SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 30 JUNE 2018

ANNOUNCEMENT

The Board of Directors of Scicom (MSC) Berhad (hereinafter referred to as "Scicom" or "the Company") is pleased to announce the following unaudited consolidated results for the fourth quarter ended 30 June 2018.

CONSOLIDATED STATEMENT COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter 30.6.2018	Preceding Year Corresponding Quarter 30.6.2017	Changes	Current Financial Period Ended 30.6.2018	Preceding Financial Period Ended 30.6.2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	37,636	47,087	-20%	165,289	199,486	-17%
Operating expenses	(28,598)	(31,852)	-10%	(119,787)	(143,710)	-17%
Depreciation and amortisation	(1,773)	(1,985)	-11%	(7,854)	(7,920)	-1%
Operating profit	7,265	13,250	-45%	37,648	47,856	-21%
Share of (loss)/profit of joint venture (net of tax)	(3)	13	-123%	5	64	-92%
(Loss)/Gain on foreign exchange	(869)	(1,936)	-55%	(1,250)	1,067	-217%
Bad debts written off	(368)	-	100%	(368)	-	100%
Plant and equipment written off	-	(36)	-100%	-	(36)	-100%
Finance income	255	159	60%	994	823	21%
Finance costs	-	13	-100%	-	-	0%
Profit before taxation	6,280	11,463	-45%	37,029	49,774	-26%
Taxation	(2,210)	(1,660)	33%	(5,113)	(4,692)	9%
Profit for the financial year	4,070	9,803	-58%	31,916	45,082	-29%

SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (cont'd)

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter 30.6.2018	Preceding Year Corresponding Quarter 30.6.2017	Changes	Current Financial Year Ended 30.6.2018	Preceding Financial Year Ended 30.6.2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Other comprehensive (loss)/ income, net of tax						
Foreign currency translation differences for foreign operations	1,909	980	95%	(568)	(471)	21%
Total comprehensive income for the financial year	5,979	10,783	-45%	31,348	44,611	-30%
Profit attributable to:						
- Owners of the Company	4,135	9,870	-58%	32,220	45,398	-29%
- Non-controlling interest	(65)	(67)	-3%	(304)	(316)	-4%
Profit for the financial year	4,070	9,803	-58%	31,916	45,082	-29%
Total comprehensive income attributable to:						
- Owners of the Company	6,044	10,850	-44%	31,652	44,927	-30%
- Non-controlling interest	(65)	(67)	-3%	(304)	(316)	-4%
Total comprehensive income for the financial year	5,979	10,783	-45%	31,348	44,611	-30%
Earnings per share attributable to equity holders of the Company:						
- Basic (sen)*	1.16	2.78	-58%	9.06	12.77	-29%
- Diluted (sen)	N/A	N/A	N/A	N/A	N/A	N/A

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

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial report.

SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At Current Financial Period Ended 30.6.2018	As At Preceding Financial Year Ended 30.06.2017
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	10,743	14,140
Software licences	7,302	4,423
Investment in jointly controlled entity	140	135
	18,185	18,698
Current Assets		
Trade receivables	21,513	34,394
Unbilled receivables	16,665	15,609
Deposits, prepayments and other receivables	8,181	8,938
Tax recoverable	202	446
Investments in cash funds	13,485	8,062
Cash and bank balances	38,787	29,066
	98,833	96,515
TOTAL ASSETS	117,018	115,213
EQUITY AND LIABILITIES		
Capital and reserves attributable to Owners of the Company		
Share capital	35,545	35,545
Retained earnings	73,179	72,950
Currency translation reserve	(2,663)	(2,095)
	106,061	106,400
Non-controlling interest	(1,423)	(1,119)
TOTAL EQUITY	104,638	105,281
Non-Current Liabilities		
Deferred tax liabilities	248	683
	248	683
Current Liabilities		
Trade and other payables	11,398	9,142
Current tax liabilities	734	107
	12,132	9,249
TOTAL LIABILITIES	12,380	9,932
TOTAL EQUITY AND LIABILITIES	117,018	115,213
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)	0.30	0.30

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial report.

TOTAL CUSTOMER DELIGHT

SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares		Non-distributable	Distributable		
	Number of shares	Share capital	Currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
12 months ended 30.6.2017						
As at 1 July 2016	355,453	35,545	(1,624)	59,543	(803)	92,661
Currency translation differences, representing total income and expense recognised directly in equity	0	0	(471)	0	0	(471)
Net profit for the financial year	0	0	0	45,398	(316)	45,082
Total comprehensive income/(loss)	0	0	(471)	45,398	(316)	44,611
Dividends paid for the financial year ended:						
- 30 June 2016	0	0	0	(10,664)	0	(10,664)
- 30 June 2017	0	0	0	(21,327)	0	(21,327)
As at 30 June 2017	355,453	35,545	(2,095)	72,950	(1,119)	105,281
12 months ended 30.6.2018						
As at 1 July 2017	355,453	35,545	(2,095)	72,950	(1,119)	105,281
Currency translation differences, representing total income and expense recognised directly in equity	0	0	(568)	0	0	(568)
Net profit for the financial year	0	0	0	32,220	(304)	31,916
Total comprehensive (loss)/income	0	0	(568)	32,220	(304)	31,348
Dividends paid for the financial year ended:						
- 30 June 2017	0	0	0	(10,664)	0	(10,664)
- 30 June 2018	0	0	0	(21,327)	0	(21,327)
As at 30 June 2018	355,453	35,545	(2,663)	73,179	(1,423)	104,638

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial report.

SCICOM (MSC) BERHAD
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FOURTH QUARTER REPORT ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Financial Period Ended 30.6.2018	Preceding Financial Period Ended 30.6.2017
	RM'000	RM'000
Operating Activities		
Net profit for the financial year	31,916	45,082
Adjustments:		
Depreciation of plant and equipment	6,125	6,802
Amortisation of software licenses	1,729	1,118
Bad debts written off	368	0
Unrealised foreign exchange loss/(gain)	1,178	(581)
Plant and equipment written off	0	36
Taxation	5,113	4,692
Finance income	(994)	(823)
Loss on disposal of plant and equipment	1	35
Share of profit of joint venture	(5)	(64)
Operating profit before changes in working capital	45,431	56,297
Receivables	12,041	(8,161)
Payables	2,317	(5,786)
Cash flow from operations	59,789	42,350
Interest received	994	823
Net tax paid	(4,741)	(6,640)
Net cash flow generated from operating activities	56,042	36,533
Investing Activities		
Distribution received from joint venture	0	1,675
Proceeds from disposal of plant and equipment	15	19
Purchases of plant and equipment	(2,906)	(5,131)
Purchases of software licences	(4,643)	(1,156)
Increase in investment in cash funds	(5,422)	(248)
Decrease/(Increase) in fixed deposits with maturity of more than 3 months	5,000	(5,000)
Net cash flow used in investing activities	(7,956)	(9,841)
Financing Activities		
Payment of dividends	(31,991)	(31,991)
Net cash flow used in financing activities	(31,991)	(31,991)
Net increase/(decrease) in cash and cash equivalents	16,095	(5,299)
Effect of foreign exchange on cash and cash equivalents	(1,374)	176
Cash and cash equivalents at beginning of financial year	21,066	26,189
Cash and cash equivalents at end of financial year	35,787	21,066
Deposits with maturity of more than 3 months	3,000	8,000
Cash and bank balances at the end of the financial year	38,787	29,066

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited interim financial report should be read in conjunction with the Group's most recent audited financial statements for the financial year ended 30 June 2017.

The accounting policies and method of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2017.

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"

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.

Standards and amendments that have been issued but not yet effective

Effective for financial periods beginning on or after 1 January 2018

- Annual Improvements to MFRS 128 "Investments in Associates and Joint Ventures"

  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' will replace MFRS 139 "Financial Instruments: Recognition and Measurement"

  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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION (cont'd)

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

Effective for financial periods beginning on or after 1 January 2018 (cont'd)

- MFRS 15 'Revenue from contracts with customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations.

  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"

  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.

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRS 112 "Income Taxes"

Management is currently assessing the impact arising from the initial application of these standards on the consolidated and separate financial statements of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted in preparing these consolidated condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2017.

3. AUDITORS' REPORT OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2017 was not qualified.

4. SEASONAL / CYCLICAL FACTORS

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

5. UNUSUAL ITEMS

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

6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

7. MOVEMENT IN DEBT AND EQUITY SECURITIES

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

8. DIVIDENDS PAID

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

In respect of the financial year ended	Dividend	Date of dividend payment	Amount paid
2017	Interim dividend of 3.0 sen per ordinary share	27 September 2017	RM10,663,607
2018	Interim dividend of 2.0 sen per ordinary share	12 December 2017	RM7,109,071
2018	Interim dividend of 2.0 sen per ordinary share	8 March 2018	RM7,109,071
2018	Interim dividend of 2.0 sen per ordinary share	21 June 2018	RM7,109,071

9. SEGMENT RESULTS AND REPORTING

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

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

a. Business Process Outsourcing (BPO)'s suite of services include integrated solutions in Customer Lifecycle Management, e-Commerce Solutions and e-Government Solutions.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9. SEGMENT RESULTS AND REPORTING (cont'd)

Segmental analysis by geographical areas:

	Current Period Quarter 30.6.2018	Preceding Year Corresponding Quarter 30.6.2017
	RM'000	RM'000
Revenue		
Malaysia	18,723	24,005
Singapore	2,058	2,761
Philippines	9,405	12,789
United Kingdom	1,392	1,787
Sri Lanka	1,287	1,429
China	2,285	3,211
United States	1,252	0
Others	1,234	1,105
	37,636	47,087

Segmental analysis by business segment is as follows:

For the financial year ended 30 June 2018

FY 2018	Current Financial Year Ended 30.6.2018			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	165,041	248	-	165,289
Inter-segment revenue	-	1,607	(1,607)	-
Total revenue	165,041	1,855	(1,607)	165,289
Segment results	45,766	(1,882)		43,884
Unallocated income/ other gains				-
Depreciation of plant and equipment				(6,125)
Amortisation of software licences				(1,729)
Share of profit of joint venture				5
Finance income				994
Profit before taxation				37,029
Taxation				(5,113)
Net profit for the financial year				31,916

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9. SEGMENT RESULTS AND REPORTING (cont'd)

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

For the financial year ended 30 June 2017

FY 2017	Preceding Financial Year Ended 30.6.2017			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	199,455	31	-	199,486
Inter-segment revenue	-	1,959	(1,959)	-
Total revenue	199,455	1,990	(1,959)	199,486
Segment results	58,464	(1,657)		56,807
Unallocated income/ other gains				-
Depreciation of plant and equipment				(6,802)
Amortisation of software licences				(1,118)
Share of profit of joint venture				64
Finance income				823
Finance cost				-
Profit before taxation				49,774
Taxation				(4,692)
Net profit for the financial year				45,082

10. VALUATION OF PLANT AND EQUIPMENT

There was no revaluation of plant and equipment during the financial quarter under review and financial year to date. As at 30 June 2018, all plant and equipment were stated at cost less accumulated depreciation.

11. SUBSEQUENT EVENTS

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations for the financial quarter under review.

13. CONTINGENT LIABILITY OR CONTINGENT ASSET

There was no contingent liability or contingent asset arising since the last audited financial statement for the financial year ended 30 June 2017.

14. COMMITMENTS

Commitments for the Group not provided for as at 30 June 2018 are as follows:

(a) Capital commitments

	Current Financial Year Ended 30.6.2018 RM'000
In respect of plant and equipment	
- Authorised and contracted	26

(b) Non-cancellable operating leases

	Current Financial Year Ended 30.6.2018 RM'000
Future minimum lease payments	
- not later than 1 year	6,057
- later than 1 year and not later than 5 years	3,458
	9,515

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16. REVIEW OF PERFORMANCE

PERFORMANCE BY QUARTER

Financial quarter ended	30 Jun 2018	30 Jun 2017	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
Outsourcing	37,518	47,087	(9,569)
Education	118	-	118
Total revenue	**37,636**	**47,087**	**(9,451)**
Profit before taxation	**6,280**	**11,463**	**(5,183)**

a. Revenue

Outsourcing
The Group's Outsourcing business principally comprises services provided to clients on long term contracts. Additionally, clients require the Group to provide ad-hoc short term services. The reduction in billable headcount for certain projects as a result of a change in clients' requirements and/or strategies has also resulted in a reduction of billable revenue from these projects amounted to RM12.07 million for the financial quarter under review as compared to the preceding year corresponding quarter.

The decrease in revenue is mitigated by revenue from increase in existing projects which amounted to RM2.50 million, respectively.

The net decrease in the Group's outsourcing revenue for the financial quarter under review is RM9.57 million.

Education
The Group's Education focus is predicated on both internal and external requirements. The external revenue aspect of the Education business for the financial quarter under review is insignificant. The Group's internal training requirements are managed completely by the Education division.

b. Profit before taxation
The lower profit before tax for the financial quarter under review as compared to the preceding year corresponding quarter is due to lower revenue for the financial quarter under review.

16. REVIEW OF PERFORMANCE (cont'd)

PERFORMANCE BY FINANCIAL YEAR TO DATE

Financial year ended	30 Jun 2018	30 Jun 2017	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
Outsourcing	165,041	199,455	(34,414)
Education	248	31	217
Total revenue	**165,289**	**199,486**	**(34,197)**
Profit before taxation	**37,029**	**49,774**	**(12,745)**

a. Revenue

Outsourcing
The Group's Outsourcing business principally comprises services provided to clients on long term contracts. Additionally, clients require the Group to provide ad-hoc short term services. The reduction in billable headcount for certain projects as a result of a change in clients' requirements and/or strategies has also resulted in a reduction of billable revenue from these projects amounted to RM50.07 million for the period under review as compared to the preceding year corresponding period.

The decrease in revenue is mitigated by revenue from increase in existing projects which amounted to RM15.66 million, respectively.

The net decrease in the Group's outsourcing revenue for the period under review is RM34.41 million.

Education
The Group's Education focus is predicated on both internal and external requirements. The external revenue aspect of the Education business for the period under review is insignificant. The Group's internal training requirements are managed completely by the Education division.

16. REVIEW OF PERFORMANCE (cont'd)

PERFORMANCE BY FINANCIAL PERIOD TO DATE (cont'd)

b. Profit before taxation

The lower profit before tax for the current financial period under review as compared to the preceding year corresponding period is due to lower revenue and the forex loss position for the current financial period under review as compared to a forex gain position in the preceding year corresponding period.

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Financial quarter ended	30 Jun 2018	31 Mar 2018	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
Outsourcing	37,518	38,805	(1,287)
Education	118	-	118
Total revenue	**37,636**	**38,805**	**(1,169)**
Profit before taxation	**6,280**	**8,353**	**(2,073)**

a. Revenue

Outsourcing

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

Revenue for the financial quarter under review decreased by RM7.67 million as compared to the preceding financial quarter due mainly to the reduction in billable transaction for certain projects as a result of a change in clients' requirements and/or strategies. The decrease is mitigated by growth in certain projects and revenue from ad-hoc project amounting to RM6.38 million during the financial quarter under review.

The net decrease in the Group's outsourcing revenue for the financial quarter under review is RM1.29 million.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

Education
The Group's Education focus is predicated on both internal and external requirements. The external revenue aspect of the Education business for the period under review is insignificant. The Group's internal training requirements are managed completely by the Education division.

b. Profit before taxation

The lower profit before taxation for the current financial quarter under review as compared to the preceding quarter is due to drop in revenue and forex losses as compared to the preceding financial quarter.

18. CURRENT YEAR REVIEW AND PROSPECT FOR FINANCIAL YEAR 2019

The Group registered a decrease in revenue and profit before taxation of 17.1% and 25.6% respectively, for the current financial year as compared to the preceding financial year due to a reduction in transactional volume in the second half of the financial year for Outsourcing's major clients. In addition, the sales cycle for new business prospects currently in the Group's sales pipeline has taken longer than anticipated to close but is expected to contribute to the Group's earnings in financial year 2019.

Prospects for financial year 2019

The Group has been aggressive in its sales effort and has managed to build a substantial sales pipeline over the previous financial year. Despite the longer than expected sales cycle, the Group expects a number of significant prospective customers in the sales pipeline to convert during financial year 2019.

In addition to the expectation of the conversion of the current sales pipeline to drive growth for financial year 2019, the Group has also taken several strategic measures to enhance its growth potential for financial year 2019 and beyond. These measures include:

1. Expanding the suite of products currently in the Group's solution offerings;
2. Reinventing the Scicom's brand as a one stop solutions company with variety of service offerings, for local and global markets;
3. Expanding the target markets for the Outsourcing business; and
4. A revamp of the Group's technology and telecommunication infrastructure to provide a differentiated points of presence strategy along with associated savings.

18. CURRENT YEAR REVIEW AND PROSPECT FOR FINANCIAL YEAR 2019 (cont'd)

Outsourcing

The Outsourcing division has a very healthy pipeline and is expected to secure some of these major contracts in the pipeline during the financial year 2019. The Group has also taken several measures to increase its service offerings and provide an integrated and differential solution to meet its customers' demands. The Outsourcing division will leverage on its new service offerings, development capabilities, implementation experience and track record to expand its target market and subsequently increase its growth potential.

The Outsourcing division expects to achieve growth in terms of revenue and profit for the financial year 2019 in line with newly secured business and a healthy pipeline of projects.

Education

The Education division's focus on building its new external revenue stream in computer based training, along with testing services for English programmes and the services industry will see fruition in the financial year 2019 and expected to contribute to the Group's earnings.

Overall the Group expects to achieve growth in terms of revenue and pre-tax profitability for the financial year 2019.

19. EXPLANATORY NOTES FOR VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST OR PROFIT GUARANTEE

The Group did not publish any profit forecast in respect of the financial year ended 30 June 2018.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

20. TAXATION

	Current Financial Quarter Ended 30.6.2018 RM '000	Current Financial Year Ended 30.6.2018 RM '000
Group		
Current tax	2,570	5,548
Deferred tax	(360)	(435)
	2,210	5,113

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.

Scicom (MSC) Berhad ("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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

20. TAXATION (cont'd)

A subsidiary of the Company has received tax assessment notices of RM1.4 million INR23.8 million (2017: RM1.4 million, INR23.8 million). These assessments are in respect to transfer pricing adjustments and the disallowance of certain expenses for tax purposes. Currently, the subsidiary is challenging the assessments in the Income Tax Appellate Tribunal, in India. The Board of Directors have received expert advice on this matter from a tax agent. Based on the advice received, the Board of Directors are of the view that no significant liability will crystallise from these assessments.

21. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed as at 27 August 2018, being the date of this report.

22. GROUP BORROWINGS AND DEBT SECURITIES

The Group does not have any borrowings and debt securities as at 30 June 2018.

23. CHANGES IN MATERIAL LITIGATION

There were no material litigation matters dealt with during the financial year to date or pending as at 27 August 2018, being the date of this report.

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24. DIVIDENDS

The Board of Directors has approved and declared a final interim dividend of 3 sen, tax exempt, per ordinary share, amounting to RM10,633,607 which is payable on 28 September 2018.

	Current Financial Year Ended 30.6.2018	Preceding Financial Year Ended 30.6.2017
Interim dividend for the financial year ended 30 June	**2018**	
Final		
Approved and declared on	27-Aug-18	
Date payable	28-Sep-18	
Based on register members dated	13-Sep-18	
Amount per share	3.0 sen tax exempt	
Net dividend payable(RM)	10,633,607	
Interim dividend for the financial year ended 30 June		**2017**
4th interim		
Approved and declared on		25-Aug-17
Date paid		27-Sep-17
Based on register members dated		12-Sep-17
Amount per share		3.0 sen tax exempt
Net dividend paid (RM)		10,633,607
Interim dividend for the financial year ended 30 June	**2018**	**2017**
3rd interim		
Approved and declared on	21-May-18	22-May-17
Date paid	21-Jun-18	20-Jun-17
Based on register members dated	06-Jun-18	05-Jun-17
Amount per share	2.0 sen tax exempt	2.0 sen tax exempt
Net dividend paid (RM)	7,109,071	7,109,071
Interim dividend for the financial year ended 30 June	**2018**	**2017**
2nd interim		
Approved and declared on	07-Feb-18	28-Feb-17
Date paid	08-Mar-18	28-Mar-17
Based on register members dated	22-Feb-18	14-Mar-17
Amount per share	2.0 sen tax exempt	2.0 sen tax exempt
Net dividend paid (RM)	7,109,071	7,109,071
Interim dividend for the financial year ended 30 June	**2018**	**2017**
1st interim		
Approved and declared on	13-Nov-17	07-Nov-16
Date paid	12-Dec-17	07-Dec-16
Based on register members dated	27-Nov-17	21-Nov-16
Amount per share	2.0 sen tax exempt	2.0 sen tax exempt
Net dividend paid (RM)	7,109,071	7,109,071

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

25. EARNINGS PER SHARE ("EPS")

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

	Current Financial Quarter Ended 30.6.2018	Current Financial Year Ended 30.6.2018
Profit attributable to the Owners of the Company for the financial period (RM'000)	4,135	32,220
Weighted average number of ordinary shares in issue ('000)	355,454	355,454
Basic earnings per share (sen)	1.16	9.06

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

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

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

(i) Level 1 - quoted price (unadjusted) in active market for identical assets or liabilities;

(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices); and

(iii) Level 3 - inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

(b) Financial instruments carried at fair value:

The carrying value of the financial assets and liabilities of the Group as at 30 June 2018 disclosed in the report approximate their fair values.

The following table represents the assets measured at fair value:

	Current Financial Quarter Ended 30.6.2018 RM'000	As at preceding Financial Year Ended 30.6.2017 RM'000
Available-for-sale financial assets		
Investments in cash funds - Recurring fair value measurement at Level 1 of the fair value hierarchy	13,485	8,062

There were no transfers between levels 1 and 2 for recurring fair value measurements during the financial year.

By order of the Board of Directors

DATO' SRI LEO SURESH ARIYANAYAKAM
DIRECTOR
27 AUGUST 2018