his responsibilities include overseeing both the compliance and commercial aspects of the finance functions of the Group such as financial reporting, budgeting, corporate finance and risk management. He has 18 years of accounting experience. Prior to joining Scicom, Kelvin worked as an auditor in a Big Four accounting firm, Ernst and Young and as a Corporate Analyst in another public listed company in Malaysia. Kelvin graduated with a Bachelor of Accountancy degree with Honours from the Northern University of Malaysia and is a member of the Malaysian Institute of Accountants.

BRENDA LISABETH MARSHALL

Senior Vice President – Scicom Education Group

Brenda, a Malaysian, 64, female, rejoined Scicom on 1 August 2014, spearheading Academy's business opportunities and the development of customized training solutions and services for both internal and external clientele for English Studies.

Brenda left the Academy in 2009, after 3 years as Vice President of Scicom (Academy) Sdn Bhd and joined AirAsia Academy as Head of Studies. Subsequently in 2012, she was moved to head up the Training and Development department of AirAsia Berhad where she was responsible for the learning and development initiatives across the company. In this role, she also worked on rolling out AirAsia's project to implement e-learning across the Group.

Prior to assuming her current position as Senior Vice President, Centre for English Studies in August 2014, Brenda completed a University of Cambridge CELTA Program in English Teaching at RMIT, Melbourne Australia.

Brenda holds a B.A in Mass Communications, an LLB (University of London) and LLM (University of New South Wales, Australia). She has also garnered extensive experience in marketing, advertising and management from her 25 years of service with the New Straits Times Press (Malaysia) Berhad prior to first joining Scicom in 2006.

SHEREEN DYER

Senior Vice-President - Legal Affairs

Shereen, a British national, 43, female, joined Scicom on 1 November 2012 and in her role as Head of Legal Affairs, she is responsible for reviewing and managing regulatory / legislative compliance (with the exception of matters relating to the corporate secretarial function) preparation and management of contracts, advising and assisting all internal departments.

Shereen was called to the Bar at Lincoln's Inn in 2003 and before joining Scicom, she was in independent practice for 9 years. Her experience both at the Bar and in outsourcing gives her the specialist skills required to provide legal support to Scicom.

Shereen is a member of the Association of Corporate Counsel and a student member of the Institute of Chartered Secretaries and Administrators.

WONG YEE LING

Senior Vice-President - Internal Audit Risk and Governance

Yee Ling, a Malaysian, 45, female, joined Scicom on 1 March 2011 and is responsible for the internal audit, risk and governance aspects for the Group. She also assumes the role of Risk Officer for the Group.

Prior to joining Scicom, Yee Ling was attached to PricewaterhouseCoopers LLP in the United Kingdom and PricewaterhouseCoopers Malaysia. She possesses over 15 years of working experience in the areas of auditing, financial, management accounting and reporting, operational functions effectiveness, risk management and governance and corporate transactions (mergers and acquisitions, in-country and cross borders funds raising and initial public offers).

Yee Ling holds a Bachelor of Arts (Hons) in Economics from the University of Manchester and she is a member of the Malaysian Institute of Accountants and an affiliate of the Association of Chartered Accountant (UK).

None of the Senior Management Staff have:
- Any family relationship with any Director and/or substantial shareholder of the Company
- Any conflict of interest with the Company
- Any conviction for offences within the past 5 (five) years (other than traffic offences, if any), and
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

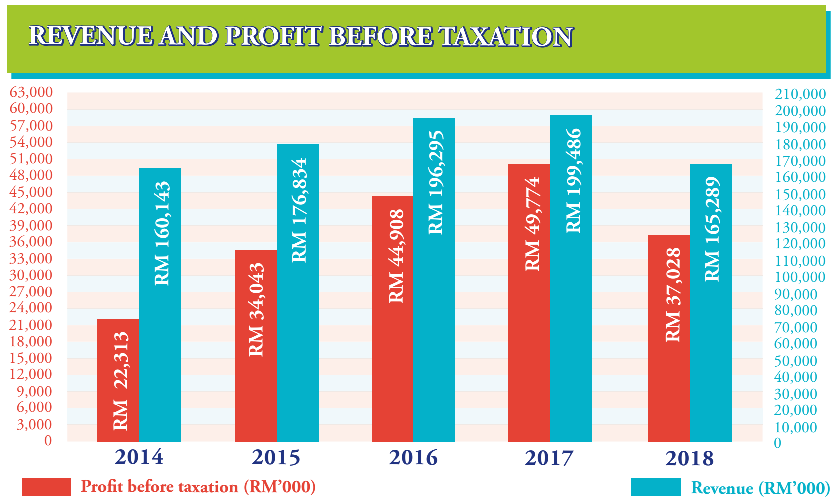
GROUP FINANCIAL HIGHLIGHTS

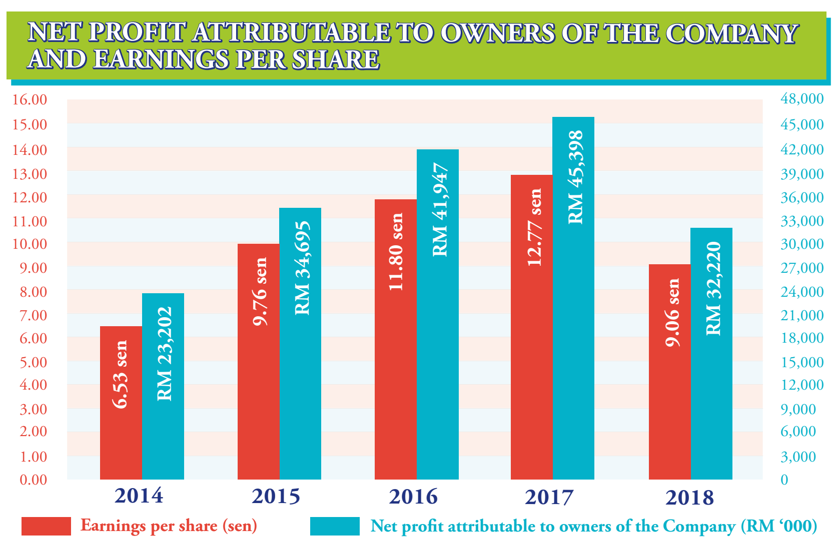
YEAR IN REVIEW

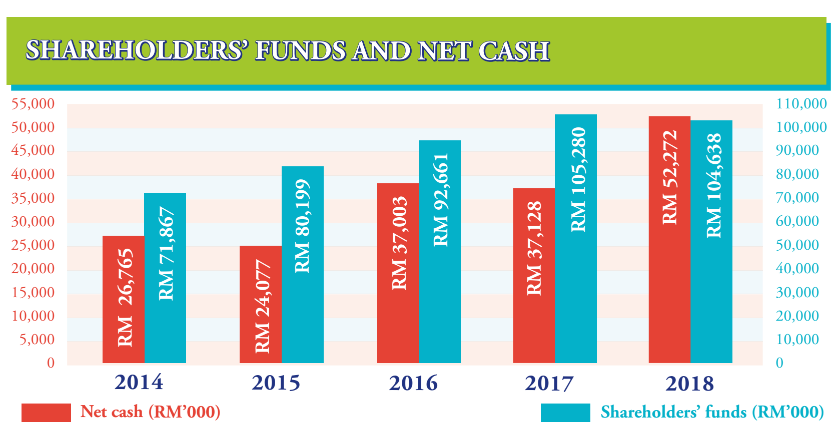
Group Financial Highlights

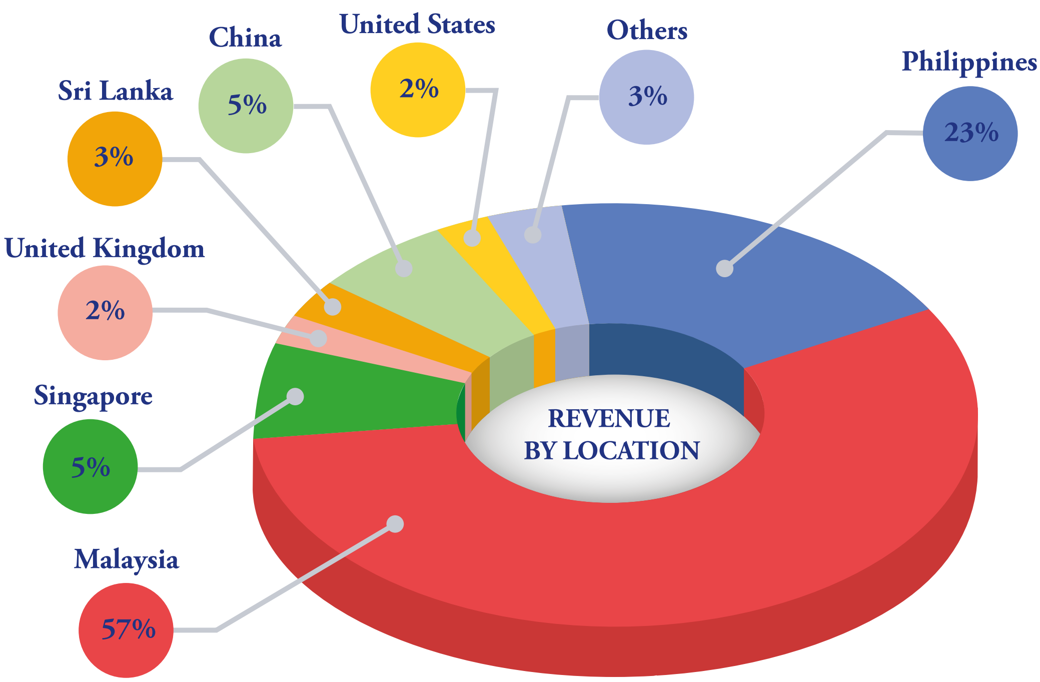
	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
PROFITABILITY (RM ' 000)				
Operating revenue	165,289	199,486	156,937	194,307
Profit before taxation ("PBT")	37,028	49,774	36,573	43,088
Net profit for the financial year	31,916	45,082	31,462	38,396
Net profit attributable to the equity holders of the Company	32,220	45,398	31,462	38,396
KEY BALANCE SHEET DATA (RM ' 000)				
Total assets	117,018	115,213	104,393	103,454
Total liabilities	12,380	9,933	10,543	9,075
Capital and reserves attributable to equity holders of the Company	104,638	105,280	93,850	94,379
Net cash position	52,272	37,128	48,500	35,228
FINANCIAL RATIOS				
Profitability:				
- Revenue growth (%)	-17.1%	1.6%	-19.2%	0.1%
- PBT growth (%)	-25.6%	10.8%	-15.1%	7.8%
- Net profit growth (%)	-29.2%	8.4%	-18.1%	4.9%
- Basic earnings per share (sen)	9.06	12.77	N/A	N/A
- Diluted earnings per share (sen)	N/A	N/A	N/A	N/A
- Asset turnover (times)	1.41	1.73	1.50	1.88
- Net return on equity (times)	0.31	0.43	0.34	0.41
Liquidity				
- Current (times)	8.15	10.43	8.77	10.54
- Cash over total assets (%)	44.7%	32.2%	46.5%	34.1%
- Trade receivables turnover (months)	2.77	3.01	2.78	2.94
Financing:				
- Debt over equity (times)	—	—	—	—
- Gearing (times)	—	—	—	—
Market Based (as at 30 June) :				
Market capitalisation (RM'000)	675,362	817,543		
Price-earning ratio (times)	20.97	18.01		
Dividend Yield (%)	4.7%	3.9%		
Net Asset Per Share (sen)	29.44	29.62		

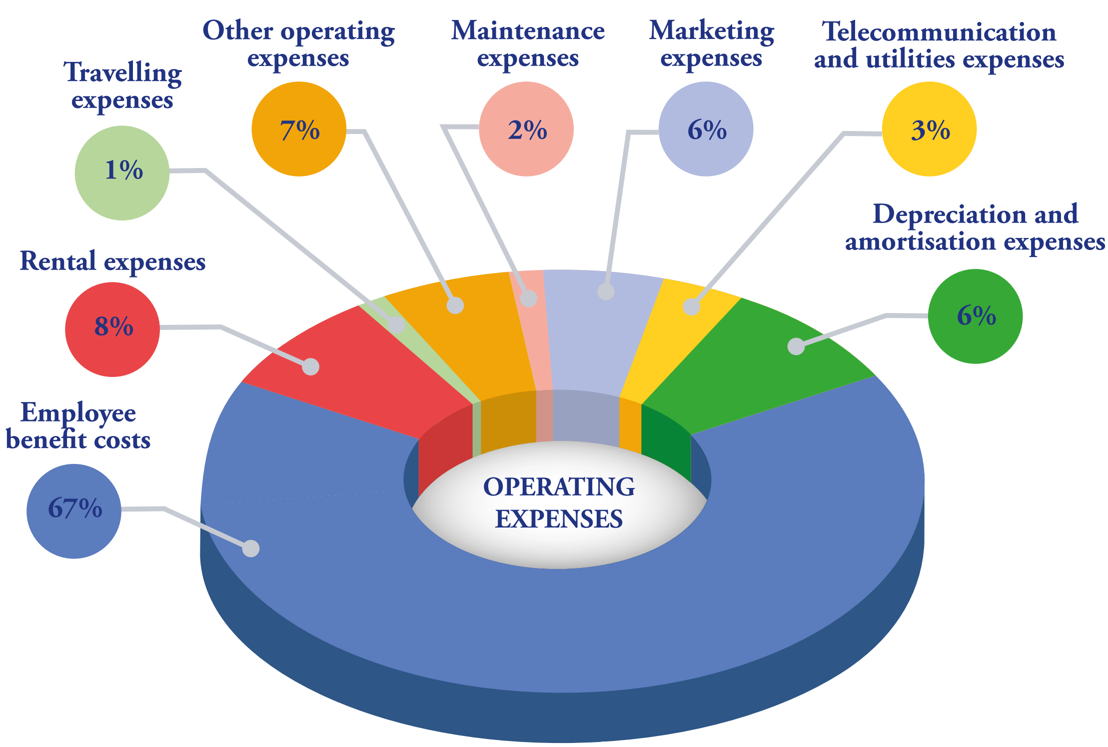
Group Financial Highlights

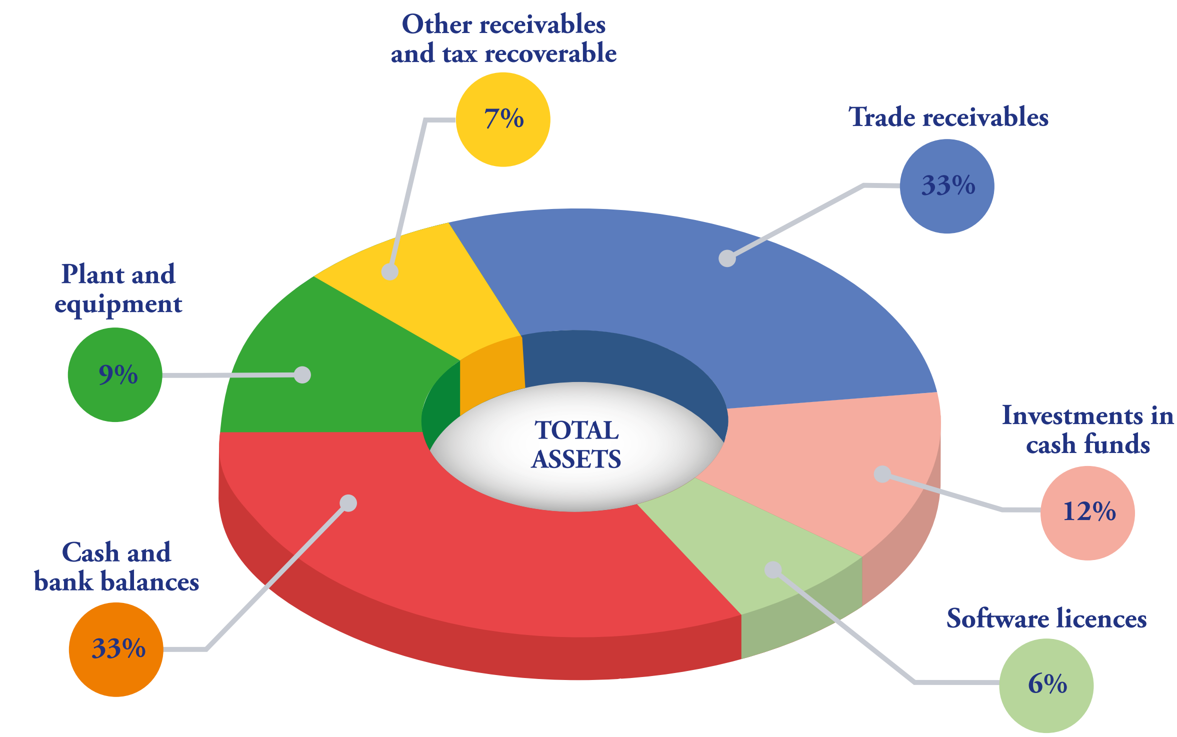


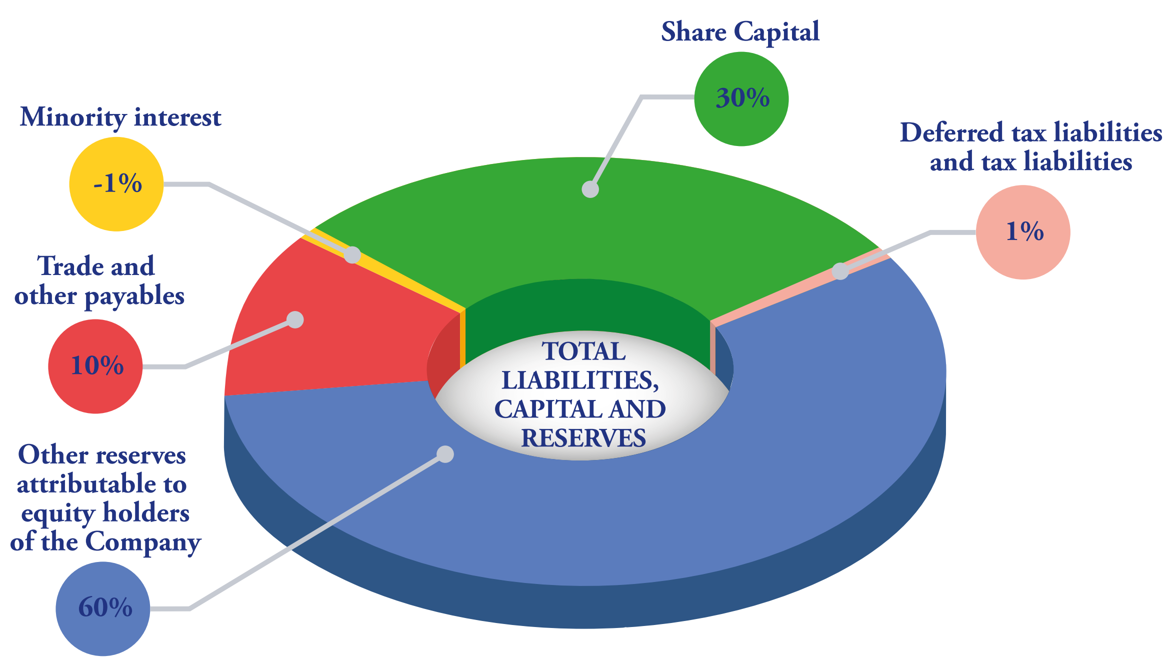





China
United States
Others
Philippines
Sri Lanka
5%
2%
3%
23%
3%
United Kingdom
2%
Singapore
5%
Malaysia
57%
REVENUE
BY LOCATION


Other operating expenses
Maintenance expenses
Marketing expenses
Telecommunication and utilities expenses
Travelling expenses
7%
2%
6%
3%
1%
Depreciation and amortisation expenses
Rental expenses
6%
8%
Employee benefit costs
67%
OPERATING
EXPENSES


Other receivables and tax recoverable
7%
Trade receivables
33%
Plant and equipment
9%
TOTAL ASSETS
Investments in cash funds
12%
Cash and bank balances
33%
Software licences
6%


Share Capital
30%
Minority interest
-1%
Deferred tax liabilities and tax liabilities
1%
Trade and other payables
10%
TOTAL LIABILITIES, CAPITAL AND RESERVES
Other reserves attributable to equity holders of the Company
60%

THE YEAR IN REVIEW

SCICOM (MSC) BERHAD GROUP OF COMPANIES (SCICOM) MANAGEMENT DISCUSSION AND ANALYSIS

Scicom provides worldwide services from four centres in Kuala Lumpur and Colombo. These centers are served by an IT infrastructure in the Scicom Private Cloud and linked via OCEAN, our high-performance, resilient, Omni-Channel Easy Access Network.

Our suite of services include integrated BPO and Contact Centre Solutions (including CRM, Customer Experience & Lifecycle Management), Education Solutions as well as e-Commerce, e-Government (Gov-Tech), and Digital Solutions. We have embraced an Omni-channel strategy and specialise in multi-lingual, premium level customer experience solutions.

We are an incredibly diverse people-oriented company with employees from dozens of countries serving worldwide clients in more than 40 languages and dialects.

Scicom talks, emails, tweets, chats, processes and interacts with millions of customers annually in over 40 languages through over 190 million distinct contacts which resolve, enhance, provide value and serve our clients' customers.

Our portfolio of business solutions and industry expertise enables us to address our clients' business challenges and translate their strategic vision into roadmaps that rapidly create new sources of value and differentiation.

DEAR SHAREHOLDERS,

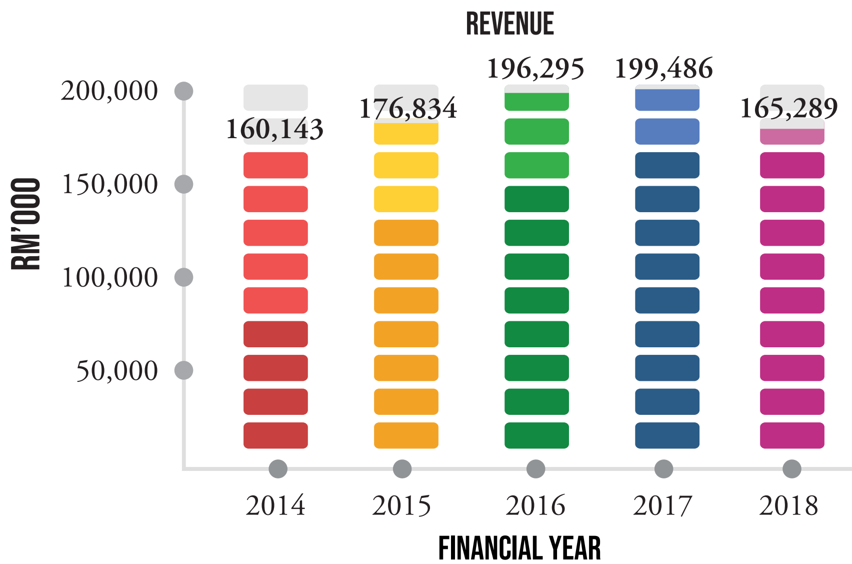
FY 2018 has been a challenging year for Scicom (MSC) Berhad ("Scicom" or "the Company") and its group of companies ("the Group"). The economic uncertainty in global markets has led to a corresponding impact for our clients which has resulted in a decrease in contact volume. The resulting effect on the Group is a decrease in revenue by 17.1% to approximately RM165.3 million for the FY 2018 as compared to the FY 2017.

Profit after taxation decreased in line with the decrease in revenue and the Group registered a profit after taxation of approximately RM31.9 million for the FY 2018.

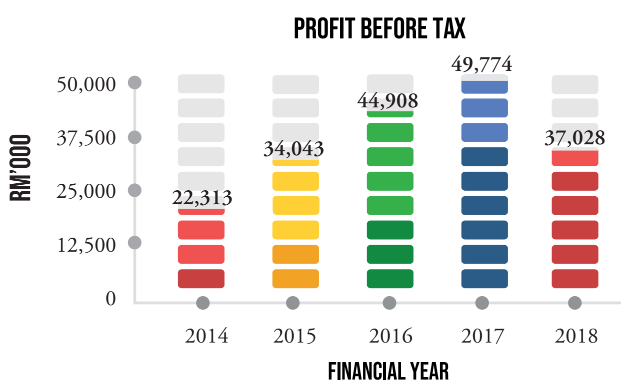
Despite the lower profitability, the Group's balance sheet continues to strengthen as the Group ended FY 2018 with approximately RM52.3 million (FY 2017: RM37.1 million) in cash and a zero-debt position. The Group generated free cash flows of approximately RM48.5 million for the FY 2018.

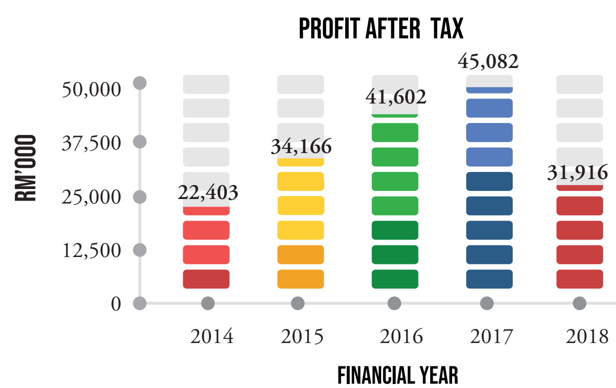
GROUP FINANCIAL PERFORMANCE

Compared to the preceding year, the Group's revenue decreased by 17.1% from approximately RM199.5 million in FY 2017 to approximately RM165.3 million in FY 2018. The decrease is due to the reduction in contact volume for the majority of the Group's existing BPO client base. The Group continues to build up its client base and has managed to secure new projects during FY 2018 which are expected to grow organically in the next financial year.



In FY 2018, the Group recorded a profit before taxation ("PBT") and profit after taxation ("PAT") of approximately RM37.0 million and RM31.9 million, respectively, registering a decrease in PBT and PAT of 25.6% and 29.2%, respectively as compared to the FY 2017. The decrease in profitability is in tandem with the reduction in revenue for the Group.





EPS for the FY 2018 stands at 9.06 sen, a decrease of 29.1% from 12.77 sen for the FY 2017. The Group's Return on Capital Employed ("ROCE") is 30.5% for the FY 2018.

TAXATION

During the financial year, the Company recognised a tax incentive representing 70% tax exemption on its statutory income from outsourcing services for the period from 1 July 2017 to 6 November 2017. The administrator has confirmed in a letter dated 31 May 2018 that the Company has completed the Customised Incentive Project ("the closure letter") successfully. Management has also confirmed with the administrator that the closure letter confirmed that the Company has met the required conditions under the Customised Incentive for the incentive period. The final approval of the Customised Incentive would still be subject to the approval of Ministry of Finance, which however is procedural in nature given that it will follow the administrator's recommendation.

GROUP FINANCIAL POSITION

The Group continues to maintain a healthy balance sheet to support its operations requirement and dividend commitment. The Group ended the financial year 2018 with a total cash position of approximately RM52.3 million and a zero-debt position. Total free cash flows generated by the Group for financial year 2018 amounted to approximately RM48.5 million as compared to approximately RM30.2 million for the preceding financial year 2017. The Group's Current Ratio has decreased from 10.43 in the preceding financial year 2017 to 8.15 in 2018 while Cash Over Total Assets Ratio remained at a high of 44.7% for financial year 2018.

CAPITAL EXPENDITURE

During the year, the Group incurred approximately RM7.5 million in capital expenditure comprising of hardware equipment and software licenses, office furniture and fittings and renovation both in Malaysia and Sri Lanka. Of the total RM7.5 million capital expenditure incurred for financial year 2018, RM5.1 million is procured specifically for BPO project requirements and the balance of RM2.4 million for enterprise wide usage. The total net book value of fixed assets comprising of plant and equipment and software licenses amounted to approximately RM18.0 million as at 30 June 2018. The Group's Fixed Assets Turnover Ratio stands at 9.2 indicating a healthy utilization of the Group's fixed assets to generate revenue.

SHAREHOLDER VALUE

Scicom's share price ended financial year 2018 at RM1.90 per share, with a corresponding market capitalization of RM675.4 million.

Since our IPO in 2005, Scicom shares have delivered a Compound Annual Total Return to Shareholders (including dividends reinvested at spot prices) of 1,616.65%.

DIVIDEND

The Group is committed to rewarding its shareholders with a sustainable dividend pay-out. Although there is no formal dividend policy in place, the Group has over the last 5 years, declared an average pay-out of approximately 83% of its net profit to shareholders in the form of declared dividends.

For the financial year 2018, the first, second and third interim dividend of 2 sen each equivalent to RM7.1 million each was paid on the 12th of December 2017, 8th of March 2018 and 21st of June 2018 respectively. A fourth interim dividend of 3 sen equivalent to RM10.6 million was paid on the 28th of September 2018. This brings the total dividend declared for the financial year to 9 sen equivalent to approximately RM32.0 million or 100% of the Group's PAT for the financial year 2018. The dividend yield is 4.7% for the financial year 2018 against 3.9% in the preceding year.

INNOVATIVE HUMAN CAPITAL STRATEGIES

Scicom is a People Centric company serving people all around the world.

Our highly trained employees are a crucial component of the success of our business. We have made significant investments in proprietary technologies, management tools, methodologies and training processes in the areas of talent acquisition, learning services, knowledge management, workforce collaboration and performance optimization. These capabilities are the culmination of more than two decades of experience in managing large, global workforces combined with the latest technology, innovation and strategy in the field of human capital management. This capability has enabled us to deliver a consistent, scalable and flexible workforce that is highly engaged in achieving or exceeding our clients' business objectives.

Since the Group's human capital is its most important asset, human capital development remains one of its top priorities. Continuous initiatives and investment in training, upskilling, employee development and retention, sourcing and recruitment of new talent are essential components to ensuring competitiveness and improving productivity. The Group has in place various strategies in developing its human capital by focusing on education, career advancement, skills enhancement and leadership development.

In testament to Scicom's continuous commitment to its employees, the Group has been awarded the Malaysian Employer of Choice (Gold Award) for 5 consecutive years by the Malaysian Institute of Human Resource Management (MIHRM) and in 2018, the Group was honored with the ultimate Grand Gold Award in this category.

With 2,035 employees as of 30th June 2018, Scicom is strongly positioned as one of Malaysia's largest and most experienced providers of integrated solutions.

GLOBALLY DEPLOYED BEST OPERATING PRACTICES

Scicom's ISO 9001 and 27001, PCI DSS and SCP certified and globally deployed best operating practices assure that we deliver a consistent, scalable, high-quality experience to our clients' customers. Standardized processes include our approach to attracting, screening, hiring, training, scheduling, evaluating, coaching and maximizing associate performance to meet our clients' needs. We provide real-time reporting and analytics on performance across the globe to ensure consistency of delivery. This information provides valuable insight into what is driving customer inquiries, enabling us to proactively recommend process changes to our clients to optimize their customers' experience.

The Group received its ISO 27001 certification during the financial year 2017 and recertified in financial year 2018. ISO 27001 (formally known as ISO/IEC 27001:2005) is a specification for an information security management system (ISMS). An ISMS is a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. With this certification, clients and potential clients are assured that all information and documents are secured and handled in a confidential manner.

Scicom is an SCP (Service Capability & Performance standards – US) certified company which is a global benchmark standard for service excellence in the BPO industry.

Scicom has been certified by SCP since 2004 and our audit scores have consistently increased year on year. In its last certification in 2017, Scicom achieved its highest score of 155.81 versus the global SCP community score of 125.08. Scicom's score of 155.81 is amongst the highest that any organization has achieved.

SCP has also classified Scicom as an Innovating company which is the highest classification of companies by SCP.

TECHNOLOGICAL EXCELLENCE

Scicom's Technology Platforms are based on secure, private, 100% internet protocol based infrastructure. This architecture enables us to centralize and standardize our worldwide delivery capabilities resulting in improved scalability and quality of delivery for our clients, as well as lower capital, and lower information technology ("IT") operating costs.


SEGMENTAL REVIEW - BPO SOLUTIONS

SEGMENTAL REVIEW

For the financial year 2018, the Group's business activities are segmented into 2 primary business streams, Business Process Outsourcing ("BPO") and Education Solutions. BPO's suite of services include integrated solutions in Customer Lifecycle Management, Digital/e-Commerce Solutions and e-Government (Gov-Tech) Solutions. The Group's Education Solutions is focused on meeting the internal training requirements of the Group's BPO division as well as providing external educational solutions for both government and corporate entities.

BUSINESS PROCESS OUTSOURCING ("BPO")

The BPO division manages every customer touchpoint for its clients, including face to face interactions, telephonic voice interactions, chat, email and social media. The BPO division talks, emails, tweets, chats, processes and interacts with millions of customers annually. Over 190 million distinct transactions resolve, enhance, provide value and serves our clients customers in over 40 languages. The BPO division operates from its centers in Malaysia and Sri Lanka, linked and fully redundant via state of the art multi-channel technology platforms, serving a discerning client base.

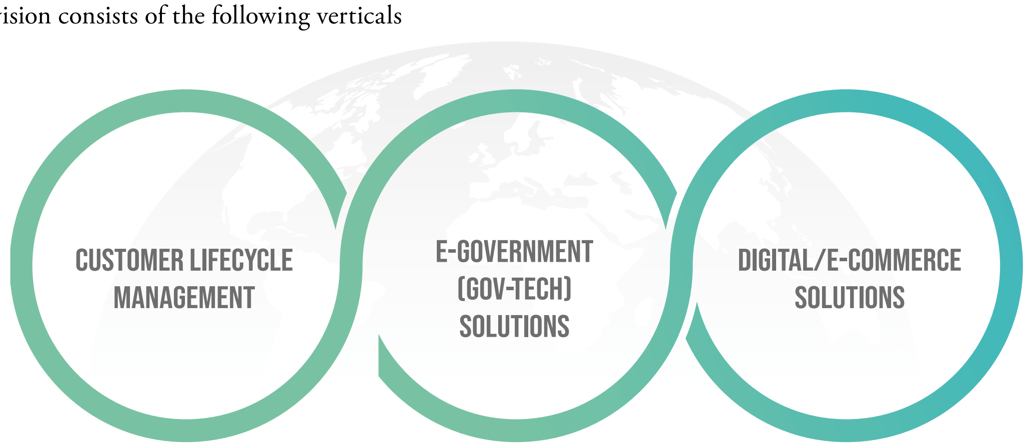
Current Financial Year Performance

The Group's BPO revenue has decreased from approximately RM199.5 million for the financial year 2017 to approximately RM165.0 million for the financial year 2018. The decrease in revenue is attributable to a lower number of contacts performed by the BPO division in the financial year 2018.

FINANCIAL YEAR	REVENUE	TOTAL NO.OF CONTACTS	REVENUE PER CONTACT
2018	RM165,041,693	190,854,699	RM0.865
2017	RM199,454,931	226,380,848	RM0.881
DIFFERENCE	-17.3%	-15.7%	-1.8%

Projects that have ceased operations during the financial year due to change in the clients' customer service strategy, which includes relocation to countries with lower cost base or bringing the operations in-house, reduced the BPO division's revenue by RM50.1 million. The loss of revenue is mitigated by revenue contribution from new projects secured and organic growth for existing projects, amounted to RM15.6 million. BPO's revenue for financial year 2018 recorded a net decrease of RM34.5 million or 17.3% against the preceding financial year 2017.

The BPO division consists of the following verticals



Customer Lifecycle Management

Segment Overview

Scicom is a global customer experience company that designs, builds and operates omnichannel customer experiences on behalf of some of the world's most innovative brands. We help these large global companies increase revenue and reduce costs by delivering personalized customer experiences across every interaction channel and phase of the customer lifecycle as an end-to-end provider of customer engagement services, technologies, insights and innovations. Since our establishment in 1997, we have helped clients strengthen their customer relationships, brand recognition and loyalty by simplifying and personalizing interactions with their customers. Our end-to-end approach differentiates the Company by combining service design, strategic consulting, data analytics, process optimization, system integration, operational excellence, and technology solutions and services. To improve our competitive position in a rapidly changing market and stay strategically relevant to our clients, we continue to invest in innovation and growth businesses, diversifying and strengthening our core customer care services with consulting, data analytics and insights technologies, and technology-enabled, outcomes focused services.

➢ Our Market Opportunity

Our end-to-end customer experience approach is designed to drive retention, affinity, growth, and customer protection, all with savings for our clients. Our transition from multichannel to true omnichannel service requires agility and speed and Scicom's integrated approach is growing in strategic relevance because of the following trends:

• Increasing focus on customer engagement to sustain competitive advantage. The ability to sustain a competitive advantage based on price or product differentiation has significantly narrowed given the speed of technological innovation. As our clients' customers become more connected and widely broadcast their experiences across a variety of social networking channels, the quality of the experience has a profound impact on brand loyalty and business performance. We believe customers are increasingly shaping their attitudes, behaviors and willingness to recommend or stay with a brand on the totality of their experience, including not only the superiority of the product or service but more importantly on the quality of their ongoing service interactions. Given the strong correlation between high customer satisfaction and improved profitability, we believe more companies are increasingly focused on selecting third-party partners, such as Scicom, that can deliver integrated insights-driven strategy, service and technology solutions that increase the lifetime value of each customer relationship versus merely reducing costs.

• Increasing percentage of companies consolidating their customer engagement requirements with a few select partners who can deliver measurable business outcomes by offering an integrated, technology-rich solution. The proliferation of mobile communication technologies and devices along with customers' increased access to information and heightened expectations are driving the need for companies to implement enabling technologies that ensure customers have the best experience across all devices and channels. These two-way interactions need to be received or delivered seamlessly via the customer channel of choice and include voice, email, chat, SMS text, intelligent self serve, virtual agents and the social network. We believe companies will continue to consolidate to third-party partners, like Scicom, who have demonstrated expertise in increasing brand value by delivering a holistic, integrated customer-centric solution that spans the customer experience from strategy through execution versus the time, expense and often failed returns resulting from linking together a series of point solutions from different providers.

➢ Our Strategy

We aim to grow our revenue and profitability by focusing on our core customer engagement operational capabilities linking them to higher margin, insights and technology-enabled platforms and managed services to drive a superior customer experience for our clients' customers. To that end we plan to continue:

- Building deeper, more strategic relationships with existing global clients to drive enduring, transformational change within their organizations;
- Pursuing new clients who lead their respective industries and who are committed to customer engagement as a differentiator;
- Investing in our sales leadership team at both the segment level to improve collaboration and speed to-market and consultative sales level to deliver more integrated, strategic, and transformational solutions;
- Investing in technology-enabled platforms and innovating through technology advancements, broader and globally protected intellectual property and process optimization; and
- Building customer journey maps to create service design across automated, human and hybrid interaction with the development and implementation of strategies around Interactive Virtual Assistants (chat bots).

➢ Competition

Our competitors vary by geography and business segment, and range from large multinational corporations to smaller, narrowly-focused enterprises. Across our lines of business, the principal competitive factors include: client relationships, technology and process innovation, integrated solutions, operational performance and efficiencies, pricing, brand recognition and financial strength. Our strategy in maintaining market leadership is to prudently invest, innovate and provide integrated value driven services, all centered around customer engagement management. In our Customer Management Services business, we primarily compete with in-house customer management operations as well as other companies that provide customer care including: Alorica, Convergys, Sykes, and Teleperformance globally, and VADS, Aegis, SRG and Teledirect among others locally.

➢ Moving Forward

Moving forward, our CLM proposition is evolving to focus on an OMNI Channel, multi-lingual service offerings from our centres in Malaysia and Sri Lanka. Our targeted client base has now expanded to include the US and Europe. Our new OCEAN offering encompassing a cloud based telco, data and application strategy allows us to provision technology and provide telco and connectivity to any part of the globe in a timely and cost efficient manner. The emergence of Artificial Intelligence and Machine Learning will impact traditional low value services significantly in the near future. Scicom's strategy has always been in the provision of high value technical support and premier care services coupled with associated back office services. Secondly our focus on robotic process re-engineering for our clients has improved our value proposition resulting in increased margins and enhanced client retention.

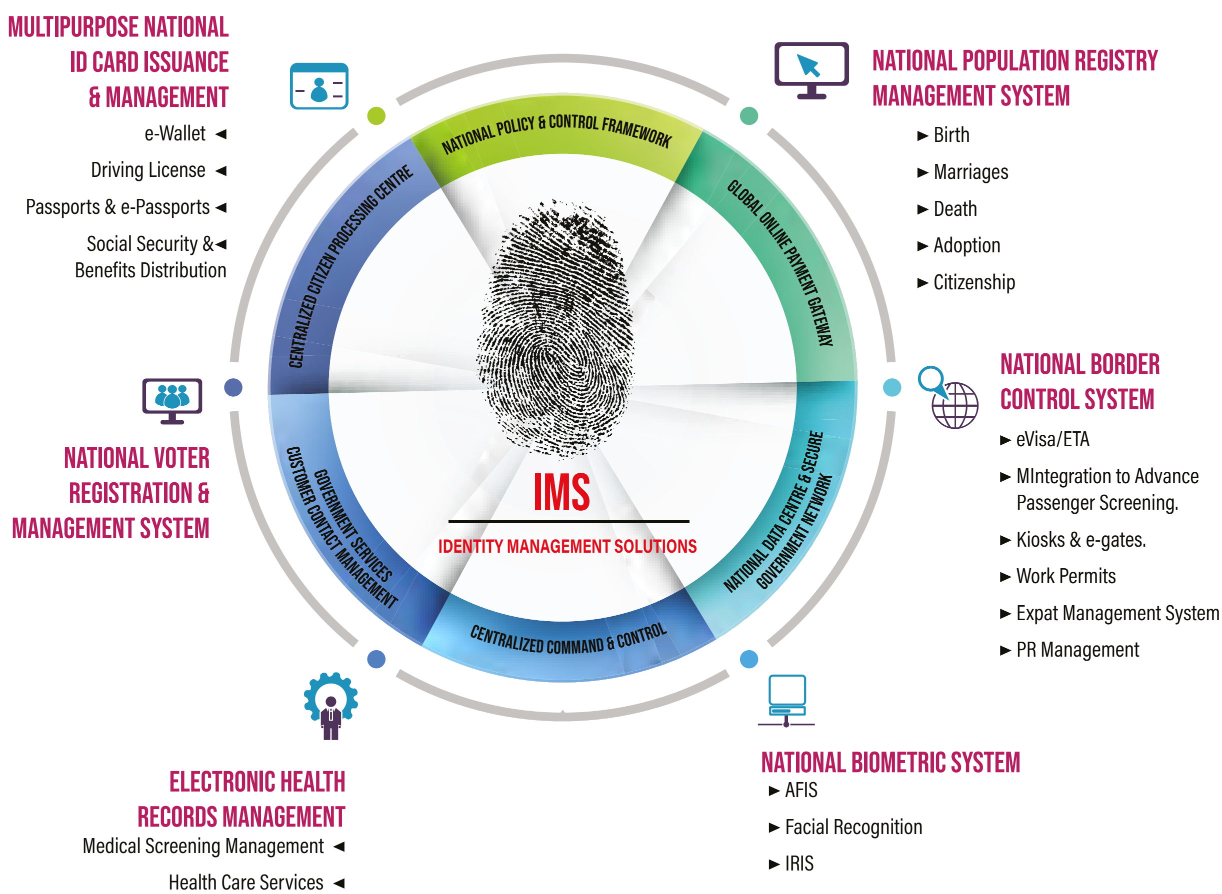
Gov-Tech Solutions

We are progressively generating a greater proportion of revenue through a platform and service proposition for governments as well as entering new markets with innovative funding strategies.

➢ Our Market Opportunity

Emerging governments worldwide are looking for ways to better protect their citizens and secure their nation. To address the challenges they face, more and more countries are turning to the new opportunities presented by the global digital transformation. By shifting from a paper-based culture to a digital one, nations can better meet citizens' expectations while also lowering costs and delivering more efficient and effective e-Government services. At the heart of this digital transformation is a need to provide strong civil ID schemes which help identify citizens and secure countries and their borders. When deploying digital government services, countries are increasingly turning to biometrics and mobile technology to take the strong identification that exists in a physical context into the digital world.

Scicom provides a comprehensive suite of products and services in Identity Management Solutions as depicted below:



➢ Our Strategy

Scicom's go to market strategy is to focus on the public sector in emerging markets and offer integrated solutions from a software and services perspective. The acquisition of these targeted public sector clients are secured in part through innovative payment and funding structures.

01 **PPP / PFI FUNDING MODEL**
*Zero investment from customers
*People, expertise & technology provided free of cost

02 **100% DIGITAL**
*Every part of the process is digital

03 **SECURE, AUDITABLE & OWNED BY GOVERNMENT**
*Enable transparent audits and history tracking
*Deployed **in secure controlled environment**
***Fraud detection and prevention**

04 **COMMON PLATFORM FOR ALL RELEVANT STAKEHOLDERS**
***Transparency** to all stakeholders
***"Tell us only once"** - Reduce redundancy of sharing the information repeatedly

05 **REVENUE SHARE MODEL**
*Attractive ROI for customers

06 **COMPLIANCE TO GLOBAL STANDARDS**
*IATA, AIRINC, UN/EDIFACT, CAREC and SAARC

07 **INTEGRATED APPLICATIONS AND SERVICES**
*Applications and services are **integrated in a wider ecosystem** of administration entities.
*Ability to communicate with multiple integration protocols

08 **BUSINESS ANALYTICS AND MOBILE INSIGHTS**
*Understand past performance and recommend actions through interactive dashboards, reports, predictive analysis.
***Keep data in the hands of decision makers** wherever they are with interactive solutions on mobile devices

➢ Moving Forward

Scicom's focus has been in the provision of an integrated software and service proposition to governments in emerging markets. Uniquely we build our own IP in Identity Management Solutions through our innovation centres in Malaysia and Sri Lanka. Scicom has been very successful in Malaysia in the provision of government services and our solutions have been in use since 2012. Our proven track record and operational experience in the provision of integrated software and service solutions has allowed us to participate in opportunities all over the world. Over the last four years, we have established a healthy pipeline with emerging governments in their quest to digitize citizen services through a myriad of innovative funding structures including public private partnership and private funding initiatives. Our entry into these markets include traditional tender participation with strong local partners. However, while revenue and associated margins in the provision of these services maybe significant, it is off set by long sales cycles. Scicom is confident that these opportunities will come to fruition in the near future as a result of our intensive business development activities for the last four years.

Digital / E-Commerce Solutions

Segment Overview

Scicom has an established footprint and an inherent DNA (part of its culture and business strategy) in combining the physical areas of customer experience (CX) with the digital realms (DX) of business to create connected and personalised commercial experiences for the new-age business. This integral business expertise, powered by its people who bring decades of experience and domain knowledge in the areas of customer experience, technology, marketing, communications and business strategy, is what makes Scicom Digital.

➢ Our Market Opportunity

The digital transformation market is projected to grow from USD 206 billion in 2017 to USD 432 billion by 2021, at a Compound Annual Growth Rate (CAGR) of 19.1% from 2017 to 2022. The market is primarily driven by innovation in businesses, changing customer preferences, the proliferation of mobile devices and apps, increasing penetration of Internet of Things (IoT), and rising adoption of the cloud platform. Sixty percent (60%)of Asia's top 1,000 enterprises will have placed digital transformation at the centre of their corporate strategies. By the end of 2018, many of these enterprises will be looking for independent consultants to drive the implementation of their digital transformation strategies.

The focus of Scicom Digital will be to intensely penetrate the Asian and emerging market segments to cater to the vast demand for digital products and services.

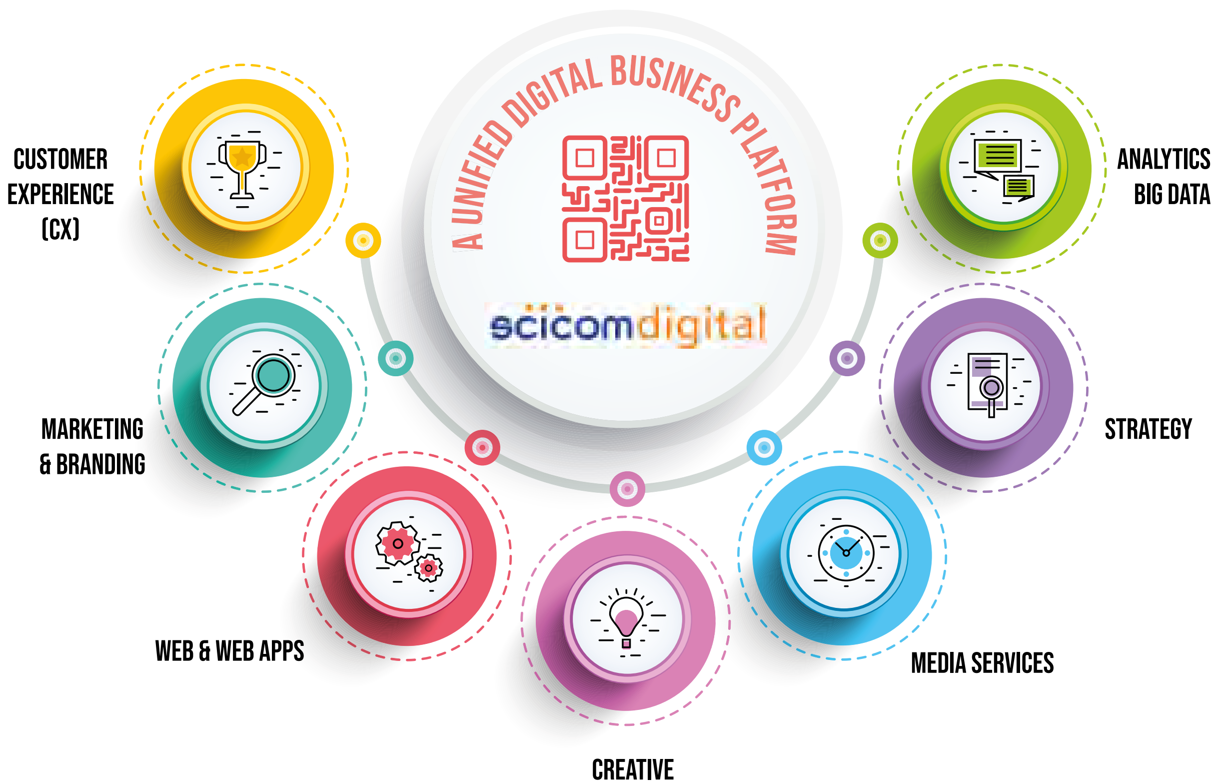
According to Forbes' survey of 300 companies in Asia-Pacific, digital transformation has the potential to double revenues by 2018. Asian firms therefore spend an average of 15% of their total revenues on digital initiatives, higher than the global average of 11%.

By providing an integrated digital solution to its clients, Scicom Digital can deliver a guided, meaningful bridge for businesses to step into the digital space and enhance all its customer focussed touchpoints to create a truly powerful commercial experience. This is our roadmap to creating value for our clients in this digital age. It signifies our entry into the digital realm - the future of business with a purpose-led, demand-driven digital proposition.

➢ Our Strategy

Scicom Digital has formulated its go-to-market strategies which initially rely on tapping the demand from its existing clients. The current stable of clients managed by Scicom would be the first point of engagement for Scicom Digital.

Scicom Digital Product & Service Offerings:



The go-to-market strategies for Scicom Digital are as follows:

1. Cross selling digital solutions to the Group's existing customers.
2. Build strategic partnerships with government agencies in third world countries to implement Digital Transformation Services.
3. Embark on intensive Business Development activities led by Scicom to sell its Digital services across Asia and emerging markets.
4. Implement targeted digital marketing campaigns for Scicom Digital for branding and lead generation throughout the year.

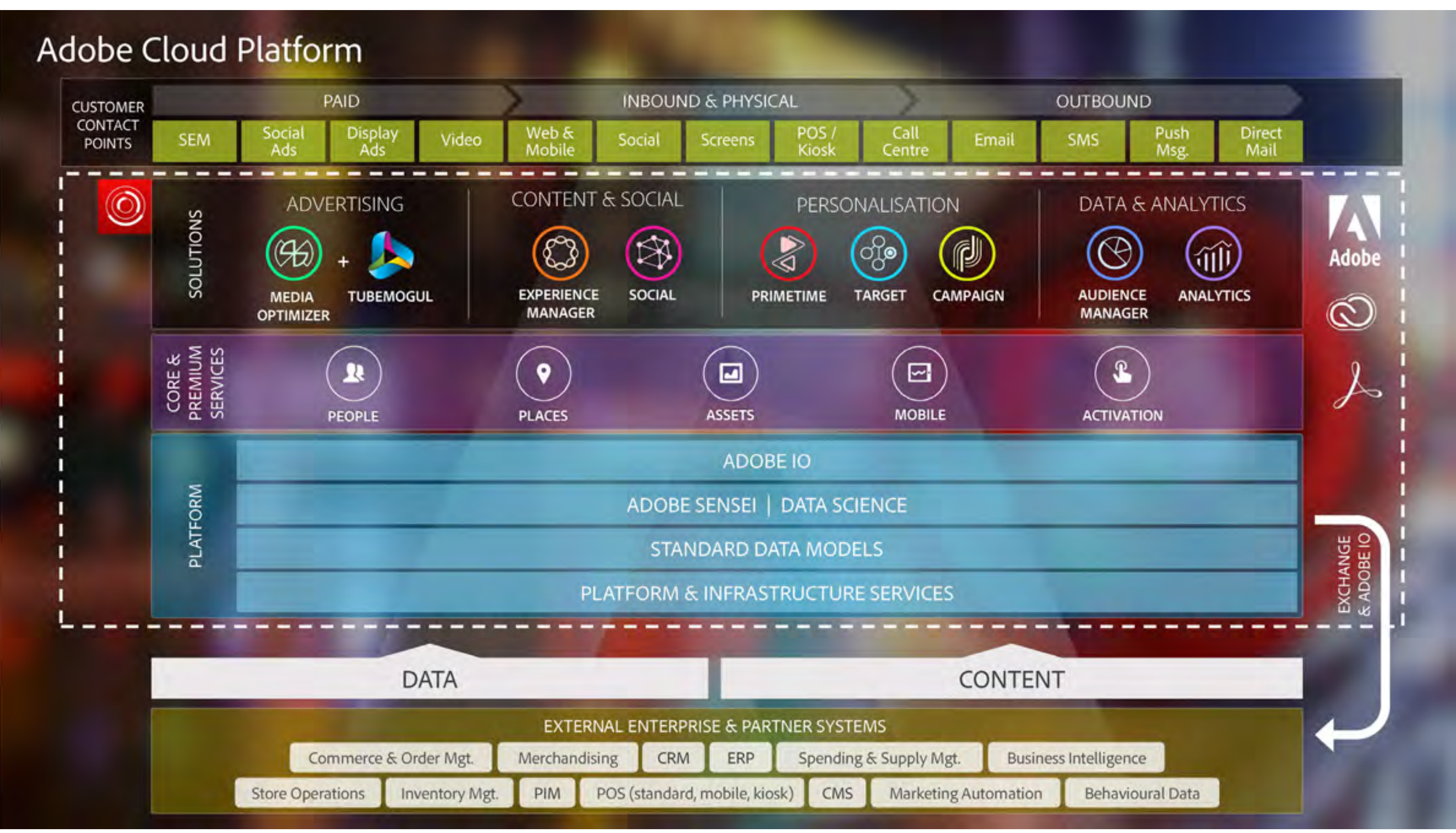
Business development work has already generated a sales pipeline which is expected to come to fruition by the end of the financial year 2019.

To unlock these powerful digital solutions for its clients, Scicom Digital has partnered with Adobe, a leader in designing and delivering exceptional digital experiences. Headquartered in San Jose, California, Adobe is one of the largest software companies in the world, with a revenue of approximately US$7.3 billion in fiscal year 2017.

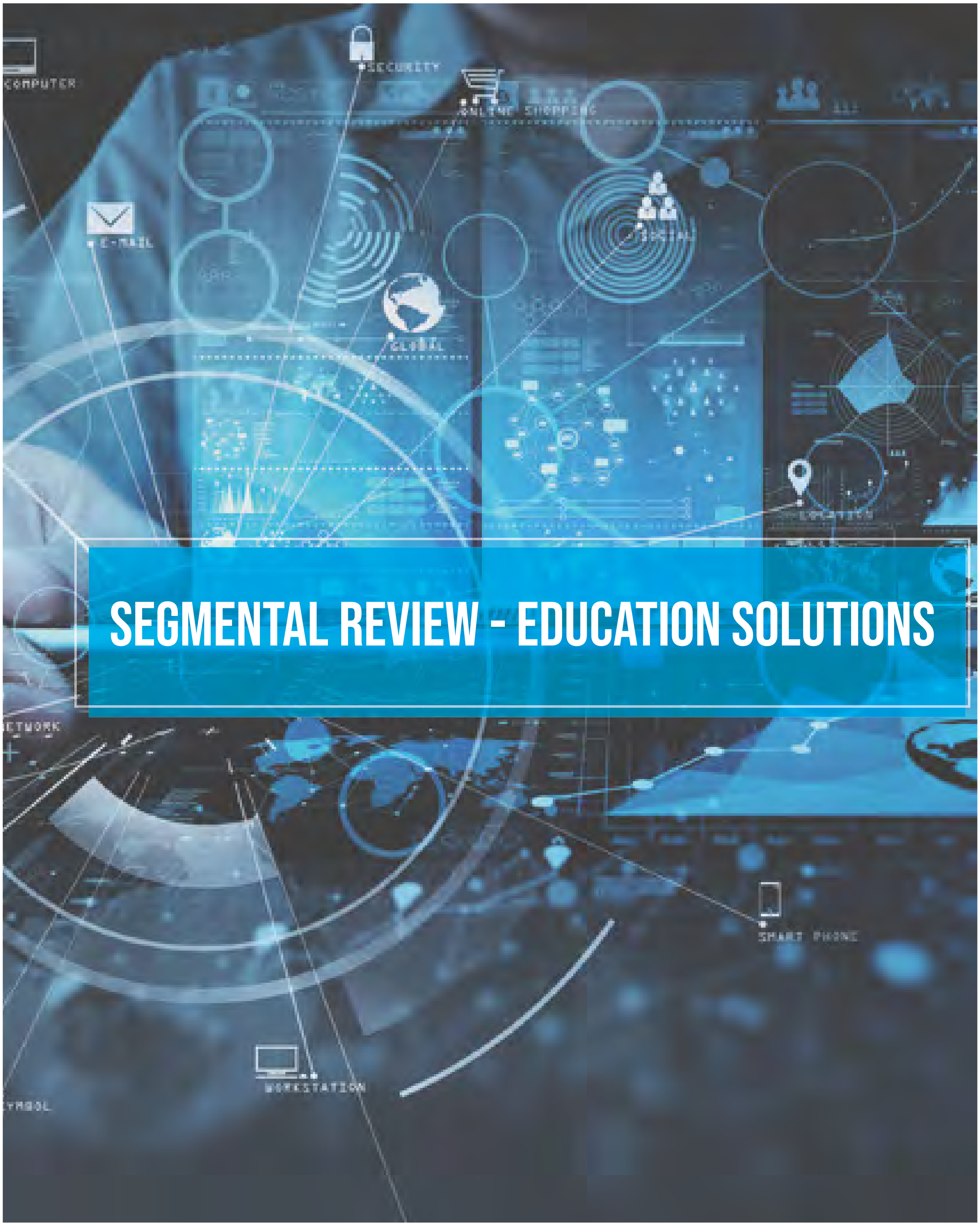
Adobe combines artificial intelligence (AI), machine learning and deep learning platforms to help our clients discover hidden business opportunities, make tedious processes fast, and offer highly personalized and targeted digital experiences to every customer. Adobe's artificial intelligence and machine learning engine, helps build more intuitive experiences that will reach customers based on their interests, preferences and most importantly, through their online behaviours.

Adobe is a multi-award winning global corporation whose accolades include 'Top 100 Global Brands', 'Most Innovative Companies for AI', 'Forbes World's Most Innovative Companies', and 'World's most Ethical Companies. Scicom Digital has embarked on this journey with two major clients in the public and corporate sectors, currently in its business portfolio. Scicom Digital is charged with driving intensive business development and marketing effort to acquire more clients from across Asia and other emerging markets in Africa, in the coming year.

Illustrated below is the Adobe Experience Unified Digital Business Platform which will actively drive the business for Scicom Digital:



SEGMENTAL REVIEW - EDUCATION SOLUTIONS



EDUCATION SOLUTIONS

Current Financial Year Performance

Scicom Education Group (SEG)'s primary focus for the financial year 2018, is to provide internal training which meets the training requirements of Scicom (MSC) Berhad. The training programmes offered to staff were aimed at enhancing operational knowledge and capability, imparting specific skills in data science and analytics, innovative customer engagement skills along with leadership and management training.

A total of 2000 staff of the Group have been oriented and trained by SEG for the FY 2018. A total of 82 personnel from the Operations Management Team were also evaluated with psychometric assessments under the Talentlens Pearson Psychometric Assessment exercise, where senior employees were appraised and rated according to their respective skills and strengths. The data and insights gathered from this exercise provided valuable direction in determining the way forward in fortifying our management team.

The Education Group has also been engaged by businesses to conduct upskilling and training programmes for them in 2018. Some of the corporate clients which have undergone training programmes under the Group include Hong Leong Bank, The Employees Provident Fund (EPF) and U Mobile Berhad.

Segment Overview

In this digital age of rapid technological change with the constant shifts in both the domestic and global market place, each of these talent development initiatives are necessary to achieve full employee potential. Committed to the belief that education is the key to success, Scicom Education Group partnered with Pearson, the World's Learning Company to offer a range of Pearson products in skills development, psychometric and aptitude assessment and English language proficiency testing.

GOVERNMENT & PRIVATE SECTOR

- Pearson Assured Vocational & Professional Certification Courses
- Bespoke Professional Development Programmes

RETAIL & INSTITUTIONAL

- Pearson Test of English PTE Academic Centre
- English Language Preparatory & Development Courses

CORPORATE CLIENTELE

- Talentlens Psychometric Assessments

This partnership, signed on 23rd April 2018 by Scicom Academy under the witness of the British and Australian High Commissioners, has enabled Scicom Education Group to open doors to a globalised pathway to education and career success for students, not only from Malaysia but from all over the world.

➢ Our Market Opportunity

A keystone of the partnership with Pearson is the set-up and administration of a Pearson Test of English Academic (PTE Academic) Test Centre at Scicom Academy. PTE Academic is the world's leading computer-based test of English for study and migration abroad. Scicom's PTE Academic Test Centre, located in the heart of Kuala Lumpur, provides both Malaysian and international test takers a premier experience with the state-of-the-art, computer-based testing with advanced security measures in a controlled environment that is pleasant and reliable.

Since the launch of the PTE Academic Test Centre, hundreds of local and international candidates have registered for the PTE Academic Test for study or migration abroad. This trend will continue to steadily grow in the coming months.

The Scicom Education Group brings years of training and education experience to our learning environment with an experienced faculty of lecturers and tutors, who have been engaged in delivering a variety of training and education solutions to both corporate employees and students.

This, coupled with Scicom as an Accredited Pearson Assured Centre, we offer bespoke programmes that are internationally benchmarked and relevant to the demands and needs that are unique to the many industries it serves. These services are currently also offered online via its website which is enabled with e-commerce abilities.

➢ Our Strategy

The Scicom Education Group offers total learning solutions for clients and individuals from short corporate training programmes to internationally recognized certifications in a variety of disciplines. These new products, added to its current suite, will now give the Group an opportunity to penetrate new market segments which have not been tapped in the past.

These new products and services open new business opportunities for us by feeding into new demand for these educational products, coupled with our years of experience and the intellectual property we have developed in the past decade.

The current analysis of our business indicates several factors that encourage brisk and buoyant reception to our new products and services which we have recently launched.

With these new products and service offerings in play, the Education Group is now poised to play a more active role in extending its Learning and Development function to more key business areas and clients.

Education Group - Business Analysis

POLITICAL FACTORS

➔ Current business focus is in Malaysia, where the new government has emphasised the need for English Language to be used as a medium of business communication

➔ Strong boost for vocational training programs driven by the new government.

ECONOMIC FACTORS

➔ Many new products released this year by Scicom Academy will focus on the retail market, where mandatory requirements for foreign students to have English tests taken will be fulfilled.

➔ Wide scope of (UK) certified vocational products will enjoy better demand by industry players.

SOCIAL FACTORS

➔ Focusing on an audience of young adults who need English Language preparatory and Testing services.

➔ Professional certifications are also relevant for the workforce in Malaysia which requires and is observing a shift from traditional workplace skills to more digitally driven skills.

TECHNOLOGICAL FACTORS

➔ The use of e-learning material in curriculum and testing services in education must be fullfilled. Scicom has enabled online product purchases and testing services via the new website.

➔ The PTE Academic Test centre conducts test in a fully electronic environment and engages with students via an interactive portal ensuring speed, security and accuracy.

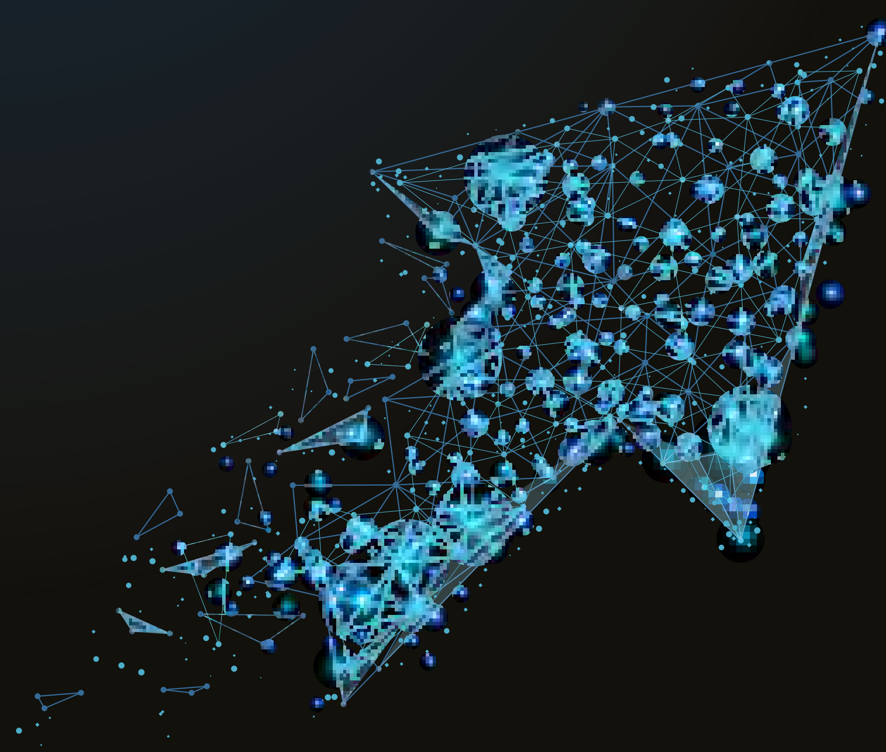
➢ Moving Forward

Scicom Education Group focuses on both the Group's internal training requirements and offers innovative training and education solutions to large corporates and government alike. It serves more and more as an integral part of the Group's e-government initiatives as service is a key product offering and a comprehensive understanding of the provision of training components in enhancing efficiency and imparting knowledge provides the Group with a clear competitive advantage in implementing large e-government projects. Our recent association with the Pearson Group and set up of a testing centre has enhanced our external education service proposition from a B2B to a B2C market.

IN CONCLUSION

Scicom has evolved over the last two decades into a diversified business solutions company. Our focus has always remained the same with regard to the provision of a superlative customer experience across the entire customer journey. This focus has required us to provide increasingly innovative solutions encompassing both a service and a software proposition to a discerning multinational and government client base.

The ultimate challenge is to remain relevant in today's rapidly evolving world, anticipate the business of the future and focus on implementing tomorrow's business today. The Group's strategy has been to move up the value chain in terms of the provision of products and services in the digital space. This has the effect of providing a high barrier to entry for competitors, increasing the Group's margins, providing significant potential for profit growth while mitigating risk in terms of single country and industry vertical dependency. The Group is expected to benefit from the implementation of this strategy over the next financial year.



SEGMENTAL RISK

SEGMENTAL RISK

KEY SEGMENTAL RISKS	BPO SEGMENT	E-SOLUTIONS SEGMENT	EDUCATION SEGMENT	HOW DO WE MANAGE KEY SEGMENTAL RISKS
 Economic Environment	●	●	●	A softer economic environment may negatively impact the Group's performance as the increasing cost cutting pressures from (prospective) clients may affect revenue and margins and hence, the revenue and profitability growth of the Group. The Group continually strives to exceed (prospective) clients' expectations through the following: (i) Delivery of quality services within (if not exceed) contractual service levels. (ii) Continual introduction of innovative process re-engineering with the use of information technology to enhance efficiency and effectiveness of services delivery. (iii) The provision of business insights and value-added services to clients with the use of big data. (iv) Moving up the supply chain towards Knowledge Process Outsourcing in BPO segment. (v) Placing business development focus on targeted prospective corporate or government clients whilst expanding its programmes offerings to individuals in Education segment.
 Regulatory Environment	●		●	Change in regulatory environment may pose threats to the growth and profitability of the Group. (i) BPO segment - Changes in laws and regulations in relation to the recruitment of expatriates may hinder the Group's ability to meet (prospective) clients' requirements (i.e. language support requirement). (ii) E-Solutions segment – changes in regulatory environment may hinder the Group's ability to tap and offer services to targeted government clients. (iii) Education segment – changes in regulatory environment particularly with regards to operating licensing may hinder the Group's ability to offer programmes and services. Change in regulatory environment is beyond the control of the Group. The Group continues to observe any potential change to be introduced in jurisdictions where the Group operates and in target markets so as to ensure that adequate actions are taken in a timely manner in responding to the anticipated change in regulatory requirements.

KEY SEGMENTAL RISKS	BPO SEGMENT	E-SOLUTIONS SEGMENT	EDUCATION SEGMENT	HOW DO WE MANAGE KEY SEGMENTAL RISKS
Global & Regional Competition	●	●		The Group continues to face stiff competition from global and regional players in these business segments and the Group's competitiveness may be impaired as compared to competitors who operate geographically in lower wage sites and/or competitors with stronger brand recognition globally or regionally. Over the past several years, the Group has shifted its BPO segment to focus on (prospective) clients who share its passion for customer experience as a key differentiator. The Group actively seeks (prospective) clients who are driven to make a genuine and lasting engagement with their customers and are willing to invest for the long term, in return for sustainable customer retention, advocacy and value. The Group focuses on emerging market government sectors for its E-Solutions proposition with its own intellectual property ('IP') in terms of software solutions, innovative funding mechanisms and unique business models.
Long Sales Cycle		●		The sales cycle for E-Solution segment is typically long (in excess of twelve (12) months) given the size of project in terms of value, scope, specification requirements and the number of stakeholders involved. The Group continues to invest and expand in this business segment in anticipation of the potential growth in this segment notwithstanding the long sales cycle.
Limited Brand Presence & Recognition		●	●	The Education and E-Solutions segments are relatively new to the Group as compared to the Group's operations in the BPO segment. Pro-active business development activities are being undertaken to expand the Group's brand presence and recognition in these business segments regionally and/or globally whilst the Group expands its scope of services offering.
Information Security	●	●	●	Digital globalisation has been one of the key drivers for the Group to redesign and reinvent our capabilities, operations and business models. In doing so, it also exposes the Group to cyber security threats which may adversely impact the Group's operations and profitability. Therefore, information and data security protection has become increasingly critical to the day-to- day operations of the Group. Please refer to the Statement on Risk Management and Internal Controls for details on mitigating measures the Group has put in place to address this risk.
Human Capital	●			Human capital is one of the key resource components in our BPO operations and therefore, human capital competency and talent management are critical to BPO operations of the Group. Please refer to the Statement on Risk Management and Internal Controls for details on mitigating measures the Group has put in place to address this risk.
Business Continuity	●	●	●	Human capital, network infrastructure and information technology are the key resource components for the delivery of services across all business segments of the Group. Please refer to the Statement on Risk Management and Internal Controls for details on mitigating measures the Group has put in place to address this risk.

FINANCIAL YEAR 2018 CORPORATE MILESTONES & RECOGNITION EVENTS

2017

SEPTEMBER
Scicom pays fourth interim dividend of 3 sen for financial year 2017

OCTOBER
Scicom wins the Grand Prize from the Malaysian Institute of Human Resource Management 2018 Employer of Choice

NOVEMBER
Scicom held its 15th AGM at Sime Darby Convention Centre, Kuala Lumpur

APRIL

Scicom wins the Frost & Sullivan Award for 2017 Malaysia BPO Service Provider of the Year

Scicom has received another recognition for 2018's best outsourcing service providers by The Global Outsourcing 100®. Recognition is for Customer References, Awards & Certification and Corporate Social Responsibility programme. Scicom is the only Malaysian company on this prestigious list.

Scicom has again achieved SCP Certification under the Support Standard, the standard which benchmarks service performance against Industry leading service standards and providers. Scicom placed as "Innovating" by Service Strategies in its Service Maturity scale which highlights the excellent processes, measurements and strong commitment for continuous improvement and innovating its business practices.

JUNE

Scicom pays third interim dividend of 2 sen for financial year 2018

DECEMBER

Scicom pays first interim dividend of 2 sen for financial year 2018

MARCH

Scicom pays second interim dividend of 2 sen for financial year 2018

2018

Corporate Sustainability Statement

The Board is mindful of the need for sustainable principles to provide valuable insight into business opportunities and risks aimed at enhancing the Group's business model and value. Sustainability is seen as an integral part of value creation, for operational efficiency, customer satisfaction, employee well-being and ongoing community support.

Scicom's understanding of the importance of responsible practices is reflected in its mission statement which states that "not only do we strive to be the best in the industry, but also give the best to the environment we operate in".

In line with the Group's vision and core values, Scicom aspires to achieve excellence by integrating sustainable principles in all its business activities.

All sustainability initiatives are made collectively by the management in line with the Group's commercial strategy. The Board has the overall responsibility to deliver sustainable value to its stakeholders through the principles, policies, objectives and strategies of the Group.

To assist the Board in driving and reporting the Company's sustainability practices, the Company has established the Sustainability Working Committee (SWC).

The SWC has been tasked with developing and driving the implementation of sustainability policies into the Group's businesses and is responsible for:

Identifying material sustainability matters

Managing material sustainability matters

Reporting on progress against sustainability strategies, targets, plans and budgets

Identifying Material Sustainability Matters

Key stakeholder engagement is vital in linking the Group's business strengths to its long term success. To identify key sustainability matters, the Group gathers relevant information for its operations from both internal and external parties.

This information is gathered and assessed through discussions with each stakeholder using the following methodologies:

Key Stakeholder Groups	Engagement Methods
Employees	Interactions and Discussions
Local Community	CSR Initiatives/Programmes

Materiality Process

The Company has developed the Sustainability Policy which includes the framework, processes, and procedures used to identify and assess the materiality of sustainability matters. The Company recognises that communication with stakeholders is imperative in understanding stakeholders' expectations and concerns on the sustainability matters.

The Company's materiality process and analysis is outlined in the following three (3) steps:

Step 1
- Setting up the Sustainability Working Committee (SWC) and Identification of Key Material Matters

Step 2
- Assessment of Material Matters

Step 3
- Periodic Review

The Group's Material Sustainability Matters identified by SWC, includes the following:

I. Economic
a. Customer satisfaction

II. Environmental
b. Environmental compliance

III. Social
c. Occupational health and safety management
d. Human capital development
e. Local community development

IV. Technology
f. Technological improvement and Intellectual Property (IP) development

Managing Material Sustainability Matters & Reporting Progress

I. Economic

a. Customer Satisfaction

The Group recognizes the importance of mastering customer satisfaction as a business growth driver for success and to remain competitive. Customer satisfaction surveys are carried out monthly on all projects to identify areas for improvement to serve our customers better as well as develop new product designs to sustain the Group's business growth.

II. Environmental

b. Environmental Compliance

The Group is committed to comply with the preservation of the environment and at the same time enhance the living standards of the community with more job opportunities in a sustainable manner.

The Group continuously communicates with its employees to reduce use of paper by printing only necessary documents or emails, using double-sided format when printing, and sending all discarded documents and boxes for recycling.

Scicom employees are mindful of eco-friendly practices and understand the importance of environmental preservation. The company constantly engages with employees on proactive measures for environmental conservation and these include efficient use of energy, water, use of biodegradable and eco-friendly products in the office, reuse and use of recycled paper and other measures to reduce carbon footprints. Various initiatives have been implemented to conserve and reduce utilization of paper, electricity, water and office supplies in our daily operations.

Employees are encouraged through periodic dialogue sessions to suggest innovative ideas that can generate more savings of resources. This has resulted in savings not only from a financial standpoint but also in cultivating a culture of environmental awareness and conservation amongst our employees.

III. Social

c. Occupational Health & Safety Management

The Group practices safety measures for compliance to safety and hygiene in workplace such as the improvement and the preventive fire protection emergency measures, preparedness for occupational injuries and illness, as well as promoting health programmes for employees.

Further to building a pleasant working environment, Scicom places emphasis in prioritizing its employees' wellbeing and safety. The company conducts regular health and safety inspections and implements safety and health improvement activities for its employees annually.

d. Human Capital Development

Scicom is committed to instilling innovation in the minds of our employees to drive new strategies and improvements for productivity in our service delivery and business operations. The company's Learning and Development department has played an instrumental role in driving excellence in our workforce through competency and leadership development for peak performance.

Scicom believes that employees who are effectively managed and supported to perform to their full potential make the Group more efficient and competitive. We strive to empower our people with equal learning and development opportunities to ensure that they have the tools and resources they need to give their best.

In October 2017, efforts to provide best in class HR practices to our employees saw Scicom being named as the Grand Prize Winner for the Employer of Choice category in the 17th Malaysia HR Awards from among other contenders. This prestigious award by the Malaysian Institute of Human Resource Management is the highest accolade that an organization can receive, which companies across industries participate in to benchmark themselves. It is recognition of an organisation's outstanding achievements in translating and combining vision and action with HR Strategy; building alignment to mesh HR Strategy with business priorities; and cultivating competencies for the future to enable the organisation to be future-ready.

Scicom has successfully, with its accredited in-house courses, trained and retained the right people who have the ability and motivation to deliver performance of high standards.

Scicom's recruitment of young talent initiatives involves active participation at local career fairs and campus recruitment events.

As a global employer, the Scicom workforce comprises a diverse and dynamic mix of talent to help take on business challenges, opportunities and growth transformation. Scicom is committed to building a work environment which provides employees the opportunities to improve and develop their capabilities, skills and talent. All employees have opportunities to build their career, develop to their fullest potential, work with confidence with the Company, and grow with the company professionally and personally.

Scicom continuously emphasize teamwork and effective employee engagement to generate higher productivity, lower turnover rate and better operational results.

Scicom believes that open dialogue is an important avenue to promote effective communication, as well as to foster closer bonds between the Management and employees.

The Employee Satisfaction Survey "SPEAK" is conducted once a year. This annual survey examines employee and immediate manager relationship to gauge employee satisfaction levels with senior management and performance management, employees' perception for their career growth, compensation and welfare, work environment as well as their overall perception of the Company. The survey results are tabled at management meetings and action plans are devised to address areas that need improvement.

Scicom has several initiatives in the workplace aimed at being an employer of choice. Some initiatives introduced this year include the following:

I. Enhanced corporate governance practices with a review of the whistleblower policy and procedure, fostering an environment where integrity and ethical behaviour are encouraged and maintained.

II. Improve employee engagement. The "Scicom Delight" intranet is now a focal point for employees to access timely and comprehensive information on current developments in the Company.

III. Focus on skills development and improvement by sending employees for in-house training programmes throughout the year. Towards this objective and over the financial year, Scicom has trained over 2000 employees through a series of programmes offered by the Learning and Development department with the target that each employee attends at least 4 in-house training programme in a year.

TH!NK Workshop for Critical Thinking for Managers

Gamified Learning

Experiential Workshop

IV. Inculcate the spirit of sportsmanship and esprit de corps amongst the employees, by organising sports, games and other activities throughout the year under the "Delight" programme.

Hiking adventure at Bukit Gasing, Petaling Jaya. Scicomers across many projects participated in this event.

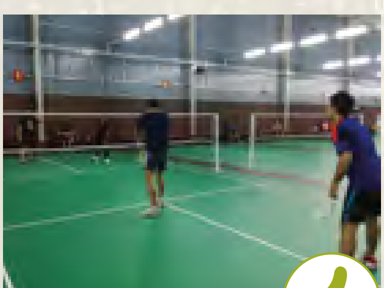
In conjunction with Chinese New Year, an ice cream give away was organised to bring some cheer to the staff.

Hiking Adventure at Bukit Kiara Park.

Professional skin care & make-up workshop for the ladies to put on some Glam.

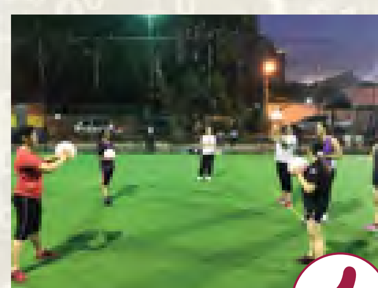
Futsal Tournament at the KSL Sports Centre at Jalan Genting Klang. About 400 employees participated in this tournament.

Sports Fishing Club event was held at a conservation pond located in Tanjung Malim, Perak this year.



Badminton players got together weekly to enhance their skills and improve fitness levels.

Cricket enthusiasts got together for friendly matches.



Weekly netball coaching sessions for those interested in learning the game.

e. Local Community Development

Scicom continues to invest in its commitment to contribute to the national economic development of the country by improving the quality of life of its workforce and their families, as well as of the local community and society at large.

Scicom's Corporate Social Responsibility (CSR) initiatives are about business giving back to its people.

Some of the initiatives include:

Free Health Checks for All Employees –
In Mid-September 2017, the management organised a free medical check-up for its employees at its Headquarters in Menara TA, Kuala Lumpur. The effort involved doctors from the Qualitas Medical Group conducting medical screening services on our premises for a period of two weeks. Employees were essentially required to undergo a doctor supervised medical test and routines which among others screened the participants for Diabetes, High Blood Pressure and ascertained their overall cardiovascular health.

As the response to this campaign was encouraging, Scicom will endeavour to make this an annual practice for its employees.

Box of Hope Project, Penang Flood Relief –
In early November 2017, the Malaysian Meteorological Department (MET) issued a red alert notice on the Penang flood situation, following which Scicom Operations initiated a Box of Hope project.

Volunteers from the Scicom operations team prepared the Box of Hope for the affected homes. Each Box of Hope was filled with toys, educational supplies, hygiene items and clothing items. In addition to the Box of Hope, supplies such as groceries and books were also packed to be shared with the affected homes.

Between 17th November and 2nd December 2017, representatives from the Scicom Operations team travelled to Penang and the mainland to deliver the Box of Hope on their off days. A total of 287 'Box of Hope' were delivered across 7 homes (orphanage and old folks) to 240 children, 34 seniors, 6 special needs individuals, 5 caretakers, and 2 infants.

Bringing cheer through Box of Hope Project

IV. Technology

f. Technological Improvement and Intellectual Property (IP) Development

To keep pace with the competitive business environment, the Group has continuously explored areas for technological improvement to develop new products as well as to maintain quality and productivity expectations.

Through the years, the Group has invested in and continues to invest in information technology, capital expenditure and software development to remain cost competitive and to increase operational efficiency to wards providing sustainable business growth.

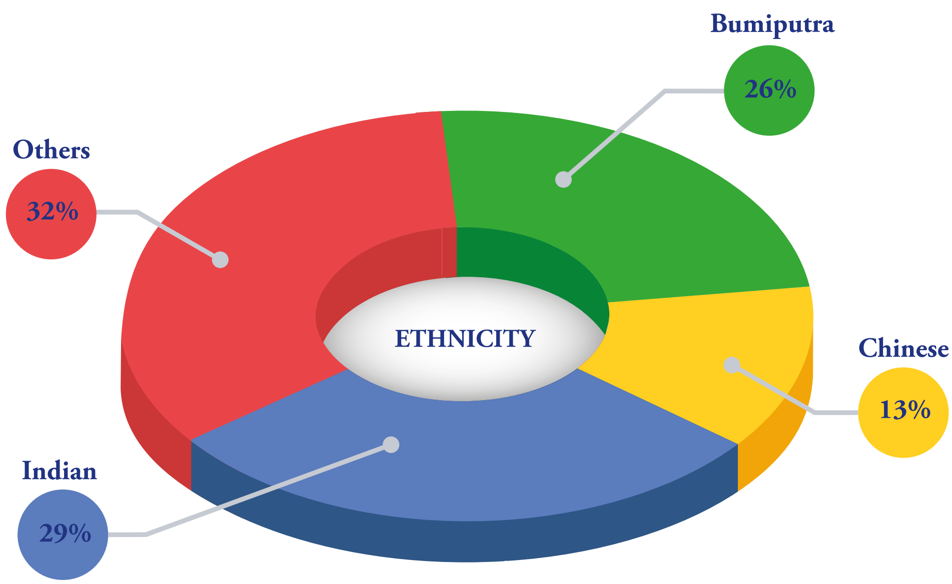
Diversity

As a company with international reach serving multinational customers, Scicom has harnessed the elements of diversity and inclusion across its workforce, customers, suppliers and other stakeholders.

We recognize that diversity plays a vital role in allowing our employees to fulfill their potential and maximize their contribution to the company. Scicom recognizes the value of a diverse workforce in rendering services of our multinational customer base. Due to the nature of our operations and the strong understanding of the business, Scicom is able to provide employment to a vast majority of fresh graduates.

Ethnic Diversity

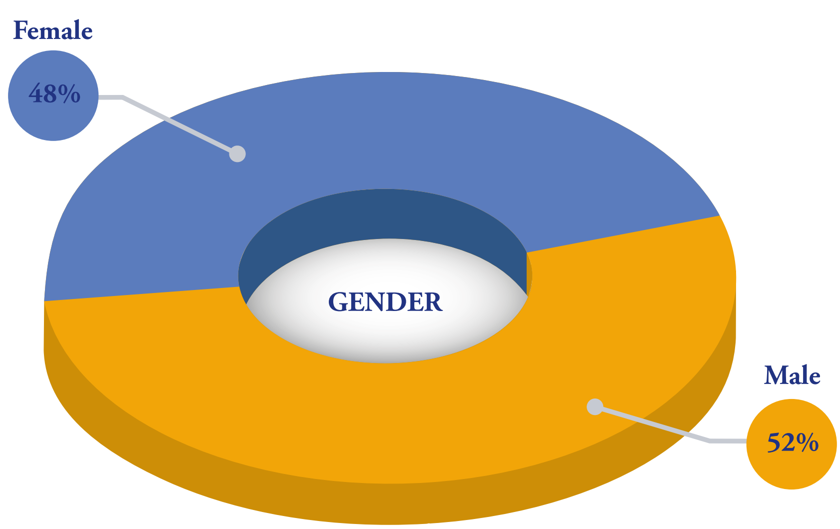
In 2018, the ethnic diversity of our Malaysian workforce is illustrated in the following chart.



Scicom maintains a balanced ethnicity of its workforce reflecting the multiracial ethnicity of the country.

Gender Diversity

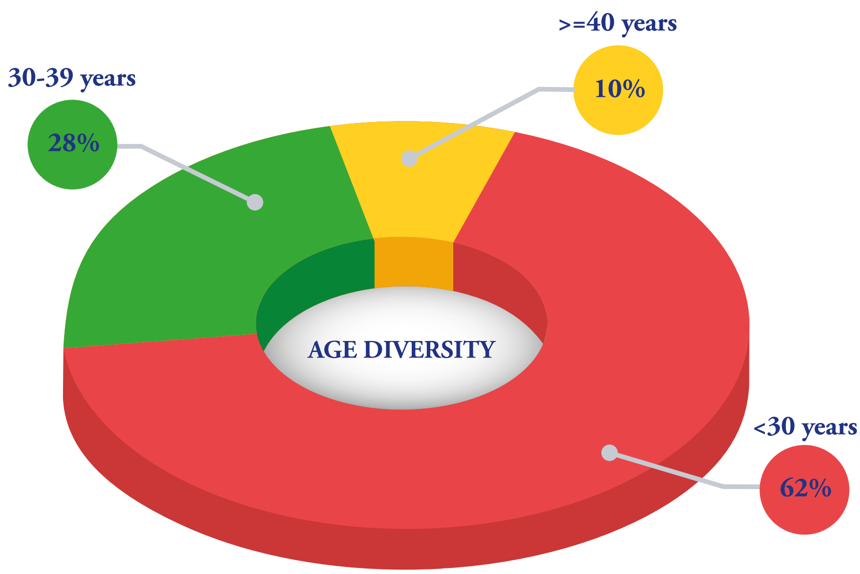
In 2018, female employees made up 48% of our Malaysian workforce with 44% female representation in management positions.



In an effort to encourage and attract greater female participation in our workforce, the company has been paying greater attention in providing facilities for the benefit of our female employees.

Age Diversity

In 2018, 62% of our employees were under 30 years of age and 28% were between 30 and 39 years old. The average age of our employees excluding senior management is 29. This reflects that the majority of our employees are young and vibrant.



The management believes that the sustainability practices adopted are reasonably adequate and manageable to steer the Group's sustainability growth. However, the management will review and consider suggestions, ideas and the need of other relevant sustainability practices for implementation as the Group grows and evolves.

Statement Of Corporate Governance

The Board of Directors ("Board") of Scicom (MSC) Berhad ("Scicom" or the "Company") recognises the importance of maintaining corporate governance best practices and continues to be committed to ensuring that a high standard of corporate governance is practiced throughout Scicom and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance long-term shareholder value while safeguarding the interests of all stakeholders.

The Board believes that good corporate governance adds value to the business of the Group and will ensure that this practice continues. The Board believes in playing an active role in guiding the Management through its oversight review while at the same time steer the Group's business direction and strategy.

Set out below in this Annual Report is an overview statement, made pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), on the Group's corporate governance ("CG") practices in accordance with the principles and recommendations set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") for the financial year ended 30 June 2018.

1. Roles and Responsibilities of the Board

The Board comprises of competent individuals with specialised skills and knowledge providing clear and effective leadership to the Group. The Board is responsible for charting the strategic direction of the Group as well as over-seeing the conduct, performance, risk management and internal controls of the Group's business activities. In order to ensure a constantly well-balanced Board, careful consideration is given when selecting and balancing the composition of Independent and Non-Independent Directors.

The Board has a formal schedule of matters requiring its decision as detailed below:

- Reviewing and adopting the Group's strategic direction, as proposed by the Group Chief Executive Officer ("Group CEO"). All approved strategies will then be communicated down to respective Heads of Departments for implementation;
- Reviewing the adequacy of significant risks presented by the Audit and Risk Management Committee ("ARMC") and in ensuring the implementation of appropriate measures to manage these risks;
- Reviewing the adequacy and integrity of the Group's systems of internal control and management information, including ensuring that a sound risk management framework, reporting framework and systems for compliance with applicable laws, regulations, directives and guidelines are in place;
- Reviewing, approving and monitoring the implementation of the Group's strategic business plans;
- Assessing and evaluating the Group's business and operational performance so as to ensure that the Group is on track with the strategic direction as approved by the Board;
- Approving significant policies that may have a material impact on the Group's business activities;
- Approving the Group's annual budget which includes all major capital expenditure and all new investment activities;
- Reviewing the Group's financial performance and position on a quarterly basis;
- Reviewing other significant matters that may have a material impact on the Group;
- Reviewing succession planning including appointments, determination of compensation levels and replacement of senior management staff; and
- Reviewing strategies promoting sustainability in ensuring that the Group operates its business through good processes and policies which are applied by competent and responsible employees.

2. Board Composition and Balance

The Board currently has eight (8) members comprising:

- Two (2) Non-Independent Non-Executive Directors;
- One (1) Non-Independent Executive Director; and
- Five (5) Independent Non-Executive Directors.

This is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities (the "Listing Requirements") which requires at least one third (1/3) of the Board to be comprised of Independent Directors.

A brief profile of the Directors is included in the Board of Directors – Profiles as set out on pages 18 to 21 of the Annual Report.

The Board is well-balanced and comprises highly respected professionals of various backgrounds and industries which are relevant to the Group's business activities. The Directors' wide-ranging experience and expertise provide the Group with the strategic thinking which is vital for the Group's success.

The Board believes that both genders are to be given fair and equal opportunity and any new appointments to the Board shall be based solely on merit, experience, qualifications and other attributes. Currently, there are two (2) female Directors on the Board.

The Board is satisfied with the level of independence demonstrated by the Directors during the financial year and their ability to act in the best interest of the Group.

The Independent Non-Executive Directors provides the necessary checks and balances in the Board's exercise of their functions by facilitating an independent evaluation of the Board's decisions and decision-making process. During any decision-making process, the majority view of the Board will be duly considered whereby no single Board member can dominate its decision-making process.

None of the Non-Executive Directors participate in the Group's day-to-day management activities. The Independent Non-Executive Directors play a pivotal role in ensuring corporate accountability and provide an essential source of impartial and professional advice and judgment to safeguard the interests of the Group and its stakeholders.

In order to achieve a balance of power and authority, there is a clear division of responsibility between the Chairman of the Board and the Group CEO, via the appointment of separate Board members to hold respective positions.

The Chairman is primarily responsible for ensuring the Board's effectiveness, along with other areas as detailed below:

- Ensuring proper balance in the Board's membership, subject to the approval of the shareholders and other members of the Board;

- Ensuring that all relevant issues are included in the Board meeting agendas;

- Ensuring that all Directors, both Executive and Non-Executive, are enabled and constantly motivated to play their role to the fullest of their abilities. This includes ensuring that the Board members, particularly the Non-Executive Directors, continuously receive timely and relevant information tailored to their needs, and are properly briefed on issues arising, if any, during the Board meetings; and

- Ensuring that the Executive Director constantly looks above and beyond his management function, and fully accepts his responsibilities in the area of corporate governance.

The Group CEO is responsible for the day-to-day running of the Group's business and ensuring that the Group's policies and strategies as approved and adopted by the Board are implemented with the assistance of the Senior Management Team ("SMT").

3. Board Charter and Responsibilities

The Company has in place a Board Charter that sets out, amongst others, the responsibilities, authorities, procedures, evaluation and structure of the Board and Board Committees as well as relationship between the Board with its management and shareholders. The Board Charter is reviewed and updated periodically. The principal functions of the Board are as follows:

(a) Ensuring that the Company's goals are clearly established and strategies are in place for achieving them;

(b) Ensuring that the Group has appropriate risk management process including adequate control environment, systems for compliance with applicable laws and regulations, and controls in areas of significant risks identified;

(c) Reviewing and approving major corporate strategies, plans and annual budget;

(d) Monitoring the performance of the corporate strategies;

(e) Approving capital expenditure, capital management and acquisitions/ divestments;

(f) Monitoring the performance of management in the implementation of strategies and policies.

(g) Approving the recruitment, appointment, promtion, confirmation and termination of service, as well as the remuneration package, and compensation and benefits policies and the terms and conditions of Key Management Positions;

(h) Determining the general composition of the Board (size, skill and balance between executive directors and non-executive directors) in order to ensure that the Board consists of the requisite diversity of skills, experience, gender, qualification, and other core competencies required;

(i) Approving a framework of remuneration for directors, covering fees, allowances, and benefits-in-kind (directors of all boards and committees);

(j) Ensuring that the Board is supported by a suitably qualified and competent Company Secretary;

(k) Ensuring that the Board members have access to appropriate education and training programmes to keep abreast of the latest developments in the industry, and as may be prescribed by the regulatory authorities from time to time;

(l) Approving the Group's financial statements (and ensuring the reliability of the same) as well as the interim dividend and recommend the final dividend to shareholders;

(m) Ensure that there is an appropriate succession plan for members of the Board and senior management; and

(n) Ensure that the Group adheres to high standards of ethics and corporate behaviour including transparency in the conduct of its business, and Directors are required to comply with the Directors' Code of Best Practice.

To facilitate efficient management, the Board has approved authority to the management for certain specified activities through a clear and formally defined Limits of Authority ("LOA"), which is the primary instrument which governs and manages the business and operations decisions in the Group. Whist the objective of the LOA is to empower Management, the key principle adhered to the formulation of the LOA is to ensure that a system of internal controls and checks and balances are incorporated therein.

The LOA is implemented in accordance with the Group's policies and procedures and in compliance with the statutory and regulatory requirements. The LOA is periodically reviewed and updated to ensure relevance to the Group's operations.

4. Board Meetings

The Board meets at least quarterly to, inter alia, approve the quarterly announcements to Bursa Securities, statutory financial statements, the Group's business plans, and also to review the Group's financial performance and standing. Additional meetings are convened as and when necessary to deliberate on urgent matters.

Board meetings are scheduled in advance to facilitate Directors to plan ahead and to maximise participation. The agenda and a full set of Board papers are distributed at least one week prior to Board meetings to ensure that Directors have sufficient time to read and prepare for discussion at the meetings.

During the current financial year, four (4) Board meetings were held. The Directors attendance for the Board meetings held during the financial year was as follows:

1. Mr Krishnan A/L C K Menon – 4/4 (Chairman)
2. Dato' Mohd Salleh Bin Hj Harun – 4/4
3. Dato' Sri Leo Suresh Ariyanayakam – 4/4
4. Dato' Nicholas John Lough @ Sharif Lough bin Abdullah – 4/4
5. Ms Karen Judith Goonting – 4/4
6. Puan Mahani Binti Amat – 4/4
7. Encik Mohd Rashid Bin Mohd Yusof – 4/4
8. Datuk Joseph Dominic Silva – 1/1*
9. Mr Loh Lee Soon – 1/1**
10. Dr Nikolai Dobberstein – 1/1**

* *Appointed to the Board on 7th February 2018*
** *Resigned from the Board on 13th November 2017*

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 30 June 2018 as stipulated under Paragraph 15.05 of the MMLR of Bursa Securities.

Minutes of Board meetings which include a record of the decisions and resolutions of the Board meetings are maintained by the Company Secretary. The Directors have full access to the advice and services of the Company Secretary who is responsible for ensuring that Board meetings procedures are adhered to. The Company Secretary also advises the Board on matters relating to corporate compliance with relevant laws and regulations affecting the Board and the Group, as well as best practices on governance.

5. Supply of Information

The Directors have full, unrestricted and timely access to all information and direct access to the SMT to enable them to discharge of their responsibilities. The Board is provided with the meeting agenda and Board papers at least five (5) working days in advance of the Board meeting date. This enables the Directors to have sufficient time to review the Board papers and seek clarification or further details from the management or the Company Secretary before each meeting to ensure preparedness for the meeting. Access to the Board papers by the Directors is done through a collaborative software which allows the Directors to securely access Board documents electronically.

Any Director may request matters to be included in the agenda, Urgent papers may be presented and tabled at the meetings under supplemental agenda.

Where applicable, briefings and presentations by management or relevant external consultants are also held at Board meetings to advise the Board and provide relevant information and clarification for informed decision making by the Board.

In addition, the Directors have unrestricted access to the advice and services of the Company Secretary and are regularly updated on new statutory and regulatory requirements relating to duties and responsibilities of the Directors. All the Directors, whether collectively as a Board or in their individual capacity, may seek independent professional advice at the expense of the Company in carrying out his or their duties respectively.

6. Retirement and Re-election of Directors

The Company's Articles of Association require at least one third (1/3) of the Board members to retire by rotation at the Annual General Meeting (the "AGM"), and also for all the Directors to retire once every three (3) years, of which the Directors will then be eligible to offer themselves for re-election.

At the forthcoming AGM, Krishnan A/L C K Menon and Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah are due to retire pursuant to Article 84, and Datuk Joseph Dominic Silva is due to retire pursuant to Article 91 of the Constitution of the Company. All the three Directors have offered themselves for re-election at the forthcoming AGM.

7. Training and Development of Directors

All the Directors have complied with the Mandatory Accreditation Programme as prescribed by Bursa Securities. The Directors are also encouraged to and have attended various conferences and seminars which are conducted both in-house and by external parties, in order to enable them to effectively discharge their duties, as well as keep abreast of the industry, regulatory and other related developments.

The seminars and training courses attended by the Directors during the financial year are as listed below:

Name of Director	Training/Conference Attended
Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	• FIDE Forum – Fintech: Opportunities for the Financial Services Industry in Malaysia organised by Perbadanan Insurans Deposit Malaysia ("PIDM") and Bank Negara Malaysia ("BNM") • Industry Seminar on Recovery and Resolution Planning in Malaysia – "A Journey Less Ordinary: Multiple Views, One Destination" organised by BNM • Elective Programme – Current Issues in Corporate Governance organised by Iclif and Financial Institutions Directors' Education ("FIDE") • Malaysian Code on Corporate Governance Update and Cyber Security Awareness Session organised by KPMG • 2018 Budget Implications to the Malaysian Economy and Capital Market organised by Securities Commission Malaysia • 2nd Securities Commission – FIDE FORUM Dialogue: Leveraging Technology for Growth organised by FIDE • The CG Breakfast Series for Directors - Leading Change @ The Brain organised by The Iclif Leadership and Governance Centre • Cyber Security: Cyber Proofing for the Next Wave organised by Securities Industry Development Corporation ("SIDC") • 1st Distinguished Board Leadership Series - Navigating the Volatile, Uncertain, Complex and Ambiguous ("VUCA") World by Professor Tan Sri Dato' Dr. Lin See Yan organised by FIDE FORUM • Cyber Security Talk by Cisco Regional Office organised by Hong Leong Bank Berhad ("HLBB") • Board Communication Session on CRR for HLBB and Hong Leong Islamic Bank organised by BNM • FIDE Elective Programme: Understanding Liquidity Risk Management in Banking organised by FIDE • 5th BNM - FIDE FORUM Annual Dialogue with the Deputy Governor organised by FIDE • FIDE FORUM: Talk by Professor Roy Chua on "Win the Innovation Race" organised by FIDE

Name of Director	Training/Conference Attended
Karen Goonting	• Enhancing Board Leadership organised by LeadWomen • Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers – Corporate Disclosure Framework organised by Bursa Malaysia Berhad • 13th Tricor Tax & Corporate Seminar 2017 organised by Tricor Corporate Services Sdn Bhd
Mahani Binti Amat	• Sustainability Reporting Framework and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad organised by KPMG • Bursa Risk Management Programme – "I Am Ready to Manage Risks" organised by Bursa Malaysia. • Boardroom-MIRA 2017 Conference: "Thriving or Just Surviving? Why Your Business Can't Afford to Ignore Compliance Regulations" organised by Boardroom Limited and MIRA • Unisem Inhouse Group Sales Meeting: New Products and Technology Updates • Automotive Semiconductors & Electronics Updates organised by Gartner • Malaysian Code on Corporate Governance 2016 organised by Deloitte PLT
Mohd Rashid Bin Mohd Yusof	• Capital Market Conference organised by Malaysian Institute of Accountants Mandatory Accreditation Programme organised by Icliff Leadership and Corporate Governance Centre • Corporate Disclosure for Listed Issuers organised by Bursa Malaysia Accountants Conference 2017 organised by Malaysian Institute of Accountants • Financial Institutions Directors Education Program organised by Icliff Leadership and Governance Centre • Understanding Liquidity Risk Management organised by Icliff Leadership and Governance Centre
Datuk Domimic Joseph Silva	• Making Corporate Boards More Effective: M&A for Boards and Executives organized by Clariden Global Executive Education, Singapore • Mega Trends Forum 2017-2018 organised by Khazanah Nasional Berhad, Kuala Lumpur • Sustainable Banking Forum organized by Bank of Thailand, Bangkok • The Challenge of building Cyber Resilience organized by EY, Malaysia • Cyber Threat and IT Risk Management organized by CIMB Thailand Public Company Limited, Bangkok

8. Board Committees

In order to enhance the Board's effectiveness as well as to comply with certain fiduciary duties, the Board has delegated the following responsibilities to standing committees, which operate within clearly defined terms of reference. The respective committees are detailed below:

- **Audit and Risk Management Committee**

  The ARMC composition, terms of reference and summary of activities is included in the Audit and Risk Management Committee Report as set out on pages 84 to 89 of this Annual Report.

- **Nomination and Remuneration Committee**

  The Nomination and Remuneration Committee ("NRC") was formed on 12 May 2010 and is responsible for proposing candidates for directorship and assessing the directors on an ongoing basis. The composition of the NRC complies with the requirements of paragraph 15.08A of the Main Market Listing Requirements ("MMLR"). In addition, the NRC assesses the contribution of individual Board members, the effectiveness of the Board and the Board Committees.

  The NRC is responsible in determining the remuneration of the Directors and senior management staff so as to ensure that the Company attracts, retains and motivates the Directors and senior management staff of the quality needed to manage the business of the Group effectively. The remuneration scheme is reflective of the individual Director's and senior management staff's experience and level of responsibilities. In addition, the remuneration for the Executive Director and senior management staff is structured to link remuneration and rewards to corporate and individual performance.

  The members of the NRC are as follows:

  1. Karen Goonting - Independent Non-Executive Director (Chairman)
  2. Dato' Mohd Salleh Bin Hj Harun – Non -Independent Non-Executive Director
  3. Mahani Binti Amat - Independent Non-Executive Director

The NRC met twice during the financial year to review the Board's structure, evaluation of Director's performances and to review the remuneration of the Executive Director and senior management staff. The attendance of the members during the financial year were as follows:

1. Dato' Mohd Salleh Bin Hj Harun – 2/2
2. Ms Karen Judith Goonting – 2/2
3. Puan Mahani Binti Amat – 1/1*
4. Mr Loh Lee Soon – 1/1**
5. Dr Nikolai Dobberstein - 1/1**

** Appointed as a member of the NRC on 13th November 2017*
*** Resigned as a member of the NRC on 13th November 2017*

The Executive Director does not participate in any way in determining the individual remuneration package of the other Directors. The remuneration and benefits of the Non-Executive Directors is determined by the NRC with the individual Directors concerned abstaining from deliberating and voting on their own remuneration. The Company pays its Directors annual fees, which are approved by the shareholders. The NRC reviews the performance of the Managing Director and considers the Board's proposed bonus and increment for the financial year.

The summary of activities undertaken by the NRC during the financial year:

- Reviewed and recommended SMT's remuneration and benefits for the financial year ended 30 June 2018;
- Reviewed and recommended the payment of Directors' fees and other benefits payable to the Directors for the financial year ended 30 June 2018;
- Reviewed the effectiveness of the Board, Board Committees and individual Directors and make appropriate recommendation to the Board; and
- Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution.

9. Board Members Appointment Process

The NRC considers and recommends new appointment to the Board. In discharging this duty, the NRC will address the suitability of an individual by taking into consideration the individual's skills, knowledge, expertise and experience, professionalism and integrity.

During the financial year, Mr. Dominic Joseph Silva was appointed to the Board. The Group would not hesitate to utilise independent sources to identify suitable candidates as and when the need arises.

10. Re-Appointment and Re-Election of Directors

In accordance with the Constitution of the Company, at least one third of the Directors shall retire from office each year at the Annual General Meeting and all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The Companies Act 2016 has removed the age limit and the re-appointment of Director who is over 70 years to be subject to shareholders' approval at each Annual General Meeting.

11. Board Gender Diversity

The Board currently does not adopt any policy on boardroom diversity, such as gender and age. The Board is of the view that while it is important to promote diversity, the normal selection criteria of a Director, based on effective blend of competences, skills, experience and knowledge in areas identified by the Board, should remain a priority so as not to compromise on capabilities, experience and qualification.

12. Board Effectiveness Evaluation

The NRC is responsible to assist the Board to assess the effectiveness of individual Directors, the Board and the Board committees. The Board effectiveness evaluation is performed annually with the objective to enhance its effectiveness, strength and to identify areas that need improvement.

The assessment is divided into four (4) sections as follows:

(i) Board and Board Committees Evaluation
(ii) Assessment of Character, Experience, Integrity, Competence and Time Commitment
(iii) Assessment on Mix of Skill and Experience
(iv) Evaluation of Level of Independence of a Director

The main criteria set out in the abovementioned sections are as follows:

- Skills and experience of individual directors.
- Roles and responsibilities of the Board and individual directors.
- Time commitment in deliberation and participation in the Board and Board committee's meetings.
- The level of independency for the Independent Directors' participation and deliberation on issues put before the Board.

During the financial year ended 30 June 2018, the effectiveness evaluation was conducted on the Board, Board Committees and individual Directors. The review was based on a Board evaluation process that had been established with the assistance of the Company Secretary in order to determine the effectiveness of the Board as a whole, its committees and the contributing performance of each individual director.

The results of the evaluation were summarised by the Company Secretary and discussed by the Nomination Committee which were then reported to the Board. The Board reviewed the results of the evaluation and is satisfied with the current composition of Board members and believes that it is well balanced with the right mix of high-caliber individuals with the necessary skills and qualifications, credibility and independence to discharge its duties and responsibilities effectively.

13. Directors' Remuneration

The Board has in place policies and procedures to determine the remuneration of Directors taking into account the need for the Group to attract and retain the right talent with the necessary skills and experience required by the Board to function effectively.

The Board is responsible for determining the remuneration scheme for its individual members. The annual fees payable to Non-Executive Directors are presented to the shareholders at the AGM for their approval. The Executive Director however, does not participate in any way when determining his remuneration package.

A summary of the Directors' remuneration for the financial year ended 30 June 2018, distinguishing between the Executive and Non-Executive Directors is as shown below:

Range of Remuneration	Executive	Non-Executive	Total
Below RM50,000	–	1	1
RM50,000 to RM100,000	–	6	6
RM1,100,000 to RM1,200,000	1	–	1
Total	**1**	**7**	**8**

The amount of remuneration received by each Director of the Company during the financial year was as follows:

Name of Director	Director's Fees RM	Audit & Risk Management Committee Meeting Allowance RM	Nomination & Remuneration Committee Meeting Allowance RM	Total RM
Executive Director Dato' Sri Leo Suresh Ariyanayakam	N/A	N/A	N/A	N/A
Non-Executive Director				
Krishnan a/l C. K. Menon	90,000	N/A	N/A	90,000
Dato' Mohd Salleh bin Hj. Harun	60,000	5,000	5,000	70,000
Karen Goonting	60,000	N/A	10,000	70,000
Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	60,000	10,000	N/A	70,000
Mohd Rashid Bin Mohd Yusof	60,000	5,000	N/A	65,000
Mahani Binti Amat	60,000	N/A	5,000	65,000
Datuk Joseph Dominic Silva (appointed on 7 Feb 2018)	30,000	2,500	N/A	32,500
Total	**420,000**	**22,500**	**20,000**	**462,500**

Salary and Benefits of Executive Director

Description	RM
Salary and Bonuses	954,432
Benefits in kind	222,100
Total	**1,176,532**

14. Accountability and Audit

(i) Financial Reporting

The Board aims to convey a balanced and understandable assessment of the Group's performance and prospects in its quarterly announcements, annual reports and other public reports to the shareholders. The Board retains the responsibility for the preparation of the Group's and Company's financial statements. The Directors are required by the Companies Act 2016 to prepare the Group's and the Company's statutory financial statements with all material disclosures, to ensure the accuracy and completeness, in compliance with MASB approved accounting standards in Malaysia for entities other than Private Entities, as well as the rules and regulations under the said Act. In order to properly achieve this, the ARMC assists the Board in over-seeing the Group's financial reporting process and the quality of its financial reporting.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016, in relation to the preparation of the financial statements is set out on page 168 of the Annual Report.

(ii) Risk Management and Internal Controls

The Board continues to maintain and review its risk management process and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholder's investments and the assets of the Company and the Group.

In discharging its duties in ensuring the effectiveness of the Group's systems of risk management and internal control, the Board has entrusted this responsibility to the ARMC. The scope and results of the ARMC's review are detailed in the Internal Control Statement as set out on pages 84 to 89 of the Annual Report.

(iii) Relationship with Auditors

The Board, through the ARMC, has a professional and transparent relationship with both the Group's internal and external auditors.

Internal Auditors

The internal auditors report directly to the ARMC and has unrestricted access to the ARMC. The internal auditors are tasked to independently review the effectiveness of the risk management process and internal controls of the Group.

The ARMC has appointed an Outsourced Professional Internal Audit firm. The Internal Audit firm conducts regular reviews on the Business Unit operations based on an annually approved Internal Audit Plan. Ad-hoc audits are also commissioned by the ARMC as and when necessary.

The objective of the Internal Audit function is to provide a disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes and serves as source of independent advice to the ARMC on the state of the internal controls and the results of the risk mitigating strategies and to recommend appropriate improvements.

The internal auditors attend the ARMC meeting quarterly to present their audit observations, recommendations and report on the status of corrective actions implemented by Management. The minutes of the ARMC meetings are tabled to the Board for information and serve as useful references, particularly if there are pertinent issues that any Directors wish to highlight or seek clarification on.

External Auditors

The ARMC and the Board place great emphasis on the objectivity and independence of external auditors in providing relevant and transparent reports to the shareholders. The ARMC undertakes an assessment on the independence of the external auditors annually.

The Board has obtained assurance from the external auditors on their independence in discharging their duties throughout the conduct of the audit engagement.

The external auditors attend the ARMC meeting twice during the financial year to discuss their audit plans, fees, audit findings and their review of the Company and the Group financial statements.

Disclosure of non-audit fees is included under Additional Compliance Information as set out on page 175 of the Annual Report.

Other facets of the relationship between the ARMC and both the internal and external auditors are elaborated in the Audit and Risk Management Committee Report as set out on pages 84 to 89 of the Annual Report.

15. Whistleblowing

The Group is committed to the highest standard of integrity and accountability in the conduct of its businesses and operations. In striving to conduct its affairs in an ethical, responsible and transparent manner, the Group provides an avenue for all employees and stakeholders of the Group to disclose any improper conduct within the Group vide the implementation of the Group's Whistleblowing Policy which is published on the Group's website at www.scicom-intl.com.

The Whistleblowing Policy establishes the Group's position in encouraging employees and other stakeholders to raise genuine concerns about possible improprieties in matters relating to financial reporting, compliance and other malpractices or misconduct that may have occurred. The whistleblowing channels are established to help employees and other stakeholders raise concerns directly to either of the two designated Independent Directors who are members of the ARMC without fear of reprisals or retaliations.

The identity of the whistleblower is kept confidential and protection is accorded to the whistleblower against any form of reprisal or retribution. Any concerns raised will be investigated by the two Independent Directors and a report and update will be provided to the Board for review and ascertain further action(s) as appropriate.

16. Employees Code of Conduct

The Group's Employee Engagement Team conducts regular engagement, dialogue and training programs to inculcate the core values as the Corporate Culture of the Group.

All employees are required to read, understand and abide by the Code and the Code will be reviewed from time to time by the Board. The Code describes measures put in place to handle issues relating to:

- Conflicts of interest;
- Corrupt practices which include the offering and acceptance of gifts and/or other forms of benefits;
- Unlawful and unethical behaviour;
- Protection and proper use of company assets; and
- Compliance with laws, rules and regulations.

17. Qualified and Competent Company Secretary

The Company Secretaries are appointed by the Board and attend all Board and Board Committee meetings. They are responsible for providing Directors with advice on compliance and corporate governance issues.

The Board has unrestricted access to the advice and services of the Company Secretaries. The Company Secretaries plan an advisory role to the Board in relation to the Company's constitution, Board's policies, procedures and compliance with the relevant regulatory requirements including codes or guidance and legislations.

18. Shareholders and Other Stakeholders

(i) Communication between the Company and its Investors and Other Stakeholders

There is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

The Board acknowledges the importance of on-going engagement and communication with stakeholders and to ensure that communication is timely, regular, transparent and effective.

The Group has established a dedicated section for Investor Information on the Group's website at www.scicom-intl.com where shareholders as well as members of the public may access the latest information on the Group. Information is also communicated through the following channels:

- Various disclosures and announcements to Bursa Securities including quarterly results;
- Press releases and announcements to Bursa Securities and to the Media;
- Publication of the Group's Annual Report; and
- Conduct Annual General Meetings.

Annual Report

Annual Report is a vital source of information for shareholders, investors and the general public. Information on the Group's business performance, financials and its management are disclosed in the Annual Report. The contents of the Annual Report are continuously enhanced to take into account the latest development in corporate governance and regulatory requirements.

While the Group endeavors to provide as much information as possible to its shareholders, the Group is mindful of the legal and regulatory frameworks governing the release of material and price sensitive information.

The Group's Annual Report for the financial year ended 30 June 2018 adopts an integrated reporting approach which covers how the Group's performance, governance and future business prospects are connected towards achieving value creation for its shareholders.

The complete printed version of the Annual Report is sent to every shareholder. An online version of the Annual Report is also available on the Group's corporate website.

(ii) Announcements to Bursa Securities

Announcements on quarterly financial results, circulars and other general announcements are made via Bursa LINK in full compliance with regulatory authorities' disclosure requirements and is also made available on the Group's corporate website.

(iii) Investor Relations

The Board recognises the importance of keeping shareholders and investors informed of the Group's business and corporate developments. The Board's primary contact with major shareholders is via the Executive Director/Chief Executive Office and the Chairman, who have regular dialogue with institutional investors and deliver presentations to analysts periodically.

The objective is to provide updates on the Group's financial performance, corporate developments as well as to discuss strategic matters and address issues that the institutional investors and analysts may have with respect to the business or operations of the Group.

(iv) Company Website

The Corporate website for the Group can be accessed by the public at www.scicom-intl.com. It archives all corporate and financial information made to the public, such as the quarterly announcement of the financial results of the Group, announcements and disclosures made pursuant to the disclosure requirements as set out in Bursa Malaysia Main Market Listing Requirements and other corporate information on the Group.

The corporate information section is also on the website where information such as profile of Directors, Board Charter, Code of Conduct and Terms of Reference for ARMC and NRC are made available to the shareholders and public.

(v) The Annual General Meeting and Communication with Stakeholders

The Annual General Meeting ("AGM") is the principal forum for dialogue and communications, offers an opportunity for the Board and the SMT to interact with the shareholders. During the AGM, the Chairman, other Board members, SMT and Group's external auditors are available to respond to any questions and queries as raised by the shareholders. Where appropriate, the Chairman will endeavour to provide the shareholders with written answers to any significant questions which cannot be readily answered during the AGM.

Shareholders are encouraged to participate in the proceedings and pose questions about the resolutions proposed and the Group's business operations and to raise questions with regards to the Group as well as to discuss any other important matters with the Board.

During the AGM there is a presentation by the Group CEO on the Group's financial presentation. During the AGM the Chairman will invite shareholders to raise questions pertaining to the audited financials and other items for adoption at the meeting before putting the resolution to vote.

The AGM and general meetings serve as principal forums for our shareholders to engage directly with the Board and senior Management. As recommended by the MCCG, the notice of AGM will be despatched to shareholders at least twenty-eight (28) days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements.

Statement of Compliance with the Best Practices of the Code

The Group is committed to achieving high standards of Corporate Governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set out in the Code.

This Statement is made in accordance with the resolution adopted by the Board at its meeting held on 27 August 2018.

Pursuant to paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, the Board of Directors (the "Board") of Scicom (MSC) Berhad (the "Company") is pleased to provide the following statement which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review. The Board is responsible and accountable for maintaining a sound process of rismanagement and internal control practices to safeguard shareholders' investments and the assets of the Company and its group of companies (the "Group"). The risk management and internal control statement outlines the nature and features of risk management and internal controls within the Group to safeguard the Group's shareholder investment and assets for the financial year ended 30 June 2018.

BOARD ACCOUNTABILITY

The Board is ultimately responsible for the Group's risk management and internal control systems, and for reviewing its effectiveness in providing its shareholders with a return on their investments that is consistent with a responsible assessment and management of risks. The Board recognises the importance of maintaining a sound system of risk management and internal controls, which includes the establishment of an appropriate control environment and framework, covering risk management, financial, organisational, operational and compliance controls.

The Board acknowledges its responsibility with regards to the following:

- Identification of principal risks and over-sight over the implementation of appropriate control measures in order to manage risks; and

- Reviewing the adequacy, effectiveness and integrity of the internal control systems and management information systems, as well as systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Group's system of risk management and internal control applies principally to the Company and its subsidiaries. Jointly controlled entity has been excluded because the Group does not have full management control and/or majority Board representation.

The Senior Management Team ("SMT") is responsible for implementing the Board's policies on risks and controls, whereas the remaining human capital is made responsible for internal controls through their accountability in achieving the Group's overall objectives.

In view of the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate, risks that may impede the achievement of the Group's business objectives. Accordingly, the internal control systems in place can only provide reasonable but not absolute assurance against material misstatement or losses.

The Board recognises that the Group is growing, and thus the system of internal control will continue to be enhanced to suit the needs and requirements of the expanding Group.

RISK MANAGEMENT

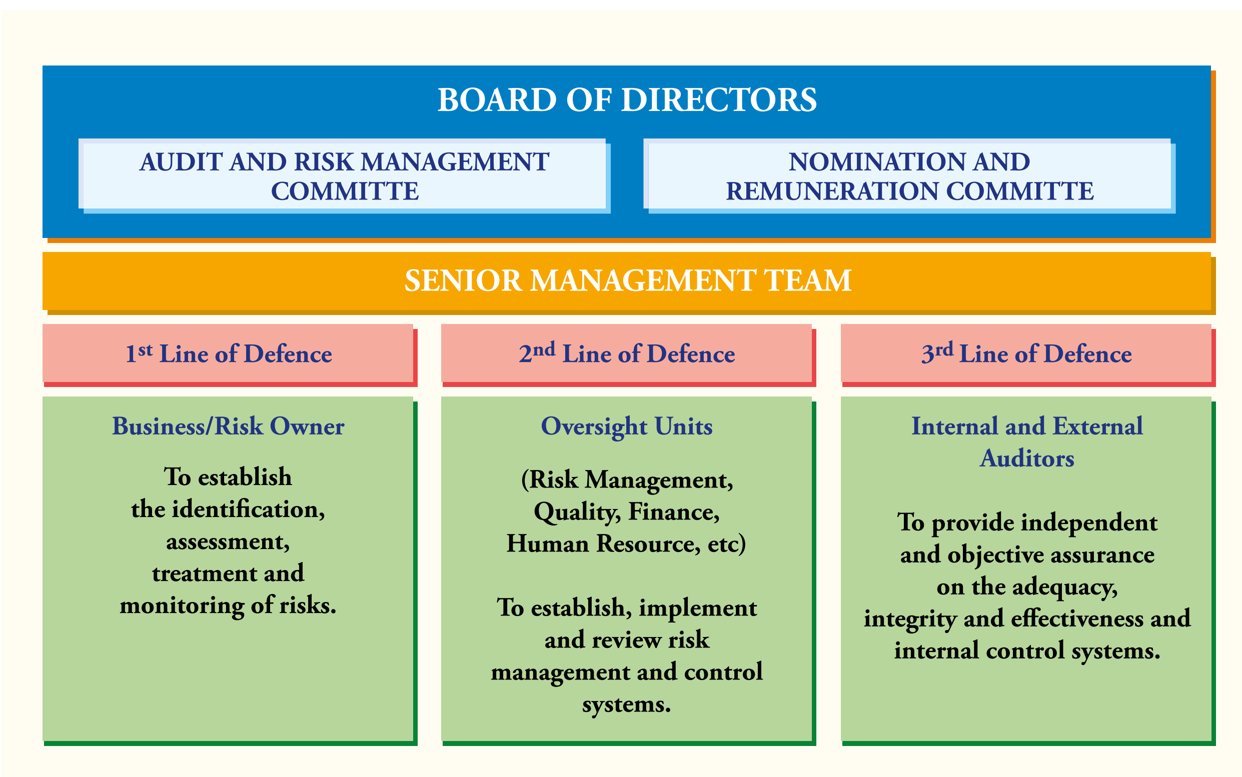
The Board recognises the importance of establishing a structured risk management framework to sustain and enhance good corporate governance practices. The Board has established risk governance structure and risk management framework to facilitate on-going risk management processes for identifying, evaluating and managing significant risks faced, or that the Group may potentially be exposed to in pursuing its business objectives.

Risk Governance Structure

The risk governance structure provides a transparent and effective structure involving active participation of the Board and SMT in the risk management process to ensure a uniform view of risk across the Group with clearly defined roles and responsibilities of all stakeholders, taking into consideration the three (3) lines of defence governance model in the risk management process.

The Audit and Risk Management Committee ("ARMC") through the SMT is also responsible for creating and promoting a risk aware culture amongst the Group's human capital, via a readily accessible knowledge framework for risk management.

The Risk Officer works closely with the SMT in the implementation of the risk management policy and procedures as well as in the process of identification, evaluation, implementation and monitoring of action plans to mitigate risks identified. Periodic reviews are conducted by the Risk Officer to ensure compliance and that risks are adequately identified and addressed in a timely manner. Matters arising during the periodic reviews are reported and escalated or cascaded, as the case may be, in a timely manner to the SMT and the ARMC as appropriate.

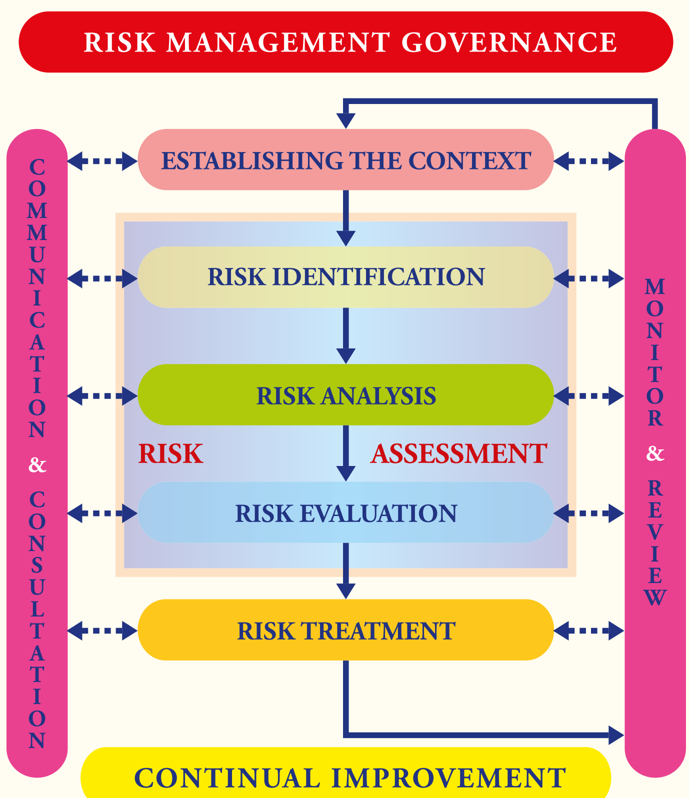


Risk Management Framework

The risk management framework adopted by the Group is generally aligned with principles and guidelines in the ISO 31000 standard on Risk Management.

The adequacy and effectiveness of risk management processes are continually reviewed by the Board in accordance with the Group's risk monitoring and reporting of significant risks that may impact the achievement of the Group's business operations and evaluating the adequacy and effectiveness of controls in place to mitigate these risks.

Risk Management Framework	Description



Risk Management Governance
Define risk management governance structure, roles and responsibilities and risk management framework.

Establishing the Context
Identify internal and external factors and parameters relevant to risk management and defined risk appetite.

Risk Assessment
Identify risks using the six sigma (5W1H) methodology, analyse and evaluate impact of risks (i.e. likelihood and significance of risk).

Risk Treatment
Ascertain the measures in place and to be put in place to manage risks.

Monitoring and Review
Regular risk reporting and monitoring.

Communication and Consultation
Effective communication of risk and how it is managed, including seeking internal/external consultation where applicable.

Continual Improvement
Continuous improvement on risk management framework and processes within the Group.

Principal Risks

The Group has identified the following principal risks which are critical to the success of the Group's business objectives:

- Economic Environment
- Regulatory
- Information Security
- Human Capital
- Business Continuity

Risk Management Activities During the Financial Year

During the financial year under review, the following risk management activities were conducted:

- The Board reviewed, refined and approved the Group risk management framework, including the risk appetite.
- The Board reviewed the significant risks identified for the Group and the mitigation plans associated thereto as well as the changes to Group risk profile on a quarterly basis.
- The Board reviewed, refined and approved the Group's Whistleblowing Policy.

CONTROL ENVIRONMENT AND STRUCTURE

In addition to the risk management process, the Board and SMT have established numerous processes to ensure the effectiveness and integrity of the internal control system, taking into consideration changes to the business environment and/or regulatory guidelines. The key elements of the Group's control environment include the following:

Organisation Structure

The Board is supported by established Committees in the execution of some of the Group's fiduciary responsibilities, namely the ARMC and the Nomination and Remuneration Committee. Each Committee has clearly defined terms of reference.

The Group has in place an organisation structure with defined scope of responsibility and clear lines of accountability. A process of hierarchical reporting is in place which provides for a documented and auditable trail of accountability. The daily implementation of the Group's strategies is delegated to the SMT, which has established well-structured management reporting procedures for effective supervision of the Group's operations by the Board. The respective Heads of Departments, for both operations and shared services, report on any deviations in corporate strategy and monitor the Group's progress towards the attainment of its business objectives.

The Board and the ARMC respectively, communicate their views on the controls procedures to the SMT in the following manner:

- On an ad-hoc basis during the Board and the ARMC meetings respectively; and/or
- As and when updates to both the Code or current internal control policies and procedures are tabled to both the Board and the ARMC, for their approval.

Audit and Risk Management Committee

The Board has empowered the ARMC, which meets at least on four (4) occasions each financial year, to review the adequacy and integrity of the Group's system of risk management and internal controls. The ARMC assumes the overall duties of reviewing the external auditors' annual audit plan and audit reports, as well as findings and recommendations on internal controls, governance and efficiency matters, if any, as highlighted annually in their Internal Control Memorandum.

In addition, the ARMC also reviews and approves the adequacy of the scope as per the internal auditors' audit plan for the financial year. As part of its terms of reference, the ARMC also obtains assurance on the Group's system of risk management and internal controls via quarterly updates from the Group Chief Executive Officer ("Group CEO"), the Chief Financial Officer ("CFO"), the Risk Officer and both the internal and external auditors.

The details of activities carried out by the ARMC are set out in the Audit and Risk Management Committee Report on pages 84 to 89.

Internal Audit

The internal audit function is established by the Board to undertake continuous review and assessment on the adequacy, effectiveness and efficiency of risk management and internal controls implemented by the Group. It reports directly to the ARMC of the Board and is independent from the activities or operations of the Group. This function of the Group has been outsourced to an independent third party. The ARMC has engaged the services of an independent professional firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and efficiency of the Group's system of internal controls in discharging their governance responsibilities.

The internal auditors adopt the Institute of Internal Auditors' International Professional Practices Framework ('IPPF') which includes the definition of internal auditing, code of ethics and the international standards for the Professional Practice of Internal Auditing.

The internal audit plan is prepared using a risk-based approach and presented to the ARMC for approval on a yearly basis. The audit plan is updated quarterly to take into consideration the changes in the risk profile. The audit area focuses on areas of high risk to ensure that adequate correction actions are in place to mitigate the risk in a timely manner.

Observations arising from the internal audit are presented, together with Management's response and proposed corrective actions, to the ARMC for review and approval. The internal auditors subsequently perform follow up audit to determine the extent of corrective actions implementation and report the status on the closure of audit issues to the ARMC on a quarterly basis. It is the responsibility of the Management in ensuring that corrective actions are implemented in a timely manner.

Limits of Authority

The Limits of Authority ("LOA") manual sets out the authorisation limits for various levels and also those matters requiring Board approval to ensure segregation of duties, accountability and control over the Group's financial commitments. The LOA manual is reviewed and updated periodically to reflect business, operational and structural changes as appropriate.

Formal organisational structure is in place with all the companies in the Group with clear reporting channels established. Appropriate approval process and authority limits are in place on procurement transactions covering both capital and revenue expenditure items, acquisition and disposal of assets and other major business transactions.

Policies, Guidelines and Procedures

The Group's policies, guidelines and procedures are continuously reviewed and further enhanced, where possible, on a periodical basis in order to raise the standards of the Group's current system of internal controls. The Board has in place extensive and properly documented policies, guidelines and procedures, which are made readily available to the Group's human capital via the Group's intranet website.

Whistleblowing Policy

The Group has in place a 'Whistleblowing' policy which provides an avenue for employees and general public to report actual or suspected malpractice, misconduct or violations of the Group policies and procedures in a safe and confidential manner.

Code of Business Conduct

The Board has in place a written Code of Business Conduct and Ethics ("Code") available on the Group's intranet website (accessible by all the Group's human capital), which summarises many of the rules and regulations that the Group and all its employees are required to live by. Included in the Code is a section in relation to the "accuracy of company records", which emphasises the need for accurate recording and reporting of information, all business records and communications to be clear, truthful and accurate, and prohibition of false entries being made in the Group's books and records.

The Group has also put in place the "No Gifts and Entertainment" policy applicable to all employees. The purpose of this policy is to uphold ethical and responsible behavior by all employees and to avoid conflict of interest situation in any ongoing or potential business dealings with various suppliers and service providers.

Information Security Management

Confidentiality, integrity and availability of information are crucial at various extents to the day-day operations and strategic decision making of the Group. To safeguard the information assets (which can be in various forms – digital, manual, disc, tape, etc), the Group has established an Information Security Policy and Information Risk Management Guideline to clearly define the roles and responsibilities as well as the processes for effective management of information assets (covering the end-to -end life cycle of an information asset from the creation, management, use, handling up to its disposal) and its associated risks.

Strategic Business Plan and Annual Budget

The SMT currently has in place a comprehensive business plan and detailed budgeting process where all business units and shared services prepare budgets for the financial year which are approved both at operating unit level and by the Group CEO and the CFO. The preparation of the annual budget is driven by the Finance Department via inputs from the respective Heads of Departments, Heads of Operations and other shared services.

Upon approval of the annual budget by the Board, the Group's performance is tracked and measured against the approved budget on a monthly basis, with explanation of significant variances being highlighted to the attention of the Group CEO by the Finance Department. The Board reviews the Group's quarterly results, as announced to Bursa Malaysia, to enable them to gauge the Group's financial performance and position, in comparison with prior periods as well as the approved annual budget.

Business Continuity Planning

The Group's Business Continuity Planning ("BCP") function is headed by the SMT, which is responsible for identifying activities and operations which are critical to the sustainability and continuity of business in the event of a disaster or other adverse circumstances. The SMT's BCP-related activities include the establishment of succession planning, put in place additional redundancies in network infrastructure and the establishment of a secondary data centre where key operational activities can be resumed in the event of disaster occurrence.

The SMT has employed a risk-based approach in identifying the key initiatives and their respective levels of importance, via the review of the Group's critical systems, single point failures and their impact on the Group's overall business. During the financial year, selected critical areas as identified by the risk priority were tested to assess the effectiveness of the implemented BCP initiatives and these tests were successfully executed. BCP is an on-going project which will require continuous updating and testing.

Human Capital Competency and Talent Management

The competencies of employees are enhanced through structured development programs and potential candidates are subject to a stringent recruitment process. A Performance Management Process is established with performance indicators to measure employee performance and performance reviews are conducted on a regular basis. Action plans to address employee development needs are prepared and implemented timely in order to ensure that employees are able to deliver expected performance and therefore contribute to meeting the Group's business objectives, plans and targets.

As part of the human capital management process, the Group has also put in place an annual Employee Satisfaction Survey involving all employees of the Group, namely 'SPEAK'. The results of SPEAK, including a compilation of verbatim feedback and comments from participated employees is used by the SMT to assess the adequacy and effectiveness of existing human capital management dealings as well as to identify employees' areas of concern to facilitate formulation of remediation plans and/or improvement measures.

In addition, the Group promotes a harmonised and cohesive working environment for all our employees. An employee grievance procedure is in place to provide an avenue for employees to raise concerns or issues on work rules and regulations, policies and procedures, health and safety, wages, individual victimisation, harassment, etc so that adequate actions can be taken by Management in assisting our employees to address and/or resolve their concerns or issues without jeopardising their performance at work.

External Certifications

The Group's operations are periodically monitored, reviewed and evaluated so as to maintain its annual International Organisation for Standardisation ("ISO") 9001 on Quality Management Systems, ISO 27001 on Information Security Management System and Service Capability and Performance ("SCP") Standards certification or accreditation status.

Statutory Audit

As part of the annual statutory audit of the Group, the external auditors are required under International Standards on Auditing, to obtain an understanding of the accounting and internal control systems sufficient to plan their audit and develop an effective audit approach. In doing so, the external auditors may carry out a review of certain internal control systems as significant to the Group, and issues any internal control deficiencies, together with their respective recommendations for improvement, if any, will be highlighted to the ARMC in the form of an Internal Control Memorandum.

Management Accountability

Management is accountable to the Board for the implementation of processes in identifying, evaluating, monitoring and reporting of risks and internal control. The Board has received assurance from the Group CEO and the CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Group.

Review of this Statement by External Auditors

This Statement on Risk Management and Internal Control has been reviewed by the external auditors as required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia for inclusion in the Annual Report for the year ended 30 June 2018. The limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External auditors to perform an opinion on the adequacy and effectiveness of the risk management and internal control of the Group.

The External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the effectiveness, adequacy and integrity of the risk management and internal controls of the Group.

CONCLUSION

Based on the above, the Board is satisfied and of the view that the Group's system of risk management and internal controls are sound and sufficient to safeguard shareholders' interest and assets of the Group. There were no material losses incurred during the financial year under review up to the date of the Annual Report as a result of weaknesses in internal control that would result in material losses, contingencies or uncertainties requiring separate disclosure in the Annual Report.

The Board believes that the development of the system of risk management and internal controls is an on-going process and has taken steps throughout the financial year to improve on the existing risk management and internal control processes and procedures, and will continue to do so, on an on-going basis. This highlights the Boards commitment in ensuring the adequacy and effectiveness of the system in protecting the shareholders' investment and the Group's assets.

This Statement is made in accordance with the resolution adopted by the Board at its meeting held on 27 August 2018.

Audit And Risk Management Committee Report

The Board of Directors (the "Board") of Scicom (MSC) Berhad (the "Company") is pleased to present the Audit and Risk Management Committee (the "Committee") Report for the financial year ended 30 June 2018.

A. COMPOSITION AND MEETINGS

During the financial year under review, the Committee comprised of the following members:

1. Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah
   Chairperson/ Independent Non-Executive Director
2. Mohd. Rashid Bin Mohd Yusof
   Independent Non-Executive Director
3. Datuk Joseph Dominic Silva
   Independent Non-Executive Director
4. Dato' Mohd Salleh bin Hj. Harun
   Non - Independent Non-Executive Director

During the financial year, the Committee met four (4) times in discharging its duties and responsibilities in accordance with the Committee's terms of reference. The attendance of members is as follows:.

1. Mr Loh Lee Soon – 1/1 *
2. Dr Nikolai Dobberstein - 1/1 *
3. Dato' Mohd Salleh Bin Hj Harun - 4/4
4. Dato' Nicholas John Lough @
   Sharif Lough bin Abdullah – 4/4
5. Encik Mohd Rashid Bin Mohd Yusof – 3/3
6. Datuk Joseph Dominic Silva - 1/1 **

* *resigned on 13th November 2017*
** *appointed on 7th February 2018*

The Company Secretary acts as the Secretary in all the committee meetings. The external auditors attended two (2) out of the four (4) meetings. A separate private session was conducted without the Management's presence in both the meetings.

A brief profile of the individual Committee members is included in the Board of Directors – Profiles as set out on pages 18 to 21.

The Committee was established by the Board on 30 August 2005 in compliance with the Main Market Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and governed by the following terms of reference:

1. Composition

The Committee members shall be appointed by the Board from amongst their members and shall consist of at least three (3) members with the majority being Independent Directors.

At least one member of the Committee shall be a member of the Malaysian Institute of Accountants or shall possess at least three years' working experience and have passed the examinations set out in Part II of the First Schedule of the Accountants Act 1967.

No alternate Director/s shall be appointed to be member/s of the Committee.

The members of the Committee shall elect a Chairman from amongst its members who shall be an Independent Non-Executive Director.

The Board must ensure that the Group Chief Executive Officer ("Group CEO") shall not be a member of the Committee.

The Board reviews the terms of reference and evaluates the performance of the Committee and each of its members at least once every three years, to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2. Meetings

(a) Frequency
The Committee shall meet at least quarterly and as many times as the Committee deems necessary with due notice of issues to be discussed.

(b) Proceedings

At least four (4) meetings are held in a financial year. However, meetings are also held as and when required upon the request of the external auditors to consider any matter that the external auditors believe should be brought to the attention of the Director/s and/or shareholders.

The quorum for each Committee meeting shall be two (2) members and majority of the members present must be Independent Non-Executive Directors.

The agenda of the Committee meetings shall be circulated to the members of the Committee before each meeting. The Committee may require the external auditors and any officer of the Company to attend any of its meetings as it determines.

If, at any meeting, the Chairman of the Committee is not present within 15 minutes of the time appointed for holding the same, the members of the Committee shall choose another member, who shall be an Independent Non-Executive Director, to be the Chairman of such meeting.

The Company Secretary shall be the Secretary of the Committee.

Decisions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman of the Committee shall have a second or casting vote.

(c) Attendance

The presence of the external and internal auditors (if any) respectively at any Committee meeting, can be requested if required by the Committee.

Other members of the Board and officers of the Company and the Group may attend the meeting (specific to the relevant meeting) upon invitation of the Committee.

(d) Keeping and inspection of minutes

The Company shall keep the minutes of all proceedings of the Committee meetings to be entered in books kept for that purpose within fourteen (14) days of the date upon when the relevant meeting was held.

Those minutes to be signed by the Chairman of the Committee meeting at which the proceedings were held, or by the Chairman of the next succeeding meeting, shall be evidence of the proceedings to which it relates.

The books containing the minutes of proceedings of the Committee meeting shall be kept by the Company at the place to be determined by the Board and shall be open to the inspection by any members of the Board or Committee respectively, without any charge.

The minutes of the Committee meeting shall be circulated to the members of the Board for notation.

3. Authority

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

- have the authority to appoint the internal auditor of the Company;
- have explicit authority to investigate any matter within the terms of reference;
- have the resources the Committee requires to perform the duties;
- have full access to any information which the Committee requires in the course of performing the duties;
- have unrestricted access to the CEO of the Company;
- have direct communication channels with the external auditors and person carrying out the internal audit function (if any);
- be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company;
- be able to invite others with relevant experience to attend its meetings, if necessary; and
- be able to convene meetings with the external auditors, excluding the attendance of the Executive Board members, whenever deemed necessary.

4. Duties and Responsibilities

The duties and responsibilities of the Committee shall include the following and other duties as may be determined by the Board from time to time:

(a) Review, appraise, report and make recommendations to the Board on the following:

- The adequacy of the risk management framework and the appropriateness of processes in place for the identification and management of significant risks;
- The quality and effectiveness of the accounting and internal control system of the Group;
- The nomination and appointment of internal and external auditors, including audit fee payable;
- The adequacy of the nature, scope and quality of the external audit plan/ arrangements;
- The adequacy of scope, functions and resources of the internal audit functions and that it has the necessary authority and capability to carry out its work. The internal audit function is outsourced to an external professional firm which reports directly to the Committee;
- The adequacy of co-operation and assistance provided by the employees of the Group to the internal and external auditors;
- Issues and/or reservations arising from the interim and final audits on any significant audit findings, reservations and difficulties encountered or material weakness reported;
- The appropriateness of accounting policies adopted by the Group and the effects of any change in accounting principles or of any development emanating from the accounting profession or any statutory authority;
- Compliance with accounting standards and regulatory requirements, any change in accounting policies and practices, significant issues arising from the audit and major judgment issues;
- Review of the quarterly and annual audited financial statements of the Group before submission to the Board, focusing in particular on the going-concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgment;
- Review the management representation letter provided to the external auditors in relation to the audited financial statements of the Company and the Group; and
- The adequacy of disclosure of information essential for a fair presentation of the financial affairs of the Group.

(b) Retirement and resignation of the Committee Member

A member of the Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves. In the event of any vacancy in the Committee, the Company shall fill the vacancy within two (2) months, but in any case, not later than three (3) months.

B. SUMMARY OF ACTIVITIES

During the financial year under review, the activities undertaken by Committee included the following:

a. Risk Management and Internal Control

The Committee acknowledges that effective risk management is an essential and indispensable part of corporate management. The Group strives to embed within the organizational structure, defined roles and responsibilities for all aspects of risk management with the appropriate tools to support the identification, assessment, treatment and reporting of key risks.

The Group endeavours to develop, implement and maintain sound risk management practices and systems that are consistent with good corporate governance by applying the following risk management policies:

- Reviewed and endorsed the Group's risk management framework, risk management policy and the Group's risk profile.
- Reviewed and monitored the progress of on-going risk management activities for identifying, evaluating, monitoring and managing risks.

- Reviewed quarterly reports on changes in the Group's risk profile to ensure significant risks are managed effectively in a timely manner.
- Reviewed the Group's internal control system and practices to ensure that they are operating adequately and effectively.
- Received assurance from the Group CEO and CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

b. Internal Audit

- Reviewed the internal auditor's terms of engagement, proposed remuneration and internal audit plan to ensure adequacy of scope and coverage on auditable entities or areas, taking into consideration the changes in the Group's risk profile, before recommending the same to the Board for approval.
- Reviewed the adequacy of resources and competencies of internal audit functions.
- Reviewed the internal audit reports on the following;
    - The effectiveness and adequacy of governance, risk management, operation and compliance processes.
    - Recommendations by the internal auditors, the representations made and the corrective actions taken by Management in addressing and resolving issues and ensured that all issues were adequately addressed on a timely basis.
- Reviewed the results of ad-hoc investigations performed by the internal auditors and the actions taken relating to those investigations.
- Held private meetings with the internal auditors without the presence of Management to discuss matters that they may wish to present.

c. External Audit

- Reviewed the external auditor's terms of engagement, proposed remuneration and the audit plan for the financial year to ensure that their scope of work adequately covers the activities of the Group, before recommending the same to the Board for approval.
- Reviewed audit report presented and discussed with External Auditors on the Audited Financial Statements for the financial year ended 30 June 2018, particularly on issues that arose during the course of the audit and their resolution, key accounting and audit adjustments as well as the unadjusted differences identified during the audit.
- Met with the External Auditors without the presence of Management to discuss matters that they may wish to present.
- Reviewed management representation letter provided to the External Auditors.
- Reviewed the independence and objectivity of the External Auditors and their services including non-audit services.
- Reviewed the independence and objectivity of External Auditors and the effectiveness of their services rendered (including non-audit services) and made recommendations to the Board of Directors on their re-appointment and remuneration.

Description	Amount (in RM)
Statutory audit fees	234,000
Non-audit fees	53,075
% of non-audit fees, over statutory audit fees	22.68%

d. Financial Reporting

- Reviewed the quarterly financial results and annual audited financial statements of the Group and the Company, including the announcements pertaining thereto, before submission to the Board for consideration and approval.

e. Corporate Governance

- Reviewed the related party transactions entered into by the Group and ensured that proper disclosures are made in line with the Listing Requirements.
- Reviewed any conflict of interest situation that arises within the Group including any transaction, procedure or course of conduct that raises issues on integrity.

f. Related Party Transactions

- Reviewed the related party transactions involving subsidiaries and vendors within the Group and to ensure that they were undertaken on an arm's length basis and on normal commercial terms and not favourable to any related party than those generally available to the public.

g. Others

- Reviewed the Statement on Risk Management and Internal Control, the Corporate Governance Statement and the Audit and Risk Management Committee Report, prior to their inclusion in the annual report.
- Considered other matters as the Committee considers appropriate or as authorised by the Board.

C. INTERNAL AUDIT FUNCTION

The Committee is aware of the importance of an independent and adequately resourced internal audit function in discharging its duties and responsibilities. The Group's Internal Audit Department assists the Audit Committee in reviewing the effectiveness of the Company's internal control systems whilst ensuring that there is an appropriate balance of controls and risks in achieving its business objectives. The Internal Audit also carries out investigative audit where there are improper, dishonest and illegal acts reported.

The internal audit reviews the effectiveness of the internal control structures over the Group's activities focusing on high risk areas using a risk-based approach. The scope of Internal Audit covers the audits of all operating units and follow-up audits on all key departments and operations, including subsidiaries within the Group.

The Group's internal audit function is carried out by a third party professional company, which is independent of the activities and operations of the Group. The internal auditors adopt the Institute of Internal Auditors' International Professional Practices Framework ('IPPF') which includes the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

The internal auditors are empowered by the Committee to conduct independent scheduled audits to ensure there are effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board. The internal auditors also conduct additional assurance assignments and/or special reviews upon request by the Committee and/or the Board.

The internal auditors present their reports to the Committee on a quarterly basis. The report provides results of the audit conducted are submitted to the Committee for review and deliberation. Key control issues, significant risk and recommendations are highlighted, along with Management's responses and actions for improvement and/or rectification, where applicable. This enables the Committee to execute its oversight function by reviewing and deliberating the audit issues and recommendations as well as Management's responses. Where applicable, the Committee will direct the Management to take cognizance of the issues raised and establish necessary steps to strengthen the system of internal control based on the Internal Audit's recommendations.

During the financial year, the internal auditors carried out the following activities in accordance with the internal audit plan approved by the Committee which includes:

(i) Internal Audit Execution

Internal audits were executed covering the following areas:

- Business Processing Outsourcing ('BPO') operations management.
- Operation and management of the Group's Information and Communications Technology ('ICT') Department, including ICT-related business continuity management.
- Operation and management of the Group Human Resource Department.
- E-Government operations management.

The key control issues, positive observations, risks and relevant recommendations for improvement along with the Management agreed corrective actions were presented to the Committee for deliberation and approval.

(ii) Follow Up Audit Execution

Regular follow up audits were conducted with Management on agreed corrective actions taken on outstanding audit issues to ensure key risks and control weaknesses were addressed effectively and timely. The status of implementation of the said agreed corrective actions were reported to the Committee on a quarterly basis.

(iii) Audit Plan for FY2018/2019

Prepared and presented the audit plans for FY2018/2019 to the Committee for deliberation and approval. The audit plans were prepared using risk-based approach to ensure that the audit plans are prioritised based on the Group's significant risks and inputs from various sources including the Group risk profile, business plans and strategies, past audit issues and feedback from external audit, Management and the Committee.

The cost incurred by the Group's internal audit during the financial year amounted to RM80,000.

This Audit and Risk Management Committee Report is made in accordance with the resolution of the Board of Directors on 27 August 2018.

Statement Of Directors' Responsibility

The Directors are responsible for ensuring that the financial statements of the Group and the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2018.

In preparing the financial statements for the financial year ended 30 June 2018, the Directors have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgment, estimates and assumptions based on their best knowledge of current events and actions;
- Ensured adoption of the applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act 2016; and
- Prepared the financial statements on a going-concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at all times the financial position of the Group and the Company to enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for safeguarding the assets of the Group and for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, loss or fraud.

A Statement by Directors pursuant to Section 251 of the Companies Act 2016 is set out on page 168 of the Audited Financial Statements.

CONTENT

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

SCICOM (MSC) BERHAD
(Incorporated in Malaysia)

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DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of an investment holding company and the provision of customer contact centre services within the Business Process Outsourcing ("BPO") space. The Group provides outsourcing services comprising BPO services which offers multi-lingual, multi-channel customer care, technical support help desk, consultative sales and associated fulfilment and education which includes educational and industrial training services primarily focused on customer care in the service industry. Details of the principal activities of the subsidiaries and joint venture are shown in Note 16 and Note 17 respectively to the financial statements.

There have been no significant changes in the principal activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Total comprehensive income for the financial year attributable to:		
- Owners of the Company	31,651,997	31,462,157
- Non-controlling interest	(303,924)	-
Total comprehensive income for the financial year	31,348,073	31,462,157

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 30 June 2017 were as follows:

		RM
(a)	In respect of the financial year ended 30 June 2017, a fourth interim dividend of 3 sen, tax exempt, per ordinary share, paid on 27 September 2017	10,663,607
(b)	In respect of the financial year ended 30 June 2018, a first interim dividend of 2 sen, tax exempt, per ordinary share, paid on 12 December 2017	7,109,071
(c)	In respect of the financial year ended 30 June 2018, a second interim dividend of 2 sen, tax exempt, per ordinary share, paid on 8 March 2018	7,109,071
(d)	In respect of the financial year ended 30 June 2018, a third interim dividend of 2 sen, tax exempt, per ordinary share, paid on 21 June 2018	7,109,071
		31,990,820

On 27 August 2018, the Board of Directors declared a final interim dividend of 3 sen, tax exempt, per ordinary share of RM10,663,607 which is to be paid on 28 September 2018.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year have been disclosed in the financial statements.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Krishnan a/l C. K. Menon	
Dato' Mohd Salleh bin Hj. Harun	
Dato' Sri Leo Suresh Ariyanayakam	
Karen Judith Goonting	
Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	
Mahani Binti Amat	
Mohd Rashid Bin Mohd Yusof	
Datuk Joseph Dominic Silva	(appointed on 7 February 2018)
Dr. Nikolai Dobberstein	(resigned on 13 November 2017)
Loh Lee Soon	(resigned on 13 November 2017)

DIRECTOR OF A SUBSIDIARY

The Director of a subsidiary (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this Report is Datuk Omar Shariff bin Mydeen.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

Details of Directors' remuneration as required by the Fifth Schedule of the Companies Act 2016 in Malaysia are set out in Note 7 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company for the financial year 2018 was RM62,030.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares of RM0.10 each in the Company			
	At 1 July 2017	Bought	Disposed	At 30 June 2018
	'000	'000	'000	'000
Direct interest in shareholdings				
Krishnan a/l C. K. Menon	3,235	100	-	3,335
Dato' Mohd Salleh bin Hj. Harun	1,836	50	-	1,886
Dato' Sri Leo Suresh Ariyanayakam	87,796	770	-	88,566
Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	1,015	30	-	1,045

	Number of ordinary shares of RM0.10 each in the Company			
	At 1 July 2017	Bought	Disposed	At 30 June 2018
	'000	'000	'000	'000
Deemed interest in shareholdings				
Krishnan a/l C. K. Menon [1]	68,519	-	-	68,519
Dato' Nicholas John Lough @ Sharif Lough bin Abdullah [2]	1,063	-	-	1,063

1 Deemed interest by virtue of his shareholdings in Netinsat Asia Sdn. Bhd., pursuant to Section 59 of the Companies Act 2016.
2 Deemed interest by virtue of his shareholdings in Melewar Leisure Sdn. Bhd., pursuant to Section 59 of the Companies Act 2016.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

(c) No contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

(d) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(ii) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the impairment loss on investment in subsidiaries and amounts due from subsidiaries as disclosed in Note 16 and Note 20 to the financial statements; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

DIRECTORS' REPORT

(CONTINUED)

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 10 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 27 August 2018. Signed on behalf of the Board of Directors:

DATO' SRI LEO SURESH ARIYANAYAKAM
DIRECTOR

KRISHNAN A/L C. K. MENON
DIRECTOR

Kuala Lumpur

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group		Company	
		2018	2017	2018	2017
		RM	RM	RM	RM
REVENUE	6	**165,289,245**	199,485,785	**156,936,956**	194,307,352
OTHER OPERATING INCOME	17	**-**	-	**-**	1,675,000
		165,289,245	199,485,785	**156,936,956**	195,982,352
OPERATING EXPENSES					
- Depreciation and amortisation expenses		**(7,854,251)**	(7,920,959)	**(5,982,607)**	(6,278,288)
- Employee benefit costs	7	**(86,555,570)**	(107,664,118)	**(80,974,077)**	(102,378,677)
- Impairment loss		**-**	-	**(1,640,138)**	(12,746,258)
- Maintenance expenses		**(2,874,621)**	(2,564,173)	**(2,369,170)**	(2,255,997)
- Rental expenses	8	**(10,686,968)**	(11,442,940)	**(8,609,545)**	(9,339,607)
- Telecommunication and utilities expenses		**(4,398,875)**	(4,624,123)	**(3,913,660)**	(4,085,102)
- Travelling expenses		**(1,124,897)**	(1,333,016)	**(989,618)**	(875,294)
- Marketing expenses		**(7,887,347)**	(8,796,060)	**(7,886,795)**	(8,794,441)
- Other operating expenses		**(7,878,097)**	(6,252,946)	**(8,978,625)**	(6,934,030)
		(129,260,626)	(150,598,335)	**(121,344,235)**	(153,687,694)
PROFIT FROM OPERATIONS		**36,028,619**	48,887,450	**35,592,721**	42,294,658
FINANCE INCOME	9	**994,456**	822,898	**980,126**	793,807
SHARE OF PROFIT OF THE JOINT VENTURE	17	**5,143**	63,862	**-**	-
PROFIT BEFORE TAXATION	10	**37,028,218**	49,774,210	**36,572,847**	43,088,465
TAXATION	11	**(5,112,545)**	(4,692,521)	**(5,110,690)**	(4,692,437)
NET PROFIT FOR THE FINANCIAL YEAR		**31,915,673**	45,081,689	**31,462,157**	38,396,028

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
OTHER COMPREHENSIVE LOSS					
Items that may be subsequently reclassified to profit or loss:					
- Currency translation differences		**(567,600)**	(471,684)	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**31,348,073**	44,610,005	**31,462,157**	38,396,028
NET PROFIT/(LOSS) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:					
- Owners of the Company		**32,219,597**	45,398,374	**31,462,157**	38,396,028
- Non-controlling interest		**(303,924)**	(316,685)	**-**	-
		31,915,673	45,081,689	**31,462,157**	38,396,028
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:					
- Owners of the Company		**31,651,997**	44,926,690	**31,462,157**	38,396,028
- Non-controlling interest		**(303,924)**	(316,685)	**-**	-
		31,348,073	44,610,005	**31,462,157**	38,396,028
Earnings per share:					
- Basic/Diluted (sen)	12	**9.06**	12.77		

The above statements of comprehensive income are to be read in conjunction with the notes to the financial statements on pages 107 to 167.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
NON-CURRENT ASSETS					
Plant and equipment	14	**10,742,628**	14,139,861	**8,260,317**	10,640,320
Software licences	15	**7,301,940**	4,423,562	**5,560,836**	4,005,330
Investment in subsidiaries	16	**-**	-	**-**	-
Investment in joint venture	17	**140,022**	134,879	**1**	1
		18,184,590	18,698,302	**13,821,154**	14,645,651
CURRENT ASSETS					
Trade receivables	18	**38,178,154**	50,002,632	**36,405,322**	47,643,983
Other receivables	19	**8,181,121**	8,938,498	**5,666,654**	5,936,258
Amounts due from subsidiaries	20	**-**	-	**-**	-
Tax recoverable		**201,821**	445,632	**-**	-
Investments in cash funds	21	**13,485,070**	8,062,537	**13,485,070**	8,062,537
Cash and bank balances	22	**38,787,217**	29,065,622	**35,014,772**	27,165,744
		98,833,383	96,514,921	**90,571,818**	88,808,522
LESS: CURRENT LIABILITIES					
Trade and other payables	23	**11,398,735**	9,142,427	**9,592,734**	8,316,100
Tax liabilities		**734,134**	107,375	**733,755**	107,375
		12,132,869	9,249,802	**10,326,489**	8,423,475
NET CURRENT ASSETS		**86,700,514**	87,265,119	**80,245,329**	80,385,047
LESS: NON-CURRENT LIABILITIES					
Deferred tax liabilities	24	**247,551**	683,121	**216,017**	651,569
		247,551	683,121	**216,017**	651,569
NET ASSETS		**104,637,553**	105,280,300	**93,850,466**	94,379,129

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018 (CONTINUED)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	25	**35,545,356**	35,545,356	**35,545,356**	35,545,356
Currency translation reserve	26	**(2,663,291)**	(2,095,691)	**-**	-
Retained earnings	26	**73,178,984**	72,950,207	**58,305,110**	58,833,773
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**106,061,049**	106,399,872	**93,850,466**	94,379,129
NON-CONTROLLING INTEREST		**(1,423,496)**	(1,119,572)	**-**	-
TOTAL EQUITY		**104,637,553**	105,280,300	**93,850,466**	94,379,129

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 107 to 167.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Attributable to owners of the Company					
		Issued and fully paid ordinary shares		Non-distributable	Distributable		
	Note	Number of shares	Share capital	Currency translation reserve	Retained earnings	Non-controlling interest	Total equity
		unit	RM	RM	RM	RM	RM
Group							
Balance as at 1 July 2017		355,453,560	35,545,356	(2,095,691)	72,950,207	(1,119,572)	105,280,300
Currency translation difference		-	-	(567,600)	-	-	(567,600)
Net profit for the financial year		-	-	-	32,219,597	(303,924)	31,915,673
Total comprehensive income for the financial year		-	-	*(567,600)*	*32,219,597*	*(303,924)*	*31,348,073*
Transactions with owners:							
Dividends for financial year ended:							
- 30 June 2017	13	-	-	-	(10,663,607)	-	(10,663,607)
- 30 June 2018	13	-	-	-	(21,327,213)	-	(21,327,213)
Total transactions with owners recognised directly in equity		-	-	-	*(31,990,820)*	-	*(31,990,820)*
Balance as at 30 June 2018		355,453,560	35,545,356	(2,663,291)	73,178,984	(1,423,496)	104,637,553

STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company					
		Issued and fully paid ordinary shares		Non-distributable	Distributable		
	Note	Number of shares	Share capital	Currency translation reserve	Retained earnings	Non-controlling interest	Total equity
		unit	RM	RM	RM	RM	RM
Group							
Balance as at 1 July 2016		355,453,560	35,545,356	(1,624,007)	59,542,653	(802,887)	92,661,115
Currency translation difference		-	-	(471,684)	-	-	(471,684)
Net profit for the financial year		-	-	-	45,398,374	(316,685)	45,081,689
Total comprehensive income for the financial year		-	-	*(471,684)*	*45,398,374*	*(316,685)*	*44,610,005*
Transactions with owners:							
Dividends for financial year ended:							
- 30 June 2016	13	-	-	-	(10,663,607)	-	(10,663,607)
- 30 June 2017	13	-	-	-	(21,327,213)	-	(21,327,213)
Total transactions with owners recognised directly in equity		-	-	-	*(31,990,820)*	-	*(31,990,820)*
Balance as at 30 June 2017		355,453,560	35,545,356	(2,095,691)	72,950,207	(1,119,572)	105,280,300

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

		Attributable to owners of the Company			
		Issued and fully paid ordinary shares		Distributable	
	Note	**Number of shares**	**Share capital**	**Retained earnings**	**Total equity**
		unit	**RM**	**RM**	**RM**
Company					
Balance as at 1 July 2017		355,453,560	35,545,356	58,833,773	94,379,129
Net profit for the financial year		-	-	31,462,157	31,462,157
Total comprehensive income for the financial year		-	-	*31,462,157*	*31,462,157*
Transactions with owners:					
Dividends for financial year ended:					
- 30 June 2017	13	-	-	(10,663,607)	(10,663,607)
- 30 June 2018	13	-	-	(21,327,213)	(21,327,213)
Total transactions with owners recognised directly in equity		-	-	*(31,990,820)*	*(31,990,820)*
Balance as at 30 June 2018		355,453,560	35,545,356	58,305,110	93,850,466

		Attributable to owners of the Company			
		Issued and fully paid ordinary shares		Distributable	
	Note	Number of shares	Share capital	Retained earnings	Total equity
		unit	RM	RM	RM
Company					
Balance as at 1 July 2016		355,453,560	35,545,356	52,428,565	87,973,921
Net profit for the financial year		-	-	38,396,028	38,396,028
Total comprehensive income for the financial year		-	-	*38,396,028*	*38,396,028*
Transactions with owners:					
Dividends for financial year ended:					
- 30 June 2016	13	-	-	(10,663,607)	(10,663,607)
- 30 June 2017	13	-	-	(21,327,213)	(21,327,213)
Total transactions with owners recognised directly in equity		-	-	*(31,990,820)*	*(31,990,820)*
Balance as at 30 June 2017		355,453,560	35,545,356	58,833,773	94,379,129

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 107 to 167.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	**31,915,673**	45,081,689	**31,462,157**	38,396,028
Adjustments for:				
Impairment loss:				
- investment in subsidiaries	**-**	-	**615,263**	9,789,265
- amounts due from subsidiaries	**-**	-	**1,024,875**	2,956,993
Amortisation of software licences	**1,729,469**	1,118,480	**1,358,960**	965,750
Bad debts written off	**367,698**	-	**367,698**	-
Depreciation of plant and equipment	**6,124,782**	6,802,479	**4,623,647**	5,312,538
Loss on disposal of plant and equipment	**1,417**	35,422	**1,417**	40,139
Plant and equipment written off	**402**	36,143	**402**	27,111
Dividend income	**-**	-	**-**	(1,675,000)
Finance income	**(994,456)**	(822,898)	**(980,126)**	(793,807)
Share of profit of the joint venture	**(5,143)**	(63,862)	**-**	-
Unrealised foreign exchange loss/(gain)	**1,178,151**	(581,419)	**1,518,342**	(903,615)
Taxation	**5,112,545**	4,692,521	**5,110,690**	4,692,437
Operating profit before changes in working capital	**45,430,538**	56,298,555	**45,103,325**	58,807,839
Changes in working capital:				
Trade and other receivables	**12,041,407**	(8,160,905)	**11,274,044**	(5,460,515)
Trade and other payables	**2,317,134**	(5,786,102)	**1,275,114**	(4,341,827)
Intercompany balances	**-**	-	**1,607,076**	1,959,150
Cash generated from operating activities	**59,789,079**	42,351,548	**59,259,559**	50,964,647
Interest received	**994,456**	822,898	**980,126**	793,807
Net tax paid	**(4,741,244)**	(6,639,620)	**(4,919,862)**	(6,532,380)
Net cash generated from operating activities	**56,042,291**	36,534,826	**55,319,823**	45,226,074

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Distribution received from joint venture		**-**	1,675,000	**-**	1,675,000
Proceeds from disposal of plant and equipment		**14,762**	18,646	**14,762**	13,929
Purchase of software licences	15	**(4,642,622)**	(1,155,920)	**(2,914,466)**	(1,146,900)
Purchase of plant and equipment	14	**(2,905,660)**	(5,131,308)	**(2,260,225)**	(3,473,023)
Advances to subsidiaries		**-**	-	**(7,085,633)**	(11,655,860)
Repayment of advances to subsidiaries		**-**	-	**3,484,179**	446,088
Subscription of shares in a subsidiary		**-**	-	**-**	(99,998)
Increase in investments in cash funds		**(5,422,533)**	(248,152)	**(5,422,533)**	(248,152)
Decrease/(Increase) in fixed deposits with maturity of more than 3 months		**5,000,000**	(5,000,000)	**5,000,000**	(5,000,000)
Net cash used in investing activities		**(7,956,053)**	(9,841,734)	**(9,183,916)**	(19,488,916)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of dividends		**(31,990,820)**	(31,990,820)	**(31,990,820)**	(31,990,820)
Net cash used in financing activities		**(31,990,820)**	(31,990,820)	**(31,990,820)**	(31,990,820)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**16,095,418**	(5,297,728)	**14,145,087**	(6,253,662)
EFFECT OF FOREIGN EXCHANGE MOVEMENT ON CASH AND CASH EQUIVALENTS		**(1,373,823)**	174,586	**(1,296,059)**	157,578
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**21,065,622**	26,188,764	**19,165,744**	25,261,828
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	22	**35,787,217**	21,065,622	**32,014,772**	19,165,744
Deposits with maturity of more than 3 months		**3,000,000**	8,000,000	**3,000,000**	8,000,000
CASH AND BANK BALANCES AT THE END OF THE FINANCIAL YEAR		**38,787,217**	29,065,622	**35,014,772**	27,165,744

The above statements of cash flows are to be read in conjunction with the notes to the financial statements on pages 107 to 167.

1 GENERAL INFORMATION

The principal activities of the Company are that of an investment holding company and the provision of customer contact centre services within the Business Process Outsourcing ("BPO") space. The Group provides outsourcing services comprising of BPO services which offers multi-lingual, multi-channel customer care, technical support help desk, consultative sales and associated fulfilment and education which includes educational and industrial training services primarily focused on customer care in the service industry. Details of the principal activities of the subsidiaries and joint venture are shown in Note 16 and Note 17 respectively to the financial statements.

The Company is a public limited liability company incorporated and domiciled in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

There is no ultimate controlling party in the Company.

The address of the registered office of business of the Company is as follows:

Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

The address of the principal place of business is as follows:

25th Floor, Menara TA One
22 Jalan P. Ramlee
50250 Kuala Lumpur

2 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in Note 3 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2017:

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 "Disclosures of Interests in Other Entities"

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective (continued)

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2017. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Annual Improvements to MFRS 128 "Investments in Associates and Joint Ventures" (effective from 1 January 2018) allow:

  - Venture capital organisations, mutual funds, unit trusts and similar entities to elect, on an individual basis, measuring their investments in associates and joint ventures at fair value through profit or loss.
  - An entity that is not an investment entity to retain the fair value measurement applied by its associates or joint ventures (that are investment entities) when applying equity method.

  Management is currently assessing the impact arising from the initial application of MFRS 128 on the consolidated and separate financial statements of the Group and of the Company.

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change are:

  - For financial liabilities classified as fair value through profit or loss, the fair value changes due to own credit risk should be recognised directly to other comprehensive income. There is no subsequent recycling to profit or loss.
  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

  MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  Based on the assessment undertaken to date, the Group does not expect MFRS 9 to have a significant effect on the consolidated and separate financial statements of the Group and of the Company.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

  The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:
  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
  - There are new specific rules on licences, warranties, non-refundable upfront fees, and consignment arrangements, to name a few; and
  - As with any new standard, there are also increased disclosures.

  The Group has conducted the analysis on the different types of existing contracts with customers. The Group does not expect MFRS 15 to have a significant effect on the Group's revenue based on current scope, and will have no impact on the cash flows. However, the Group anticipates more extensive disclosures will be required from the year of adoption in view of the requirements of MFRS 15 to provide information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

  The Group will adopt the standard using the full retrospective approach from 1 July 2018, with the practical expedients permitted under the standard.

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018).

  IC Interpretation 22 applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018). (continued)

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

  Management is currently assessing the impact arising from the initial application of IC Interpretation 22 on the consolidated and separate financial statements of the Group and of the Company.

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  Management is currently assessing the impact arising from the initial application of MFRS 16 on the consolidated and separate financial statements of the Group and of the Company.

- IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective from 1 January 2019) clarifies how MFRS 112 "Income Taxes" is applied in recognising and measuring deferred and current income tax assets and liabilities when there are situations where there is uncertainty over whether the tax treatment will be accepted by the tax authority.

  IC Interpretation 23 provides guidance on when to recognise and how to measure the uncertainty. There are 2 methods to measure the effect of uncertainty, 1) the most likely amount; and 2) the expected value. An entity shall use the measurement method which best predicts the resolution of the uncertainty.

  When assessing the effects of uncertain tax treatments on current and deferred tax accounting, an entity shall assume the taxation authority:
  - has a right to examine; and
  - has full knowledge of all related information when making those examinations.

  An entity is required to apply IC Interpretation 23 retrospectively.

  Management is currently assessing the impact arising from the initial application of IC Interpretation 23 on the consolidated and separate financial statements of the Group and of the Company.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- Annual Improvements to MFRS 112 “Income Taxes” (effective from 1 January 2019).

  MFRS 112 clarifies that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised.

  Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  Management is currently assessing the impact arising from the initial application of MFRS 112 on the consolidated and separate financial statements of the Group and of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

(a) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss. Acquisition-related costs are expensed as incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss within 'impairment loss' in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(b) Investments in subsidiaries and joint ventures in separate financial statements

In the Company's separate financial statements, investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amount due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

(c) Plant and equipment

Plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the plant and equipment.

Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in 'other operating expenses' in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment (continued)

Plant and equipment are depreciated on the straight-line method to allocate the costs to their residual values over their estimated useful lives, summarised as follows:

Furniture and fittings	20%
Office equipment and computers	20%
Telecommunications equipment	20%
Office renovations	50%
Motor vehicles	20%

Depreciation on assets under construction commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(e) on impairment of non-financial assets.

(d) Software licences

Separately acquired software and licences are recognised at fair value at the acquisition date and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of software and licences over their estimated useful lives of five years.

The costs of computer software under development by external suppliers are amortised from the point at which the asset is ready for use over its estimated useful life.

Directly attributable costs that are capitalised as part of the work in progress of software license include the software development employee costs. Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives, which does not exceed five years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(e) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets

(i) Classification

The Group and Company classifies its financial assets as available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group and Company's loans and receivables comprise 'trade receivables', 'other receivables', 'amounts due from subsidiaries' and 'cash and bank balances' in the statement of financial position (Notes 18, 19, 20 and 22).

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group and Company's available-for-sale financial assets comprise 'investments in cash funds' in the statement of financial position (Note 21).

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss.

(iii) Subsequent measurement - gains and losses

Loans and receivables financial assets are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 3(f)iv) and foreign exchange gains and losses on monetary assets (Note 3(t)ii).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

(iv) Subsequent measurement - impairment

Assets carried at amortised cost

The Group and Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group and the Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Company uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group and Company are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(h) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time. The Group and Company's leases are operating leases for which they are lessees.

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

Initial direct costs incurred by the Group and Company in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, with the amount of goods and services tax ("GST") included. The net amount of GST recoverable from the government is presented as 'other receivables' in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows. After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 3(f) on impairment of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Share capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group and Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(iii) Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

<u>Diluted earnings per share</u>

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(l) Trade and other payables

Trade and other payables represent liabilities for goods or services provided to the Group and Company prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, with the amount of goods and services tax ("GST") included. The net amount of GST payable to the government is presented as "trade and other payables" in the statement of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and other payables (continued)

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

Trade payables are subsequently measured at amortised cost using the effective interest method.

(m) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and joint venture operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and joint venture, except where the timing of the reversal of the temporary difference is controlled by the parent and joint venturer and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the joint venturer is unable to control the reversal of the temporary difference for joint ventures. Only where there is an agreement in place that gives the joint venturer the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangement only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as 'trade and other payables' in the statement of financial position.

(ii) Post-employment pension benefits

The Group has various post-employment pension benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits plans are defined contribution plans.

A defined contribution plan is a pension plan under which the Group and Company pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group and Company's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group and Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and Company recognises termination benefits at the earlier of the following dates: (a) when the Group and Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Profit-sharing and bonus plans

The Group and Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group and Company's shareholders after certain adjustments. The Group and Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions

Provisions are recognised when the Group and Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and Company expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(p) Contingent assets and liabilities

The Group and Company does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company. The Group and Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group and Company.

The Group and Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group and Company's activities as described below.

The Group and Company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

Sales of services

Revenue from the provision of outsourcing and education services is recognised upon rendering of services. Revenue is recognised based on pre-agreed terms which includes the required resources to render the services and rates agreed with the respective customers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group and Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(s) Dividend income

Dividend income is recognised when the Group and Company's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(t) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they are attributable to items that form part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in profit or loss on a net basis within 'other operating expenses'.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Foreign currencies (continued)

(iii) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group and Company's Board of Directors that makes strategic decisions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Impairment of investments in subsidiaries

During the financial year, the Company recognised an impairment loss of RM615,263 (2017: RM9,789,265) in respect of its investment in subsidiaries. The recoverable amounts were determined based on value-in-use ("VIU").

The discount rates used reflect specific risks relating to the investments in subsidiaries. The discount rates applied to the cash flow projections are derived from the cost of equity plus a reasonable risk premium at the date of assessment of the respective subsidiaries which ranges between 12% to 20% (2017: 12% to 20%).

Projected future cash flows used for the VIU calculation are based on the Company's key assumptions such as revenue growth, estimated margins and discount rates. These key assumptions are based on the historical track record and expectations of future events which may be different from actual outcomes.

(b) Recognition of tax incentive

The Company was granted Customised Incentive of 100% income tax exemption on statutory income derived from the outsourcing income ("tax incentive") for 5 years commencing 7 November 2012 to 6 November 2017 ("incentive period"). The recognition of the tax incentive is subject to fulfilment of certain conditions and Key Performance Indicators ("KPIs") and is to be assessed annually by the administrator of the Customised Incentive ("the administrator"). In August 2016, the administrator had revised the KPIs and the tax incentive was reduced from 100% to 70%, which is applicable for the incentive period from 7 November 2015 to 6 November 2017.

During the financial year, the Company recognised a tax incentive representing 70% tax exemption on its statutory income from outsourcing services for the period from 1 July 2017 to 6 November 2017. The administrator has confirmed in a letter dated 31 May 2018 that the Company has completed the Customised Incentive Project ("the closure letter") successfully. Management has also confirmed with the administrator that the closure letter confirmed that the Company has met the required conditions under the Customised Incentive for the incentive period. The final approval of the Customised Incentive would still be subject to the approval of Ministry of Finance, which however is procedural in nature given that it will follow the administrator's recommendation.

Therefore, the Directors are of the view that there is reasonable basis for the Company to recognise the tax incentive during the financial year ended 30 June 2018.

Where the final outcome of the assessment of income tax exemption by the administrator is different from the Company's assessment, this will result in higher income tax expense on the statutory income from outsourcing services recognised during the financial year. Details of taxation are disclosed in Note 11.

5 SEGMENT 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 Group organises its business in the following operating segments:

(a) Outsourcing services comprising of BPO services which offers multi-lingual, multi-channel customer care, technical support help desks, consultative sales and associated fulfilment.

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

Inter-segment pricing is determined based on negotiated terms.

(a) Operating segments

Segment results represent segment operating revenue less segment expenses. Unallocated income/other gains comprise other operating income such as gain on disposal of plant and equipment which is not allocated to a particular business segment.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include plant and equipment and receivables. Unallocated assets mainly include cash and bank balances, deferred tax assets, tax recoverable and plant and equipment of the dormant entities in the Group.

Segment liabilities comprise operating liabilities and exclude taxation liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to plant and equipment and software licences.

Significant non-cash expenses comprise mainly provision for impairment and unrealised foreign exchange gains or losses on settlement as disclosed in this Note.

5 SEGMENT REPORTING (CONTINUED)

(a) Operating segments (continued)

For the financial year ended 30 June 2018

	Outsourcing services	Education	Adjustments and eliminations**	Total
	RM	RM	RM	RM
External revenue	165,041,693	247,552	-	165,289,245
Inter segment revenue	-	1,607,076	(1,607,076)	-
Total revenue	165,041,693	1,854,628	(1,607,076)	165,289,245
Segment results	45,764,814	(1,881,944)	-	43,882,870
Unallocated income/ other gains				-
Operating profit				43,882,870
Finance income				994,456
Depreciation and amortisation expenses				(7,854,251)
Share of profit of the joint venture (net of tax)				5,143
Profit before taxation				37,028,218
Taxation				(5,112,545)
Net profit for the financial year				31,915,673

** In relation to consolidation adjustments.

5 SEGMENT REPORTING (CONTINUED)

(a) Operating segments (continued)

As at 30 June 2018

	Outsourcing services	Education	Adjustments and eliminations**	Total
	RM	RM	RM	RM
Segment assets	64,072,413	521,730	(195,964)	64,398,179
Unallocated assets:				
- Investment in joint venture				140,022
- Tax recoverable				201,821
- Cash and bank balances				38,787,217
- Investment in cash funds				13,485,070
- Others				5,664
Total assets				117,017,973
Segment liabilities	39,977,163	13,442,268	(42,023,752)	11,395,679
Unallocated liabilities				
- Tax liabilities				734,134
- Deferred tax liabilities				247,551
- Others				3,056
Total liabilities				12,380,420

For the financial year ended 30 June 2018

	Outsourcing services	Education	Adjustments and eliminations**	Total
	RM	RM	RM	RM
Capital expenditure	7,375,759	172,523	-	7,548,282
Depreciation and amortisation expenses	7,859,490	42,409	(47,648)	7,854,251
Significant non-cash expenses:				
- Unrealised foreign exchange (gain)/loss	1,419,507	-	(241,356)	1,178,151
- Bad debts	367,698	-	-	367,698
- Impairment loss	1,640,138	-	(1,640,138)	-

** In relation to consolidation adjustments.

5 SEGMENT REPORTING (CONTINUED)

(a) Operating segments (continued)

For the financial year ended 30 June 2017

	Outsourcing services	Education	Adjustments and eliminations**	Total
	RM	RM	RM	RM
External revenue	199,454,931	30,854	-	199,485,785
Inter segment revenue	-	1,959,150	(1,959,150)	-
Total revenue	199,454,931	1,990,004	(1,959,150)	199,485,785
Segment results	58,465,115	(1,656,706)	-	56,808,409
Unallocated income/ other gains				-
Operating profit				56,808,409
Finance income				822,898
Depreciation and amortisation expenses				(7,920,959)
Share of profit of the joint venture (net of tax)				63,862
Profit before taxation				49,774,210
Taxation				(4,692,521)
Net profit for the financial year				45,081,689

** In relation to consolidation adjustments.

5 SEGMENT REPORTING (CONTINUED)

(a) Operating segments (continued)

As at 30 June 2017

	Outsourcing services	Education	Adjustments and eliminations**	Total
	RM	RM	RM	RM
Segment assets	77,549,513	198,024	(248,754)	77,498,783
Unallocated assets:				
- Investment in joint venture				134,879
- Tax recoverable				445,632
- Cash and bank balances				29,065,622
- Investment in cash funds				8,062,537
- Others				5,770
Total assets				115,213,223
Segment liabilities	39,026,882	12,120,107	(42,007,759)	9,139,230
Unallocated liabilities				
- Tax liabilities				107,375
- Deferred tax liabilities				683,121
- Others				3,197
Total liabilities				9,932,923

For the financial year ended 30 June 2017

	Outsourcing services	Education	Adjustments and eliminations**	Total
	RM	RM	RM	RM
Capital expenditure	6,283,128	4,100	-	6,287,228
Depreciation and amortisation expenses	7,992,533	23,116	(94,690)	7,920,959
Significant non-cash expenses:				
- Unrealised foreign exchange (gain)/loss	(847,738)	470	265,849	(581,419)
- Impairment loss	12,746,258	-	(12,746,258)	-

** In relation to consolidation adjustments.

5 SEGMENT REPORTING (CONTINUED)

(b) Geographical information

In determining the geographical segments of the Group, the geographical disclosure is determined based on the following:

- Revenue is based on the country in which the customer is located.
- Total assets and capital expenditure are determined based on where the assets are located.
- Other countries that contributed less than 10% of the consolidated revenue are shown as others.

The Group provides services to clients based in the following geographical areas:

	Revenue		Assets **	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Malaysia *	**94,016,822**	104,933,265	**14,999,542**	14,968,817
Singapore	**8,175,826**	11,070,474	**-**	-
Philippines	**37,937,879**	57,407,395	**-**	-
United Kingdom	**3,133,067**	3,189,364	**-**	-
Sri Lanka	**5,588,390**	5,147,579	**3,185,048**	3,729,485
China	**8,758,170**	13,685,324	**-**	-
United States	**3,094,163**	-	**-**	-
Others	**4,584,928**	4,052,384	**-**	-
	165,289,245	199,485,785	**18,184,590**	18,698,302

* Group's home country.
** Represents non-current assets other than financial instruments, tax recoverable, deferred tax assets.

(c) Major customers

Revenue contribution from several individual customers exceeded 10% of the Group's revenue derived from its outsourcing services segment as follows:

	2018		2017	
	%	**RM**	**%**	**RM**
Customer 1	**30**	**49,335,937**	30	59,373,313
Customer 2	**22**	**36,584,350**	29	57,407,395
	52	**85,920,287**	59	116,780,708

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

6 REVENUE

Revenue represents the following types of services rendered:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Outsourcing services	**165,041,693**	199,454,931	**156,936,956**	194,307,352
Education	**247,552**	30,854	**-**	-
	165,289,245	199,485,785	**156,936,956**	194,307,352

7 EMPLOYEE BENEFIT COSTS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Salaries and bonuses	**74,004,383**	90,749,678	**69,319,794**	86,295,755
Defined contribution plans	**6,523,407**	8,201,136	**5,922,728**	7,636,247
Other employee benefits	**3,612,117**	6,409,931	**3,360,845**	6,172,788
Staff welfare	**998,731**	903,681	**953,778**	874,195
	85,138,638	106,264,426	**79,557,145**	100,978,985
Directors' remuneration:				
- Salaries and bonuses	**954,432**	954,432	**954,432**	954,432
- Fees	**462,500**	445,260	**462,500**	445,260
	86,555,570	107,664,118	**80,974,077**	102,378,677

7 EMPLOYEE BENEFIT COSTS (CONTINUED)

The Directors of the Company in office during the financial year are as follows:

Executive Director

Dato' Sri Leo Suresh Ariyanayakam

Non-executive Directors

Krishnan a/l C. K. Menon
Dato' Mohd Salleh bin Hj. Harun
Karen Judith Goonting
Dato' Nicholas John Lough @ Sharif Lough bin Abdullah
Mahani Binti Amat
Mohd Rashid Bin Mohd Yusof
Datuk Joseph Dominic Silva (appointed on 7 February 2018)
Dr. Nikolai Dobberstein (resigned on 13 November 2017)
Loh Lee Soon (resigned on 13 November 2017)

The aggregate amounts of emoluments received by Directors of the Group and the Company during the financial year were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Executive Director:				
- Salaries and bonuses	**954,432**	954,432	**954,432**	954,432
- Estimated monetary value of benefits-in-kind	**222,100**	158,292	**222,100**	158,292
	1,176,532	1,112,724	**1,176,532**	1,112,724
Non-executive Directors:				
- Fees	**462,500**	445,260	**462,500**	445,260
	1,639,032	1,557,984	**1,639,032**	1,557,984

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. The key management personnel are the Directors and the Chief Executive Officer of the Company.

8 RENTAL EXPENSES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Rental:				
- Apartments	**444,090**	914,876	**489,000**	910,546
- Offices	**10,197,354**	10,435,023	**8,103,806**	8,337,368
- Office equipment	**21,749**	30,545	**16,739**	29,197
- Others	**23,775**	62,496	**-**	62,496
	10,686,968	11,442,940	**8,609,545**	9,339,607

9 FINANCE INCOME

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Finance income:				
- Interest income	**994,456**	822,898	**980,126**	793,807

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

10 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration:				
- Fees for statutory audit				
- PricewaterhouseCoopers PLT ("PwC"), Malaysia	**234,000**	228,000	**192,000**	192,000
- Other auditors	**16,435**	12,697	**-**	-
- Fees for other services				
- Member firms of PwC Malaysia	**53,075**	230,354	**24,975**	194,800
Bad debts written off	**367,698**	-	**367,698**	-
Depreciation of plant and equipment	**6,124,782**	6,802,479	**4,623,647**	5,312,538
Amortisation of software licences	**1,729,469**	1,118,480	**1,358,960**	965,750
Employee benefit costs (Note 7)	**86,555,570**	107,664,118	**80,974,077**	102,378,677
Foreign exchange loss/(gain):				
- Realised	**72,273**	(485,146)	**71,184**	(399,316)
- Unrealised	**1,178,151**	(581,419)	**1,518,342**	(903,615)
Loss on disposal of plant and equipment	**1,417**	35,422	**1,417**	40,139
Immigration expenses	**849,292**	1,047,812	**843,836**	1,036,815
Impairment loss of impairment on:				
- investment in subsidiaries	**-**	-	**615,263**	9,789,265
- amounts due from subsidiaries	**-**	-	**1,024,875**	2,956,993
Marketing expenses	**7,887,347**	8,796,060	**7,886,795**	8,794,441
Office supplies expenses	**1,121,588**	1,267,015	**999,271**	1,152,916
Other professional fees	**436,196**	567,954	**328,603**	323,181
Plant and equipment written off	**402**	36,143	**402**	27,111
Recruitment expenses	**97,205**	51,307	**95,629**	50,800
Security service	**595,901**	598,220	**540,216**	540,216
Software integration and support services	**2,184,335**	2,274,408	**2,184,335**	2,250,737
Staff training expenses	**2,373**	52,383	**1,609,449**	1,996,176

11 TAXATION

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Income tax:				
Current financial year:				
- Malaysian tax	**5,625,800**	3,941,302	**5,625,493**	3,941,302
- Foreign tax	**1,476**	-	**-**	-
Overprovision of tax in prior financial years				
- Malaysian tax	**(79,161)**	(20,391)	**(79,161)**	(20,391)
- Foreign tax	**-**	-	**-**	-
	5,548,115	3,920,911	**5,546,332**	3,920,911
Deferred taxation (Note 24):				
Relating to origination and reversal of temporary differences	**(435,570)**	771,610	**(435,642)**	771,526
	5,112,545	4,692,521	**5,110,690**	4,692,437

The Company was granted Customised Incentive of income tax exemption on statutory income derived from the outsourcing income ("statutory income") for 5 years commencing 7 November 2012 to 6 November 2017. The critical accounting judgement used by the Company in applying the income tax exemption is disclosed in Note 4(b).

The Malaysian current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions. During the year, one of the subsidiaries has been granted with the Pioneer Status Incentive for 100% income tax exemption on statutory income derived from the MSC Malaysia Qualifying Activities for a period of 10 years from the date of the Pioneer Certificate subject to the Conditions of the Grant.

11 TAXATION (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	%	**%**	**%**	**%**
Numerical reconciliation between the average effective tax rate and the Malaysian statutory tax rate:				
Malaysian statutory tax rate	**24**	24	**24**	24
Tax effects of:				
- Expenses not deductible for tax purposes	**1**	2	**2**	7
- Income not subject to tax	**(12)**	(18)	**(12)**	(20)
- Deferred tax on current year losses of subsidiaries not recognised	**1**	1	**-**	-
Average effective tax rate	**14**	9	**14**	11

12 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of issued ordinary shares during the financial year.

	Group	
	2018	**2017**
Net profit for the financial year attributable to owners of the Company (RM'000)	**32,220**	45,398
Weighted average number of issued ordinary shares ('000)	**355,454**	355,454
Basic earnings per share (sen)	**9.06**	12.77

There is no dilutive potential ordinary share outstanding during the financial year.

13 DIVIDENDS

The dividends paid by the Company during the financial year are set out below:

	2018		2017	
	Gross dividend per share	**Amount of dividend, tax exempt**	**Gross dividend per share**	**Amount of dividend, tax exempt**
	sen	**RM**	**sen**	**RM**
First interim dividends paid in respect of the financial years ended:				
- 30 June 2018	**2.0**	**7,109,071**	-	-
- 30 June 2017	**-**	**-**	2.0	7,109,071
Second interim dividends paid in respect of the financial years ended:				
- 30 June 2018	**2.0**	**7,109,071**	-	-
- 30 June 2017	**-**	**-**	2.0	7,109,071
Third interim dividends paid in respect of the financial years ended:				
- 30 June 2018	**2.0**	**7,109,071**	-	-
- 30 June 2017	**-**	**-**	2.0	7,109,071
Fourth interim dividends paid in respect of the financial years ended:				
- 30 June 2017	**3.0**	**10,663,607**	-	-
- 30 June 2016	**-**	**-**	3.0	10,663,607
	9.0	**31,990,820**	9.0	31,990,820

Subsequent to the financial year, on 27 August 2018, the Board of Directors declared a final interim dividend of 3 sen, tax exempt, per ordinary share of RM10,663,607 which is to be paid on 28 September 2018.

14 PLANT AND EQUIPMENT

	As at 1 July 2017	Additions	Reclassi-fications	Write-offs	Disposals	Currency translation differences	As at 30 June 2018
	RM	RM	RM	RM	RM	RM	RM
2018							
Group							
At cost							
Furniture and fittings	6,415,925	159,049	-	(8,525)	(18,689)	(65,500)	**6,482,260**
Office equipment and computers	49,205,057	2,512,772	231,812	(421,744)	(344,945)	(191,457)	**50,991,495**
Telecommunications equipment	8,875,560	-	-	-	-	-	**8,875,560**
Office renovations	10,049,848	233,839	-	-	-	(102,506)	**10,181,181**
Motor vehicles	1,067,818	-	-	-	-	-	**1,067,818**
Work-in-progress	231,812	-	(231,812)	-	-	-	**-**
	75,846,020	2,905,660	-	(430,269)	(363,634)	(359,463)	**77,598,314**

	As at 1 July 2017	Charge for the financial year	Write-offs	Disposals	Currency translation differences	As at 30 June 2018
	RM	RM	RM	RM	RM	RM
2018						
Group						
Accumulated depreciation						
Furniture and fittings	4,810,639	642,382	(8,525)	(11,837)	(46,223)	**5,386,436**
Office equipment and computers	38,886,010	4,249,425	(421,342)	(335,618)	(72,867)	**42,305,608**
Telecommunications equipment	8,647,158	66,749	-	-	-	**8,713,907**
Office renovations	8,734,667	1,030,226	-	-	(78,843)	**9,686,050**
Motor vehicles	627,685	136,000	-	-	-	**763,685**
	61,706,159	6,124,782	(429,867)	(347,455)	(197,933)	**66,855,686**

14 PLANT AND EQUIPMENT (CONTINUED)

	As at 1 July 2016	Additions	Reclassi-fications	Write-offs	Disposals	Currency translation differences	As at 30 June 2017
	RM	RM	RM	RM	RM	RM	RM
2017							
Group							
At cost							
Furniture and fittings	6,183,639	484,954	41,034	(234,892)	(77,308)	18,498	**6,415,925**
Office equipment and computers	45,280,268	3,943,595	558,523	(190,944)	(410,866)	24,481	**49,205,057**
Telecommunications equipment	8,953,774	13,374	-	-	(91,588)	-	**8,875,560**
Office renovations	8,818,167	689,385	521,966	-	-	20,330	**10,049,848**
Motor vehicles	1,134,186	-	-	-	(66,368)	-	**1,067,818**
Work-in-progress	1,353,335	-	(1,121,523)	-	-	-	**231,812**
	71,723,369	5,131,308	-	(425,836)	(646,130)	63,309	**75,846,020**

	As at 1 July 2016	Charge for the financial year	Write-offs	Disposals	Currency translation differences	As at 30 June 2017
	RM	RM	RM	RM	RM	RM
2017						
Group						
Accumulated depreciation						
Furniture and fittings	4,276,342	791,244	(208,263)	(40,902)	(7,782)	**4,810,639**
Office equipment and computers	35,257,058	4,230,565	(181,430)	(393,204)	(26,979)	**38,886,010**
Telecommunications equipment	8,646,882	91,864	-	(91,588)	-	**8,647,158**
Office renovations	7,177,522	1,552,806	-	-	4,339	**8,734,667**
Motor vehicles	558,053	136,000	-	(66,368)	-	**627,685**
	55,915,857	6,802,479	(389,693)	(592,062)	(30,422)	**61,706,159**

14 PLANT AND EQUIPMENT (CONTINUED)

	As at 1 July 2017	Additions	Write-offs	Disposals	As at 30 June 2018
	RM	RM	RM	RM	RM
2018					
Company					
At cost					
Furniture and fittings	3,867,411	119,932	(8,525)	(18,689)	**3,960,129**
Office equipment and computers	38,365,197	1,989,663	(355,528)	(344,945)	**39,654,387**
Telecommunications equipment	5,372,412	-	-	-	**5,372,412**
Office renovations	6,274,257	150,630	-	-	**6,424,887**
Motor vehicles	1,065,161	-	-	-	**1,065,161**
	54,944,438	2,260,225	(364,053)	(363,634)	**56,476,976**

	As at 1 July 2017	Charge for the financial year	Write-offs	Disposals	As at 30 June 2018
	RM	RM	RM	RM	RM
2018					
Company					
Accumulated depreciation					
Furniture and fittings	2,846,427	364,324	(8,525)	(11,837)	**3,190,389**
Office equipment and computers	29,939,472	3,488,274	(355,126)	(335,618)	**32,737,002**
Telecommunications equipment	5,234,022	66,749	-	-	**5,300,771**
Office renovations	5,659,169	568,300	-	-	**6,227,469**
Motor vehicles	625,028	136,000	-	-	**761,028**
	44,304,118	4,623,647	(363,651)	(347,455)	**48,216,659**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

14 PLANT AND EQUIPMENT (CONTINUED)

	As at 1 July 2016	Reclassi-fication	Additions	Write-offs	Disposals	As at 30 June 2017
	RM	RM	RM	RM	RM	RM
2017						
Company						
At cost						
Furniture and fittings	4,340,210	-	201,204	(218,398)	(455,605)	**3,867,411**
Office equipment and computers	35,874,280	130,000	2,958,727	(186,944)	(410,866)	**38,365,197**
Telecommunications equipment	5,450,626	-	13,374	-	(91,588)	**5,372,412**
Office renovations	5,974,539	-	299,718	-	-	**6,274,257**
Motor vehicles	1,065,161	-	-	-	-	**1,065,161**
Work-in-progress	130,000	(130,000)	-	-	-	**-**
	52,834,816	-	3,473,023	(405,342)	(958,059)	**54,944,438**

Total disposal of plant and equipment include non-cash transfers of plant and equipment at carrying amount of RM298,096 to Scicom Lanka (Private) Limited.

	As at 1 July 2016	Charge for the financial year	Write-offs	Disposals	As at 30 June 2017
	RM	RM	RM	RM	RM
2017					
Company					
Accumulated depreciation					
Furniture and fittings	2,823,967	344,364	(200,801)	(121,103)	**2,846,427**
Office equipment and computers	26,891,487	3,618,619	(177,430)	(393,204)	**29,939,472**
Telecommunications equipment	5,233,746	91,864	-	(91,588)	**5,234,022**
Office renovations	4,537,478	1,121,691	-	-	**5,659,169**
Motor vehicles	489,028	136,000	-	-	**625,028**
	39,975,706	5,312,538	(378,231)	(605,895)	**44,304,118**

14 PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Net book value				
Furniture and fittings	**1,095,824**	1,646,454	**769,740**	1,020,984
Office equipment and computers	**8,685,887**	9,714,880	**6,917,385**	8,425,725
Telecommunications equipment	**161,653**	228,402	**71,641**	138,390
Office renovations	**495,131**	1,878,180	**197,418**	615,088
Motor vehicles	**304,133**	440,133	**304,133**	440,133
Work-in-progress	**-**	231,812	**-**	-
	10,742,628	14,139,861	**8,260,317**	10,640,320

15 SOFTWARE LICENCES

Group	As at 1 July 2017	Additions	Reclassi-fications	Currency translation differences	As at 30 June 2018
	RM	RM	RM	RM	RM
2018					
Cost					
Software licence	6,521,205	2,307,520	128,934	(37,375)	**8,920,284**
Work-in-progress	146,480	2,335,102	(128,934)	-	**2,352,648**
	6,667,685	4,642,622	-	(37,375)	**11,272,932**

	As at 1 July 2017	Charge for the financial year	Currency translation differences	As at 30 June 2018
	RM	RM	RM	RM
2018				
Accumulated amortisation				
Software licence	2,244,123	1,729,469	(2,600)	**3,970,992**
Work-in-progress	-	-	-	**-**
	2,244,123	1,729,469	(2,600)	**3,970,992**

15 SOFTWARE LICENCES (CONTINUED)

Group	As at 1 July 2016	Additions	Reclassi-fications	Currency translation differences	As at 30 June 2017
	RM	RM	RM	RM	RM
2017					
Cost					
Software licence	4,566,982	1,098,090	841,422	14,711	**6,521,205**
Work-in-progress	930,072	57,830	(841,422)	-	**146,480**
	5,497,054	1,155,920	-	14,711	**6,667,685**

	As at 1 July 2016	Charge for the financial year	Currency translation differences	As at 30 June 2017
	RM	RM	RM	RM
2017				
Accumulated amortisation				
Software licence	1,124,881	1,118,480	762	**2,244,123**
Work-in-progress	-	-	-	**-**
	1,124,881	1,118,480	762	**2,244,123**

15 SOFTWARE LICENCES (CONTINUED)

Company	As at 1 July 2017	Additions	Reclassi-fications	As at 30 June 2018
	RM	RM	RM	RM
2018				
Cost				
Software licence	5,760,448	1,251,682	128,934	**7,141,064**
Work-in-progress	146,480	1,662,784	(128,934)	**1,680,330**
	5,906,928	2,914,466	-	**8,821,394**

	As at 1 July 2017	Charge for the financial year	As at 30 June 2018
	RM	RM	RM
2018			
Accumulated amortisation			
Software licence	1,901,598	1,358,960	**3,260,558**
Work-in-progress	-	-	**-**
	1,901,598	1,358,960	**3,260,558**

15 SOFTWARE LICENCES (CONTINUED)

Company	As at 1 July 2016	Additions	Reclassi-fications	As at 30 June 2017
	RM	RM	RM	RM
2017				
Cost				
Software licence	3,829,956	1,089,070	841,422	**5,760,448**
Work-in-progress	930,072	57,830	(841,422)	**146,480**
	4,760,028	1,146,900	-	**5,906,928**

	As at 1 July 2016	Charge for the financial year	As at 30 June 2017
	RM	RM	RM
2017			
Accumulated amortisation			
Software licence	935,848	965,750	**1,901,598**
Work-in-progress	-	-	**-**
	935,848	965,750	**1,901,598**

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Net book value				
Software licences	**4,949,292**	4,277,082	**3,880,506**	3,858,850
Work-in progress	**2,352,648**	146,480	**1,680,330**	146,480
	7,301,940	4,423,562	**5,560,836**	4,005,330

(i) Software licences relates to licences purchased that are not integral to any plant and equipment.

16 INVESTMENT IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM	**RM**
Unquoted shares at cost	**3,177,380**	3,177,380
Advances to subsidiaries	**24,915,560**	24,300,297
	28,092,940	27,477,677
Less: Impairment loss	**(28,092,940)**	(27,477,677)
	-	-

The advances are unsecured and are non-interest bearing with no fixed terms of repayment. The Company does not currently anticipate any repayment of the advances. These advances have been treated as extensions of its investments in subsidiaries.

During the financial year, the Company recognised an impairment loss of RM615,263 (2017: RM9,789,265) in respect of its investment in subsidiaries following an impairment indicator arising from accumulated losses reported by the subsidiaries. The critical estimates and judgements used by the Company are disclosed in Note 4 (a).

Details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective interest 2018 %	Group's effective interest 2017 %	Principal activities
Subsidiaries of the Company				
Scicom (Academy) Sdn. Bhd.*	Malaysia	**100**	100	Provides customer service training products as well as contact centre consulting and marketing services.
Scicom International College Sdn. Bhd. *	Malaysia	**70**	70	Provides higher educational courses and academic training certification.
Scicom E Solutions Sdn. Bhd. *	Malaysia	**100**	100	Provides electronic solutions and applications for payment on-line processing, border security services, digital platforms and software solutions.

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name	Country of incorporation	Group's effective interest 2018 %	Group's effective interest 2017 %	Principal activities
Subsidiaries of the Company (continued)				
Scicom Contact Centre Services Private Limited ^	India	**100**	100	Dormant.
Scicom International (UK) Ltd.^	United Kingdom	**100**	100	Investment holding.
Scicom Inc.^ (Subsidiary of Scicom International (UK) Ltd.)	United States of America	**100**	100	Dormant.
PT Scicom Indonesia ^	Indonesia	**100**	100	Dormant.
Scicom Lanka (Private) Limited **	Sri Lanka	**100**	100	Provides customer contact centre outsourcing services.
Scicom (Cambodia) Co., Ltd. #	Cambodia	**100**	100	Provides information technology solution, software solution and integration services.

* Audited by PricewaterhouseCoopers PLT ("PwC"), Malaysia.
** Audited by a firm other than PwC Malaysia.
^ Not required by their local laws to appoint statutory auditors.
\# This entity has not commenced operations.

Non-controlling interests are not material to the Group.

17 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Unquoted shares at cost	**1**	1	**1**	1
Share of net assets of the joint venture	**140,021**	134,878	**-**	-
	140,022	134,879	**1**	1

	Group	
	2018	**2017**
	RM	**RM**
At 1 July	**134,879**	1,746,017
Distribution of dividends	**-**	(1,675,000)
Share of profit	**5,143**	63,862
At 30 June	**140,022**	134,879

The joint venture listed below has share capital consisting solely of ordinary shares, which is held directly by the Group.

Name	Group's effective interest		Principal activities
	2018	**2017**	
	%	%	
Incorporated in Malaysia			
Asian Contact Centres Sdn. Bhd. ("ACCS")*	**50**	50	Managing customer contact centre outsourcing services.

* Audited by PricewaterhouseCoopers PLT, Malaysia.
The financial year end of ACCS is 31 December.

ACCS is a private company and there is no quoted market price available for its shares. There are no commitments and contingent liabilities relating to the Group's interest in the joint venture.

17 INVESTMENT IN JOINT VENTURE (CONTINUED)

Summarised financial information for joint venture

Set out below are the summarised financial information for ACCS which is accounted for using the equity method:

	Group	
	2018	**2017**
	RM	**RM**
Current		
Cash and bank balances	**267,537**	91,004
Other current assets (excluding cash)	**51,758**	1,462,662
Total current assets	**319,295**	1,553,666
Financial liabilities (excluding trade payables)	**-**	(2,368)
Other current liabilities (including trade payables)	**(39,251)**	(1,281,657)
Total current liabilities	**(39,251)**	(1,284,025)
Non-current		
Assets	**-**	117
Net assets	**280,044**	269,758

	Group	
	2018	**2017**
	RM	**RM**
Summarised statement of comprehensive income		
Revenue	**939,059**	2,523,924
Profit from continuing operations	**21,692**	148,206
Finance income	**167**	12,273
Income tax expense	**(11,573)**	(32,755)
Net profit for the financial year/ Total comprehensive income	**10,286**	127,724

17 INVESTMENT IN JOINT VENTURE (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

	Group	
	2018	2017
	RM	RM
Summarised financial information		
Opening net assets 1 July	**269,758**	3,492,034
Distribution of dividends	**-**	(3,350,000)
Profit for the financial year	**10,286**	127,724
Closing net assets	**280,044**	269,758
Interest in joint venture @ 50%	**140,022**	134,879
Carrying value	**140,022**	134,879

During the financial year ended 30 June 2018, the Group and the Company rendered services to the Joint Venture ("JV") totalling RM882,996 (2017: RM2,331,041). There is no amount due from the JV to the Group and Company as at 30 June 2018 (2017: RM1,062,155).

18 TRADE RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade receivables				
Third parties - Billed	**21,512,751**	33,332,334	**20,275,929**	31,448,803
Third parties - Unbilled	**16,665,403**	15,608,143	**16,129,393**	15,133,025
Joint venture	**-**	1,062,155	**-**	1,062,155
	38,178,154	50,002,632	**36,405,322**	47,643,983

Credit terms of trade receivables range from 30 to 90 days (2017: 25 to 90 days).

The Group's and the Company's historical experience in collection of trade receivables falls largely within the credit period. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Company's trade receivables.

18 TRADE RECEIVABLES (CONTINUED)

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Neither past due nor impaired	**32,474,368**	37,008,426	**31,341,004**	35,942,643
Past due but not impaired:				
- 1 to 30 days past due not impaired	**2,162,614**	7,786,685	**1,599,314**	7,166,329
- 31 to 60 days past due not impaired	**1,831,120**	1,633,915	**1,831,120**	1,592,072
- 61 to 90 days past due not impaired	**578,832**	1,336,485	**578,832**	1,270,507
- More than 90 days past due not impaired	**1,131,220**	2,237,121	**1,055,052**	1,672,432
	38,178,154	50,002,632	**36,405,322**	47,643,983

All unbilled receivables are from third party debtors with good payment history.

Trade receivables and unbilled receivables that are neither past due nor impaired

Trade receivables and unbilled receivables that are neither past due nor impaired are debtors with good payment history.

The credit quality of trade receivables and unbilled receivables that are neither past due nor impaired can be assessed by historical information about counterparty defaults:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Existing customers with no history of defaults	**31,907,747**	36,604,019	**30,814,983**	35,616,161
New customers within the last 6 months	**566,621**	404,407	**526,021**	326,482
	32,474,368	37,008,426	**31,341,004**	35,942,643

18 TRADE RECEIVABLES (CONTINUED)

Trade receivables and unbilled receivables that are neither past due nor impaired (continued)

A significant number of these receivables comprise of multinational organisations and Malaysian government agencies. These receivables account for RM15,011,124 (2017: RM20,429,066) and RM14,413,769 (2017: RM19,838,401) of the Group's and Company's trade receivables as at 30 June 2018.

Trade receivables that are past due but not impaired

The Group and the Company have trade receivables of RM5,698,434 (2017: RM12,994,206) and RM5,058,967 (2017: RM11,701,340) respectively that are past due at the reporting date but not impaired. These receivables are mainly multinational organisations for whom there are no recent history of default. The trade receivable balances are unsecured in nature.

Impairment loss

The movements in impairment loss are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
At 1 July	**-**	151	**-**	-
Charge during the financial year	**367,698**	-	**367,698**	-
Written-off during the financial year	**(367,698)**	(151)	**(367,698)**	-
At 30 June	**-**	-	**-**	-

The impairment of trade receivables are individually determined.

The fair value of trade receivables approximates its carrying value.

19 OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Financial assets				
Other receivables	**849,333**	1,211,849	**628,338**	975,336
Deposits	**4,435,883**	5,464,053	**3,776,236**	3,855,487
Less: Impairment loss	**(159,200)**	(159,200)	**(159,200)**	(159,200)
	4,276,683	5,304,853	**3,617,036**	3,696,287
	5,126,016	6,516,702	**4,245,374**	4,671,623
Non-financial assets				
Prepayments	**1,997,667**	1,765,626	**1,421,280**	1,264,635
Other receivables	**1,057,438**	656,170	**-**	-
	8,181,121	8,938,498	**5,666,654**	5,936,258

The Group's and the Company's other receivables are neither past due nor impaired.

The credit quality of the Group's and Company's other receivables can be assessed by historical information of counterparty defaults. Other receivables of the Group and the Company are due from counterparties with no history of defaults.

Impairment loss

The movement in impairment loss is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At 1 July/30 June	**159,200**	159,200	**159,200**	159,200

All impaired other receivables and deposits are individually determined. These impaired receivables are from counterparties who are in financial difficulties and have defaulted on payments. These receivables are not secured by collateral or credit enhancements.

The fair value of other receivables and deposits approximate its carrying value.

20 AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2018	2017
	RM	RM
Amounts due from subsidiaries	**19,015,845**	17,990,970
Less: Impairment loss	**(19,015,845)**	(17,990,970)
	-	-

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The ageing analysis of the amounts due from subsidiaries are as follows:

	Company	
	2018	2017
	RM	RM
Neither past due nor impaired	**-**	-
Impaired:		
- More than 90 days	**19,015,845**	17,990,970
	19,015,845	17,990,970
Less: Impairment loss	**(19,015,845)**	(17,990,970)
	-	-

Impairment loss

The movement in impairment loss is as follows:

At 1 July	**17,990,970**	15,033,977
Charge for the financial year	**1,024,875**	2,956,993
At 30 June	**19,015,845**	17,990,970

The impairment of amounts due from subsidiaries are individually determined. The impairment loss recognised during the financial years ended 30 June 2018 and 30 June 2017 are in relation to subsidiaries with indication of impairment estimated based on the financial condition of the respective subsidiaries.

21 INVESTMENTS IN CASH FUNDS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Investments in cash funds	**13,485,070**	8,062,537	**13,485,070**	8,062,537

Investments in cash funds comprises investment in money market and short and medium term income funds.

The carrying amounts of investments in cash funds of the Group and the Company at the reporting date approximated their fair values. The fair values are within Level 1 of the fair value hierarchy as detailed in Note 30 (b) (2017: Level 1).

The credit quality of financial institutions in respect of investments in cash funds are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Investments in cash funds				
AAA	**6,242,484**	1,053,538	**6,242,484**	1,053,538
AA2	**7,242,586**	7,008,999	**7,242,586**	7,008,999
	13,485,070	8,062,537	**13,485,070**	8,062,537

The credit quality of the above balances are assessed by reference to RAM Rating Services Berhad.

22 CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances	**30,844,175**	18,302,455	**29,014,772**	16,665,744
Deposits with licensed banks	**7,943,042**	10,763,167	**6,000,000**	10,500,000
Cash and bank balances	**38,787,217**	29,065,622	**35,014,772**	27,165,744
Less:				
- deposits with maturity of more than 3 months	**(3,000,000)**	(8,000,000)	**(3,000,000)**	(8,000,000)
Cash and cash equivalents	**35,787,217**	21,065,622	**32,014,772**	19,165,744

The credit quality of financial institutions in respect of cash and bank balances and deposits with licensed banks are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash in-hand	**541,366**	896,429	**541,366**	896,351
Cash at bank and deposits with licensed banks				
AAA	**38,245,851**	28,169,193	**34,473,406**	26,269,393
	38,787,217	29,065,622	**35,014,772**	27,165,744

The credit quality of the above balances are assessed by reference to RAM Rating Services Berhad.

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Financial liabilities				
Trade payables	**277,380**	54,819	**277,380**	54,819
Accruals	**1,730,520**	1,846,720	**1,421,962**	1,482,333
Other payables	**6,290,071**	1,537,025	**5,555,899**	1,494,284
	8,297,971	3,438,564	**7,255,241**	3,031,436
Non-financial liabilities				
Performance-related bonus	**865,311**	3,061,529	**614,998**	2,910,025
Other payroll-related liabilities	**1,323,050**	2,307,687	**1,234,584**	2,121,448
Other payables	**912,403**	334,647	**487,911**	253,191
	11,398,735	9,142,427	**9,592,734**	8,316,100

Credit terms of trade payables range from 30 to 90 days (2017: 30 to 90 days).

24 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts are shown in the statements of financial position:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Deferred tax liabilities:				
- To be settled within 12 months	**216,017**	524,156	**216,017**	492,604
- To be settled after more than 12 months	**31,534**	158,965	**-**	158,965

24 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Deferred tax liabilities				
- Plant and equipment	**84,227**	473,192	**84,227**	473,192
- Others	**163.324**	209,929	**131,790**	178,467
Offsetting	**-**	-	**-**	-
Deferred tax liabilities (after offsetting)	**247,551**	683,121	**216,017**	651,569

The movements during the financial year relating to deferred taxation are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
At the beginning of the financial year	**683,121**	(88,480)	**651,659**	(119,957)
Charged/(credited) to profit or loss (Note 11):				
- Plant and equipment	**(388,965)**	460,430	**(388,965)**	460,355
- Provisions	**(560,930)**	331,045	**(560,930)**	331,045
- Others	**514,325**	(19,874)	**514,253**	(19,874)
At the end of the financial year	**247,551**	683,121	**216,017**	651,569

The amount of unutilised capital allowances and unutilised tax losses (both of which have no expiry date) of the Company's subsidiaries, for which no deferred tax asset is recognised in the statements of financial position as it is not probable that taxable profit will be available against which these temporary differences can be utilised as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Unutilised capital allowances	**144,957**	112,947	**-**	-
Unutilised tax losses	**9,918,937**	9,844,619	**-**	-

25 SHARE CAPITAL

Share capital is the amount subscribed for shares.

	Company	
	2018	**2017**
	RM	**RM**
Issued and fully paid ordinary shares with no par value		
At the beginning/end of the financial year	**35,545,356**	35,545,356

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

26 RESERVES

(a) Retained earnings

Retained earnings represent the cumulative earnings of the Group and the Company attributable to the owners of the Company.

(b) Currency translation reserve

Currency translation reserve occurs on consolidation where the exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments are taken to owners of the Company.

27 COMMITMENTS

(a) Capital expenditure

Capital expenditure authorised by the Directors not provided for in the financial statements are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Authorised and contracted:				
- Plant and equipment	**26,400**	943,434	**26,400**	499,010

(b) Non-cancellable operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
- Not later than one year	**6,057,061**	9,926,969	**4,457,008**	8,527,829
- Later than one year and not later than five years	**3,457,653**	8,881,373	**-**	3,648,190
	9,514,714	18,808,342	**4,457,008**	12,176,019

28 SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(i) The related parties and their relationships with the Group are as follows:

Related parties	Relationship
Scicom (Academy) Sdn. Bhd.	Subsidiary
Scicom International College Sdn. Bhd.	Subsidiary
Scicom E Solutions Sdn. Bhd.	Subsidiary
Scicom Contact Centre Services Private Limited	Subsidiary
Scicom International (UK) Ltd	Subsidiary
Scicom Inc.	Subsidiary
PT Scicom Indonesia	Subsidiary
Scicom Lanka (Private) Limited	Subsidiary
Scicom (Cambodia) Co., Ltd.	Subsidiary
Asian Contact Centres Sdn. Bhd.	Joint venture

(ii) Significant related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions agreed with related parties.

	Company	
	2018	**2017**
	RM	**RM**
Purchase of services from subsidiaries	**(1,607,076)**	(1,959,150)
Expenses paid on behalf of subsidiaries	**3,696,212**	6,106,023
Advances to subsidiaries	**3,389,421**	5,549,837
Repayment of advances to subsidiaries	**(3,484,179)**	(446,088)
Selling of plant and equipment to a subsidiary	**-**	298,096
Rendering of services to a joint venture	**882,996**	2,331,041
Dividends received from a joint venture	**-**	1,675,000

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(iii) Significant related party balances

Included in the Group's and the Company's statements of financial position are the following significant related party balances arising from normal business transactions:

	Company	
	2018	2017
	RM	RM
Amount due from joint venture	-	1,062,155

The transactions have been entered into in the normal course of business at terms mutually agreed between the parties.

29 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group and the Company's activities expose it to a variety of financial risks from its operations including market risk, credit risk, liquidity risk and capital management risk. The Group and the Company's overall financial risk management objectives are to ensure that the Group and the Company create value for its shareholders and to ensure that adequate financial resources are available for the development of the Group and the Company's businesses. The Group and the Company operate within clearly defined guidelines that are approved by the Board and seek to minimise potential adverse effects on its financial performance. Such guidelines are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group and the Company's policy guidelines are complied with. Financial risk is managed by a risk management committee who in turn ensures adherence to the policies approved by the Board of Directors.

It is, and has been throughout the current and previous financial year, the Group and the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Market risk

Market risk refers to the risk that changes in market prices such as foreign exchange rates and prices will affect the Group and the Company's financial position and cash flows.

(i) Foreign currency exchange risk

The Group and the Company are exposed to currency risk as a result of foreign currency transactions entered into currencies other than their functional currency, mainly US Dollar ("USD"), Sri Lankan Rupee ("LKR"), and Great Britain Pounds ("GBP"). The Group and Company's foreign currency exchange risk primarily arises from revenue contract rates and purchases of goods and services denominated in currencies other than their functional currency.

29 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Impact on profit after tax for the financial year:				
USD				
5% increase in USD exchange rate against MYR	**1,066,688**	974,164	**1,064,467**	974,164
5% decrease in USD exchange rate against MYR	**(1,066,688)**	(974,164)	**(1,064,467)**	(974,164)
LKR				
5% increase in LKR exchange rate against MYR	**114,135**	135,531	**(453)**	(497)
5% decrease in LKR exchange rate against MYR	**(114,135)**	(135,531)	**453**	497
GBP				
5% increase in GBP exchange rate against MYR	**101,550**	85,417	**101,550**	85,417
5% decrease in GBP exchange rate against MYR	**(101,550)**	(85,417)	**(101,550)**	(85,417)

(ii) Price risk

The Group and the Company are exposed to price risk arising from the investments in cash funds. The impact of the price risk is assessed to be immaterial to the Group and the Company.

(iii) Interest rate risk

The Group and the Company do not have exposure to interest rate risk.

(b) Credit and counterparty risk

Credit risk arises from potential default on sales made on deferred credit terms.

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group and Company.

At the reporting date, the Group and the Company's maximum exposure to credit risk are represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

29 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(b) Credit and counterparty risk (continued)

(i) Trade and other receivables

There exists concentration of credit risk with respect to the Group and the Company's trade receivables as at 30 June 2018, where four customers contributed RM23.0 million (2017: RM30.7 million for the Group and the Company). The Group and the Company's historical experience in collection of trade receivables falls within recorded allowances. Management believes that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Group and the Company's trade receivables.

The Group and the Company's customers are mainly significant entities comprising multinational organisations and Malaysian government agencies. The Group and the Company consider the risk of material loss in the event of non-performance by a customer to be unlikely. The credit quality of the trade and other receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparties as set out in Notes 18 and 19.

(ii) Intercompany balances

The Company maintains current accounts with subsidiaries. The current accounts include transactions relating to payments made on behalf of subsidiaries or vice versa as applicable. The Company monitors the results of the subsidiaries regularly. As at 30 June 2018, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that intercompany receivables are stated at the recoverable amounts. As at 30 June 2018, the amounts due from the subsidiaries have been fully impaired.

(iii) Bank balances

Bank balances are with approved financial institutions and reputable banks.

As at the end of the reporting period, the maximum exposure to credit risk arising from cash and bank balances is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparties to fail to meet their obligations.

The credit quality of the financial institutions in respect of the bank balances and short-term deposits are set out in Note 22.

29 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company have sufficient cash and bank balances and investments in cash funds and maintains standby credit lines to ensure availability of funding to meet operational requirements. The Group and the Company's standby credit lines are provided by financial institutions with sound credit ratings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
On demand or less than three months:				
Trade and other payables	**8,297,971**	3,438,564	**7,255,241**	3,031,436
Bank guarantees	**-**	-	**622,192**	568,539
	8,297,971	3,438,564	**7,877,433**	3,599,975

(d) Capital management risk

The Group and the Company defines capital as the total equity and debts of the Group and the Company. The objective of the Group and the Company's capital management is to maintain an optimal capital structure and ensure availability of funds in order to support its business and maximise shareholders' value. During the financial year, the Group and the Company's strategy for managing capital was unchanged from 2017.

As of 30 June 2018, the Group and the Company had no outstanding borrowings.

30 FINANCIAL INSTRUMENTS

(a) By category:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Loans and receivables				
Trade receivables	**38,178,154**	50,002,632	**36,405,322**	47,643,983
Other receivables excluding prepayments	**5,126,016**	6,516,702	**4,245,374**	4,671,623
Cash and bank balances	**38,787,217**	29,065,622	**35,014,772**	27,165,744
	82,091,387	85,584,956	**75,665,468**	79,481,350
Assets classified as available-for-sale				
Investments in cash funds	**13,485,070**	8,062,537	**13,485,070**	8,062,537
Other financial liabilities at amortised cost				
Trade and other payables excluding statutory liabilities	**8,297,971**	3,438,564	**7,255,241**	3,031,436

(b) Fair value measurement

The Group and the Company 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).

There were no transfers between levels 1 and 2 for recurring fair value measurements during the financial year.

The carrying value of the balances disclosed in the financial statements approximates their fair values except as disclosed in the notes to the financial statements.

31 CONTINGENT LIABILITY

A subsidiary of the Company has received tax assessment notices of RM1.4 million, INR23.8 million (2017: RM1.6 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.

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 August 2018.

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Sri Leo Suresh Ariyanayakam and Krishnan a/l C. K. Menon, two of the Directors of Scicom (MSC) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 97 to 167 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and financial performance of the Group and of the Company for the financial year ended 30 June 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 August 2018.

DATO' SRI LEO SURESH ARIYANAYAKAM
DIRECTOR

KRISHNAN A/L C. K. MENON
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Jayakumar a/l Narayana Pillai Sreedharan Nair, the Officer primarily responsible for the financial management of Scicom (MSC) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 97 to 167 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

JAYAKUMAR A/L NARAYANA PILLAI SREEDHARAN NAIR
OFFICER

Subscribed and solemnly declared by the abovenamed Jayakumar a/l Narayana Pillai Sreedharan Nair at Kuala Lumpur in Malaysia on 27 August 2018, before me.

CHRISTOPHER KOH SWEE KIAT (NO.W554)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SCICOM (MSC) BERHAD
(Incorporated in Malaysia)
(Company No. 597426 H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Scicom (MSC) Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 97 to 167.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

TO THE MEMBERS OF SCICOM (MSC) BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 597426 H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Revenue recognition on outsourcing services *Refer to Note 3(q) - Summary of significant accounting policies and Note 6 – Revenue.* During the financial year ended 30 June 2018, the Group recognised revenue of RM165.3 million, primarily derived from outsourcing services. Revenue is recognised based on services rendered at the pre-agreed terms which includes the required resources to render the service and rates agreed with the respective customers. The terms with each customer may vary and this will impact the basis of revenue recognition. We have focused on revenue recognition as it required significant time and resources to audit the revenue at transaction level, which is material to the financial statements.	Our audit procedures performed are as follows: • We obtained understanding and performed walkthrough on the Group's processes on revenue recognition, in particular contracts approval and invoice processing, controls over revenue recording and invoice processing; • We tested the operating effectiveness of key controls in relation to revenue recognition; • We read significant contracts with customers to obtain understanding of the nature of the arrangement with customers and the agreed terms and conditions; • We performed substantive analytical procedures on significant revenue recognised for the financial year on a disaggregated level by customers and nature of contracts; and • We tested the revenue recognised on a sampling basis to amounts invoiced to customers based on the respective contracted rates and resources deployed. Based on the procedures performed above, we did not find any material exceptions to the Group's revenue recognition during the financial year.

TO THE MEMBERS OF SCICOM (MSC) BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 597426 H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recognition of tax incentive *Refer to Note 3(m) - Summary of significant accounting policies, Note 4(b) - Critical accounting estimates and judgements, Note 11 - Taxation and Note 24 - Deferred taxation to the financial statements.* During the financial year, the Company recognised a tax incentive representing 70% tax exemption on its statutory income from outsourcing services for the period from 1 July 2017 to 6 November 2017. The tax incentive is a Customised Incentive granted to the Company for a period of 5 years from 7 November 2012 to 6 November 2017 ("incentive period") and is subject to fulfilment of certain conditions and Key Performance Indicators ("KPIs") to be assessed annually by the administrator of the Customised Incentive ("the administrator"). The administrator has confirmed in a letter dated 31 May 2018 that the Company has completed the Customised Incentive Project ("the closure letter"). Management has also confirmed with the administrator that the closure letter confirmed that the Company has met the required conditions under the Customised Incentive for the incentive period. The final approval of the Customised Incentive would still be subject to the approval of Ministry of Finance, which however is procedural in nature given that it will follow the administrator's recommendation.	Our audit procedures performed are as follows: • We read the closure letter dated 31 May 2018 and enquired the CEO and CFO that based on their discussion with the administrator, the Company has met the required conditions for the incentives.; and • We involved our tax specialist to review the income tax expense for the year which incorporated the Directors' judgement that the continued application of the tax incentive remains probable; and • We reviewed the computation of the tax expense recognised during the year by the Company. Based on the procedures performed, we did not find any material exceptions to the current financial year income tax expense recognised by the Company.

TO THE MEMBERS OF SCICOM (MSC) BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 597426 H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and the other parts of the information contained in the annual report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SCICOM (MSC) BERHAD (CONTINUED)

TO THE MEMBERS OF SCICOM (MSC) BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 597426 H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

TO THE MEMBERS OF SCICOM (MSC) BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 597426 H)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SOO KWAI FONG
03144/07/2019 J
Chartered Accountant

Kuala Lumpur
27 August 2018

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Securities:

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

As at the date of this Annual Report, the proceeds from Scicom's IPO has been fully utilised.

2. SHARE BUY-BACK

The Company does not have a scheme to buy back its own shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company does not have any warrants or convertible securities in issue for the financial year ended 30 June 2018. The Company currently does not have any ESOS scheme.

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme for the financial year ended 30 June 2018.

5. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies, during the financial year ended 30 June 2018.

6. NON-AUDIT FEES

The amount of non-audit fees paid by the Group and the Company for the financial year ended 30 June 2018 were RM53,075 and RM24,975 respectively, representing fees for tax and advisory services.

7. VARIATION IN RESULTS

There was no profit estimation, forecast or projection made or released by the Company during or in relation to the financial year ended 30 June 2018. There were no variances of 10% or more between the audited and unaudited results for the current financial year.

8. PROFIT GUARANTEE

There were no profit guarantees given by the Group and the Company during the financial year ended 30 June 2018.

9. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

For the financial year ended 30 June 2018, no contracts of a material in nature were entered into or were subsisting between the Group and its Directors, or major shareholders.

10. RECURRENT RELATED PARTY TRANSACTIONS

There were no recurrent related party transactions entered by the Group and the Company during the financial year ended 30 June 2018.

11. SUSTAINABILITY STATEMENT / CORPORATE SOCIAL RESPONSIBILITY

The Group's sustainability statement and corporate social responsibility activities and/or practices undertaken during the financial year ended 30 June 2018 are set out on pages 54 to 63 of the Annual Report.

CORPORATE INFORMATION

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 2 OCTOBER 2018

Issued and Fully Paid-up Share Capital	:	**RM35,545,356 comprising 355,453,560 shares**
Class of Securities	:	**Ordinary shares**
Voting Rights	:	**One vote per ordinary share**

DISTRIBUTION OF SHAREHOLDINGS AS 2 OCTOBER 2018

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100 shares	105	5.62%	4,003	0.00%
100 to 1,000 shares	264	14.14%	165,567	0.05%
1,001 to 10,000 shares	762	40.81%	3,575,410	1.01%
10,001 to 100,000 shares	528	28.28%	18,414,729	5.18%
100,001 to less than 5% of issued shares	203	10.87%	183,579,897	51.65%
5% and above of issued shares	5	0.28%	149,713,954	42.11%
	1,867	100.00%	355,453,560	100.00%

LIST OF 30 LARGEST REGISTERED SHAREHOLDERS AS AT 2 OCTOBER 2018
(As shown in the record of Depositors)

No.	Name of Shareholder	No. of Shares Held	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NETINSAT ASIA SDN BHD (PB)	39,010,000	10.974
2	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG SINGAPORE FOR LEO SURESH ARIYANAYAKAM (MAYBANK SG)	35,048,894	9.860
3	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEO SURESH ARIYANAYAKAM	29,135,060	8.196
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NETINSAT ASIA SDN BHD (PBCL-0G0024)	28,430,000	7.998
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAGANATH DEREK STEVEN SABAPATHY	18,090,000	5.089
6	ALLIANCEGROUP NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEO SURESH ARIYANAYAKAM (8117550)	15,026,900	4.227
7	ALI BIN ABDUL KADIR	13,200,000	3.713
8	SIEH KOK SWEE	8,003,600	2.251
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	7,086,200	1.993
10	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR LEO SURESH ARIYANAYAKAM (MY2262)	6,000,000	1.687
11	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	5,993,700	1.686
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	5,413,600	1.523
13	KHOO LOON SEE	4,510,288	1.268
14	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)	4,476,400	1.259
15	TA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEO SURESH ARIYANAYAKAM	4,274,500	1.202
16	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK INTERNATIONAL OPPORTUNITIES FUND	3,754,500	1.056

ANALYSIS OF SHAREHOLDINGS (CONTINUED)

No.	Name of Shareholder	No. of Shares Held	%
17	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK EMERGING MARKETS OPPORTUNITIES FUND	3,685,500	1.036
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F.TEMISLAMIC)	3,630,700	1.021
19	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	3,559,500	1.001
20	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OMAR SHARIFF BIN MYDEEN	3,010,000	0.846
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (RB-TNB-NOMUR)(419513)	2,916,600	0.820
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	2,559,300	0.720
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BHD FOR LIBRA AMANAH SAHAM WANITA (N14011980040)	2,445,160	0.687
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F TEMPLETON)	2,384,700	0.670
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD LIBRA INVEST BERHAD FOR LAM SOO HENG @ LAM SEO HAN (AIS012-240263)	2,040,800	0.574
26	KRISHNAN A/L C K MENON	2,034,520	0.572
27	GAN BOON AIK	1,891,400	0.532
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR LIBRA EQUITYEXTRA FUND (990405)	1,578,940	0.444
29	MOHD SALLEH BIN HJ HARUN	1,570,800	0.441
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR LIBRA INCOMEEXTRA FUND (240491)	1,461,200	0.411
	Total	**262,222,762**	**73.757**

SUBSTANTIAL SHAREHOLDERS AS AT 2 OCTOBER 2018

No.	Name of Shareholder	Direct Interest	%	Deemed Interest	%
1	Dato' Sri Leo Suresh Ariyanayakam	89,565,863	25.20%	0	0.00%
2	Netinsat Asia Sdn Bhd	68,518,704	19.28%	0	0.00%
3	Krishnan A/L C K Menon	3,334,520	0.94%	68,518,704	19.28%
4	Sreekumar A/L Narayana Pillai	-	0.00%	68,518,704	19.28%
5	Employees Providend Fund Board	21,074,500	5.93%	0	0.00%
6	Dato' Jaganath Derek Steven Sabapathy	18,516,472	5.21%	0	0.00%

DIRECTORS' SHAREHOLDING AS AT 2 OCTOBER 2018

No.	Name of Shareholder	Direct Interest	%	Deemed Interest	%
1	Dato' Sri Leo Suresh Ariyanayakam	89,565,863	25.20%	0	0.00%
2	Krishnan A/L C K Menon [1]	3,334,520	0.94%	68,518,704	19.28%
3	Dato’ Mohd Salleh bin Hj. Harun	1,886,000	0.53%	0	0.00%
4	Dato' Nicholas John Lough @ Sharif Lough bin Abdullah [2]	1,045,000	0.29%	1,063,000	0.30%
5	Karen Judith Goonting	-	-	-	-
6	Mahani Binti Amat	-	-	-	-
7	Mohd Rashid Bin Mohd Yusof	-	-	-	-
8	Datuk Joseph Dominic Silva	-	-	-	-

[1] *Deemed interest by virtue of his shareholdings in Netinsat Asia Sdn Bhd*
[2] *Deemed interest by virtue of his shareholdings in Melewar Leisure Sdn Bhd*

GLOSSARY OF ABBREVIATIONS

Act	Companies Act 2016
AFIS	Automated Fingerprint Identification System
AGM	Annual General Meeting
ACCSB	Asian Contact Centre Services Sdn Bhd
AI	Artificial Intelligence
B2B	Business to business
B2C	Business to consumer
BCP	Business continuity planning
Board	Board of Directors
BPO	Business Process Outsourcing
BPO/SSO	Business Process Outsourcing/Shared Services Outsourcing
Bursa Securities	Bursa Malaysia Securities Berhad
BTEC	Business and Technical Education Council
CCAM	Customer Relationship Management and Contact Centre Association
CEO	Chief Executive Officer
COO	Chief Operating Officer
Code	Code of Business Conduct
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
ESOS	Employees' Share Option Scheme
ETA	Estimated Time of Arrival
FMCG	Fast-Moving Consumer Goods
FY	Financial Year
GBP	British Pound Sterling
HR	Human Resource
HRO	Human Resource Outsourcing
HQ	Head Quarters
ICM	Internal control memorandum
INR	Indian Rupee
IP	Intellectual Property
IPO	Initial Public Offering
ISO	International Standards Organization
IT	Information Technology
KPO	Knowledge Process Outsourcing

GLOSSARY OF ABBREVIATIONS (CONTINUED)

KL	Kuala Lumpur
LOA	Limits of Authority
MASB	Malaysian Accounting Standards Board
MFRS	Malaysia Financial Reporting Standards
MNC	Multinational Corporation
MSC	Multimedia Super Corridor
MQA	Malaysian Qualification Agency
PBT	Profit Before Taxation
PCI DSS	Payment Card Industry Data Security Standard
PFI	Private Funding Initiatives
PIKOM	Association of the Computer and Multimedia Industry of Malaysia
PJ	Petaling Jaya, Malaysia
PPP	Public Private Partnership
PTSI	PT Scicom Indonesia
RM	Ringgit Malaysia
Scicom	Scicom (MSC) Berhad
Scicom Academy	Scicom (Academy) Sdn Bhd
Scicom (UK)	Scicom International (UK) Limited
SCP	Support Center Practices
SEA	South East Asia
SEG	Scicom Education Group
SGD	Singapore Dollar
SMS	Short Messaging Service
SMT	Senior Management Team
SLPL	Scicom Lanka (Private) Limited
SSPA	Service and Support Professionals Association
STAR	Scicom's Talent Assessment, Recognition and Development
Statement	Directors' Statement on Internal Control
The Company	Scicom (MSC) Berhad
The Group	Scicom (MSC) Berhad and its subsidiaries
TQM	Total Quality Management
UK	United Kingdom
USA	United States of America
USD	United States Dollar

CORPORATE INFORMATION

GROUP DIRECTORY

Scicom (MSC) Berhad
25th Floor, Menara TA One 22
Jalan P. Ramlee
50250 Kuala Lumpur Malaysia
Tel : 603 2162 1088
Fax : 603 2164 9820
Email : corpinfo@scicom-intl.com

2nd Floor, Mercu MQA 3539
Jalan Teknokrat 7
63000 Cyberjaya
Selangor Darul Ehsan Malaysia
Tel : 603 8312 4262
Fax : 603 8312 2255

Scicom (Academy) Sdn Bhd
25th Floor, Menara TA One 22
Jalan P. Ramlee
50250 Kuala Lumpur Malaysia
Tel : 603 2162 1088
Fax : 603 2164 9820
E-mail : academy@scicom-intl.com

Scicom E Solutions Sdn Bhd
25th Floor, Menara TA One 22
Jalan P. Ramlee
50250 Kuala Lumpur Malaysia
Tel : 603 2162 1088
Fax : 603 2164 9820

Scicom International College Sdn Bhd
25th Floor, Menara TA One 22
Jalan P. Ramlee
50250 Kuala Lumpur Malaysia
Tel : 603 2162 1088
Fax : 603 2164 9820

Scicom Contact Centre Services Private Limited
Door No 2, No.1A
Venkateshwar Nilya
Anjenya Temple Road
RMV 2nd Stage Bangalore
560094 India
Tel : 99 86 374436

Scicom Inc
234, Waukegan Road Glenview
Illinois 60025 United States of America
Tel : 847-998-0557
Fax : 847-998-0561

Asian Contact Centres Sdn Bhd
25th Floor, Menara TA One 22
Jalan P. Ramlee
50250 Kuala Lumpur Malaysia
Tel : 603 2162 1088
Fax : 603 2164 9820

Scicom Lanka (Private) Limited
466, Galle Road
Colombo 3
Sri Lanka
Tel : 94 11 5882885

PT Scicom Indonesia
Wisma GKBI, 17th Floor
Jl. Jendral Sudirman No.28
Jakarta 10210, Indonesia

Scicom (Cambodia) Co., Ltd
Level 6, Phnom Penh Tower
445, Monivong Boulevard
Phnom Penh, Cambodia

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Company will be held at Banyan & Casuarina, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000, Kuala Lumpur, Malaysia on **Thursday, 22 November 2018** at **10.00 a.m.** to transact the following businesses: -

A. <u>Ordinary Business</u>

1 To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and Auditors thereon.	(See Note 2)
2. To re-elect the following Directors who retire pursuant to Article 84 of the Constitution of the Company:-	
(i) Krishnan A/L C K Menon	(Ordinary Resolution 1)
(ii) Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	(Ordinary Resolution 2)
3. To re-elect Datuk Joseph Dominic Silva who retires pursuant to Article 91 of the Constitution of the Company	(Ordinary Resolution 3)
4. To approve the payment of Directors' Fees of RM462,500 for the financial year ended 30 June 2018.	(Ordinary Resolution 4)
5. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	(Ordinary Resolution 5)

B. <u>Other Business</u>

6. To transact any other business of which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act 2016.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)
LIM POH YEN (MAICSA 7009745)
Company Secretaries

Kuala Lumpur
24 October 2018

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING (CONTINUED)

NOTES:-

1. APPOINTMENT OF PROXY

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may, but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(ii) Where a member or authorised nominee appoints two (2) or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(iii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(vi) The instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(vii) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 60 of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 14 November 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The Audited Financial Statements in Agenda 1 is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by shareholders of the Company.

PROXY FORM

SCICOM (MSC) BERHAD (597426-H)
(Incorporated in Malaysia)

No. of ordinary shares held	*CDS Account No.*

TELEPHONE NO.

....
(DURING OFFICE HOURS)

I/We..
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New)/Company No. ....
of ....
(FULL ADDRESS)

being a member/members of **SCICOM (MSC) BERHAD** hereby appoint*

....
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No..
of ....
....
(FULL ADDRESS)

or failing him ....
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No..
of ....
....

or the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf, at the Sixteenth Annual General Meeting of the Company to be held at Banyan & Casuarina, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000, Kuala Lumpur, Malaysia on **Thursday, 22 November 2018** at **10.00 a.m.** and at any adjournment thereof, to vote as indicated below:-

Ordinary Business		***FOR***	***AGAINST***
Ordinary Resolution 1	Re-election of Krishnan A/L C K Menon as Director pursuant to Article 84 of the Constitution of the Company		
Ordinary Resolution 2	Re-election of Dato' Nicholas John Lough @ Sharif Lough bin Abdullah as Director pursuant to Article 84 of the Constitution of the Company		
Ordinary Resolution 3	Re-election of Datuk Jospeh Dominic Silva as Director pursuant to Article 91 of the Constitution of the Company		
Ordinary Resolution 4	Approval of Directors' Fees of RM462,500 for the financial year ended 30 June 2018		
Ordinary Resolution 5	Re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast If you do not do so, the Proxy will vote or abstain from voting at his/her discretion.)

The proportions of my/our shareholding to be represented by my/our proxy(ies) are as follows:

First named Proxy .... %
Second named Proxy... %
100%

Dated this ____________ *day of* ________________ *2018*

____
Signature of Member / Common Seal

NOTES:-

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may, but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(ii) Where a member or authorised nominee appoints two (2) or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(iii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(vi) The instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(vii) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 60 of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 14 November 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.