SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2017

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 second quarter ended 31 December 2017.

CONSOLIDATED STATEMENT COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016	Changes	Current Financial Period Ended 31.12.2017	Preceding Financial Period Ended 31.12.2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	**43,010**	**51,558**	**-17%**	**88,848**	**103,613**	**-14%**
Operating expenses	**(29,788)**	**(37,714)**	**-21%**	**(62,122)**	**(76,400)**	**-19%**
Depreciation and amortisation	**(2,005)**	**(1,853)**	**8%**	**(3,968)**	**(3,604)**	**10%**
Operating profit	**11,217**	**11,991**	**-6%**	**22,758**	**23,609**	**-4%**
Share of profit of jointly controlled entity, net of tax	**5**	**17**	**-71%**	**19**	**35**	**-46%**
(Loss)/Gain on foreign exchange	**(825)**	**982**	**-184%**	**(844)**	**2,132**	**-140%**
Finance income	**230**	**202**	**14%**	**464**	**454**	**2%**
Finance costs	**0**	**0**	**0%**	**0**	**(13)**	**-100%**
Profit before taxation	**10,627**	**13,192**	**-19%**	**22,397**	**26,217**	**-15%**
Taxation	**(1,297)**	**(1,160)**	**12%**	**(2,177)**	**(2,249)**	**-3%**
Profit for the financial period	**9,330**	**12,032**	**-22%**	**20,220**	**23,968**	**-16%**

SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (cont'd)

	INDIVIDUAL QUARTER			CUMULATIVE QUARTERS		
	Current Period Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016	Changes	Current Financial Period Ended 31.12.2017	Preceding Financial Period Ended 31.12.2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Other comprehensive (loss)/ income, net of tax						
Foreign currency translation differences for foreign operations	(1,155)	(102)	1032%	(1,117)	(89)	1155%
Total comprehensive income for the financial period	8,175	11,930	-31%	19,103	23,879	-20%
Profit attributable to:						
- Owners of the Company	9,408	12,114	-22%	20,380	24,135	-16%
- Non-controlling interest	(78)	(82)	-5%	(160)	(167)	-4%
Profit for the financial period	9,330	12,032	-22%	20,220	23,968	-16%
Total comprehensive income attributable to:						
- Owners of the Company	8,253	12,012	-31%	19,263	24,046	-20%
- Non-controlling interest	(78)	(82)	-5%	(160)	(167)	-4%
Total comprehensive income for the financial period	8,175	11,930	-31%	19,103	23,879	-20%
Earnings per share attributable to equity holders of the Company:						
- Basic (sen)*	2.65	3.41	-22%	5.73	6.79	-16%
- 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)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At Current Financial Period Ended 31.12.2017	As At Preceding Financial Year Ended 30.06.2017
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	13,471	14,140
Software licences	4,683	4,423
Investment in jointly controlled entity	154	135
	18,308	18,698
Current Assets		
Trade receivables	30,130	34,394
Unbilled receivables	15,353	15,609
Deposits, prepayments and other receivables	9,084	8,938
Tax recoverable	712	446
Cash and bank balances	28,080	29,066
Investments in cash funds	13,237	8,062
	96,596	96,515
TOTAL ASSETS	114,904	115,213
EQUITY AND LIABILITIES		
Capital and reserves attributable to Owners of the Company		
Share capital	35,545	35,545
Retained earnings	75,557	72,950
Currency translation reserve	(3,212)	(2,095)
	107,890	106,400
Non-controlling interest	(1,279)	(1,119)
TOTAL EQUITY	106,611	105,281
Non-Current Liabilities		
Deferred tax liabilities	683	683
	683	683
Current Liabilities		
Trade and other payables	7,610	9,142
Current tax liabilities	0	107
	7,610	9,249
TOTAL LIABILITIES	8,293	9,932
TOTAL EQUITY AND LIABILITIES	114,904	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.

SCICOM (MSC) BERHAD
(Company No. 597426-H)
(Incorporated in Malaysia)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2017

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
6 months ended 31.12.2016						
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	(89)	0	0	(89)
Net profit for the financial period	0	0	0	24,135	(167)	23,968
Total comprehensive income/(loss)	0	0	(89)	24,135	(167)	23,879
Dividends paid for the financial year ended:						
- 30 June 2016	0	0	0	(10,664)	0	(10,664)
- 30 June 2017	0	0	0	(7,109)	0	(7,109)
As at 31 December 2016	355,453	35,545	(1,713)	73,014	(970)	98,767
6 months ended 31.12.2017						
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	(1,117)	0	0	(1,117)
Net profit for the financial period	0	0	0	20,380	(160)	20,220
Total comprehensive (loss)/income	0	0	(1,117)	20,380	(160)	19,103
Dividends paid for the financial year ended:						
- 30 June 2017	0	0	0	(10,664)	0	(10,664)
- 30 June 2018	0	0	0	(7,109)	0	(7,109)
As at 31 December 2017	355,453	35,545	(3,212)	75,557	(1,279)	106,611

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
(Company No. 597426-H)
(Incorporated in Malaysia)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Financial Period Ended 31.12.2017	Preceding Financial Period Ended 31.12.2016*
	RM'000	RM'000
Operating Activities		
Net profit for the financial period	20,220	23,968
Adjustments:		
Depreciation of plant and equipment	3,248	3,096
Amortisation of software licenses	720	508
Unrealised foreign exchange (loss)/gain	797	(1,755)
Interest expense	0	13
Taxation	2,177	2,249
Interest income	(464)	(454)
Gain on disposal of plant and equipment	0	(5)
Share of profit of jointly controlled entity	(19)	(35)
Operating profit before changes in working capital	26,679	27,585
Receivables	3,577	(4,873)
Payables	(1,532)	(3,178)
Cash flow from operations	28,724	19,534
Interest received	464	454
Taxation paid	(2,551)	(111)
Net cash flow generated from operating activities	26,637	19,877
Investing Activities		
Distribution received from joint venture	0	1,675
Proceeds from disposal of plant and equipment	0	5
Purchases of plant and equipment	(2,579)	(1,660)
Purchases of software licences	(979)	(781)
Investment in cash funds	(5,175)	(123)
Increase in fixed deposits with maturity of more than 3 months	(5,000)	(5,000)
Net cash flow used in investing activities	(13,733)	(5,884)
Financing Activities		
Interest paid	0	(13)
Payment of dividends	(17,773)	(17,773)
Net cash flow used in financing activities	(17,773)	(17,786)
Net decrease in cash and cash equivalents	(4,869)	(3,793)
Effect of foreign exchange on cash and cash equivalents	(1,117)	(90)
Cash and cash equivalents at beginning of financial year	21,066	26,189
Cash and cash equivalents at end of financial period	15,080	22,306
Deposits with maturity of more than 3 months	13,000	8,000
Cash and bank balances at the end of the financial period	28,080	30,306

* The comparative balances in the statement of cash flow have been restated to conform to the currenty year's presentation and classification, which more accurately reflects the nature of the relevant transactions.

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 adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 July 2017 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Annual Improvements to MFRS 12 'Disclosures of Interests in Other Entities' (effective from 1 January 2017)
- Amendments to MFRS107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017)
- Amendments to MFRS112 'Income Taxes- Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017)

Standards, amendments to published standards and interpretations that have been issued but not yet effective

Effective for financial periods beginning on or after 1 January 2018

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments
- MFRS128 Investments in Associates and Joint Ventures
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

Effective for financial periods beginning on or after 1 January 2019

- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- MFRS 16 Leases

Management is currently assessing the impact arising from the initial application of these standards on the 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 period to date.

6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

7. MOVEMENT IN DEBT AND EQUITY SECURITIES

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

8. DIVIDENDS PAID

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

In respect of the financial year ended	Dividend	Date of dividend payment	Amount paid
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

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.

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

Segmental analysis by geographical areas:

	Current Period Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016
	RM'000	RM'000
Revenue		
Malaysia	24,091	27,032
Singapore	1,775	2,910
Philippines	11,439	15,087
Thailand	594	534
Sri Lanka	1,490	1,377
China	2,166	3,744
Others	1,455	874
	43,010	51,558

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9. SEGMENT RESULTS AND REPORTING (cont'd)

Segmental analysis by business segment is as follows:

For the financial period ended 31 December 2017

FY 2018	Current Financial Period Ended 31.12.2017			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	88,718	130	-	88,848
Inter-segment revenue	-	996	(996)	-
Total revenue	88,718	1,126	(996)	88,848
Segment results	26,671	(789)		25,882
Unallocated income/ other gains				-
Depreciation of plant and equipment				(3,248)
Amortisation of software licences				(720)
Share of results of jointly controlled entity (net of tax)				19
Finance income				464
Finance cost				-
Profit before taxation				22,397
Taxation				(2,177)
Net profit for the financial period				20,220

For the financial period ended 31 December 2016

FY 2017	Preceding Financial Period Ended 31.12.2016			
	Outsourcing services	Education	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	103,613	-	-	103,613
Inter-segment revenue	-	-	-	-
Total revenue	103,613	-	-	103,613
Segment results	31,329	(1,984)		29,345
Unallocated income/ other gains				-
Depreciation of plant and equipment				(3,096)
Amortisation of software licences				(508)
Share of results of jointly controlled entity (net of tax)				35
Finance income				454
Finance cost				(13)
Profit before taxation				26,217
Taxation				(2,249)
Net profit for the financial period				23,968

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

10. VALUATION OF PLANT AND EQUIPMENT

There was no revaluation of plant and equipment during the financial quarter under review and financial period to date. As at 31 December 2017, all plant and equipment were stated at cost less accumulated depreciation.

11. SUBSEQUENT EVENTS

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

12. CHANGES IN THE COMPOSITION OF THE GROUP

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

13. CONTINGENT LIABILITY OR CONTINGENT ASSET

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

14. COMMITMENTS

Commitments for the Group not provided for as at 31 December 2017 are as follows:

(a) Capital commitments

	Current Financial Period Ended 31.12.2017
	RM'000
In respect of plant and equipment - Authorised and contracted	1,054

(b) Non-cancellable operating leases

	Current Financial Period Ended 31.12.2017
	RM'000
Future minimum lease payments	
- not later than 1 year	10,303
- later than 1 year and not later than 5 years	4,263
	14,566

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	31 Dec 2017	31 Dec 2016	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
Outsourcing	42,965	51,558	(8,593)
Education	45	-	45
Total revenue	**43,010**	**51,558**	**(8,548)**
Profit before taxation	**10,627**	**13,192**	**(2,565)**

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 RM11.22 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 RM2.63 million, respectively.

The net decrease in the Group's outsourcing revenue for the financial quarter under review is RM8.59 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 primarily to lower revenue for the financial quarter under review and the reversal of forex gain recognized in the previous financial quarters as compared to a forex gain position in the preceding year corresponding quarrter.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16. REVIEW OF PERFORMANCE (cont'd)

PERFORMANCE BY FINANCIAL PERIOD TO DATE

Financial period ended	31 Dec 2017	31 Dec 2016	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
Outsourcing	88,718	103,613	(14,895)
Education	130	-	130
Total revenue	**88,848**	**103,613**	**(14,765)**
Profit before taxation	**22,397**	**26,217**	**(3,820)**

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 RM26.33 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 RM11.43 million, respectively.

The net decrease in the Group's outsourcing revenue for the period under review is RM14.90 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 financial quarter under review as compared to the preceding year corresponding quarter is due primarily to lower revenue for the financial quarter under review and the reversal of forex gain recognized in the previous financial quarters as compared to a forex gain position in the preceding year corresponding quarter.

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Financial quarter ended	31 Dec 2017	30 Sep 2017	Increase/ (decrease)
Revenue	RM'000	RM'000	RM'000
Outsourcing	42,965	45,753	(2,788)
Education	45	85	(40)
Total revenue	**43,010**	**45,838**	**(2,828)**
Profit before taxation	**10,627**	**11,770**	**(1,143)**

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 RM5.39 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 organic growth in certain projects and revenue from ad-hoc project amounting to RM2.60 million during the financial quarter under review.

The net decrease in the Group's outsourcing revenue for the financial quarter under review is RM2.79 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 primarily due to drop in revenue as compared to the preceding financial quarter.

18. CURRENT YEAR REVIEW

Over the course of the year, whilst the BPO division did not lose any major clients, the revenue contribution for some of these key clients decreased. The primary driver was an adverse change in market conditions for these multi-national clients. As a result, there has been a corresponding drop in customer interactions which led to a subsequent decrease in billable headcount. However Scicom does not expect this situation to deteriorate further with our current clients and the management further expects to increase revenues on the successful conversion of a healthy pipeline built over the last 12 months. The strengthening of the Ringgit Malaysia contributed to a forex loss position of approximately RM844K for the financial period under review against a forex gain position of RM2.13 million in the preceding year corresponding period resulting in a RM2.97 million drop in profit before tax. The management is actively working with our multi-national clients to mitigate forex exposure risk.

Moving forward, Scicom expects the abovementioned prospects to commence operations and contribute to the Group's bottom line by the fourth quarter of the current financial year.

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 30.12.2017 RM '000	Current Financial Period Ended 30.12.2017 RM '000
Group		
Current tax	1,297	2,177
Deferred tax	-	-
	1,297	2,177

The Malaysian current income tax is calculated at the statutory tax rate of 24% (2017: 25%) 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. 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 period to date, the Company recognised a tax incentive representing 70% tax exemption on its statutory income from outsourcing services. The Company's achievement of the conditions and KPIs have been presented to the administrator, however the outcome of the assessment by the administrator has not been finalised as at the date of this report. The Directors have assessed that the Company is able to meet the requirements for the tax incentive after taking into consideration that the Company has substantially met the stipulated conditions and KPIs, and their prior experience where confirmations from the administrator were obtained to recognise the tax incentive when conditions and KPIs were substantially met.

Therefore, the Directors are of the view that there is reasonable basis for the Company to recognise the tax incentive during the financial period ended 31 December 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

20. TAXATION (cont'd)

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.

A subsidiary of the Company has received tax assessment notices of RM1.6 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 7 February 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 31 December 2017.

23. CHANGES IN MATERIAL LITIGATION

There were no material litigation matters dealt with during the financial year to date or pending as at 7 February 2018, being the date of this report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

24. DIVIDENDS

The Board of Directors has approved and declared a second interim dividend of 2 sen, tax exempt, per ordinary share, amounting to RM7,109,071 which is payable on 8 March 2018.

	Current Financial Year Ended 31.12.2017	Preceding Financial Year Ended 31.12.2016
Interim dividend for the financial year ended 30 June	**2018**	**2017**
2nd interim		
Approved and declared on	07-Feb-18	28-Feb-17
Date payable/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 payable/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 payable/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 payable/paid (RM)	7,109,071	7,109,071
Interim dividend for the financial year ended 30 June	**2017**	**2016**
4th interim		
Approved and declared on	25-Aug-17	26-Aug-16
Date paid	27-Sep-17	28-Sep-16
Based on register members dated	12-Sep-17	13-Sep-16
Amount per share	3.0 sen tax exempt	3.0 sen tax exempt
Net dividend paid (RM)	10,663,607	10,663,607

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 31.12.2017	Current Financial Period Ended 31.12.2017
Profit attributable to the Owners of the Company for the financial period (RM'000)	9,408	20,380
Weighted average number of ordinary shares in issue ('000)	355,454	355,454
Basic earnings per share (sen)	2.65	5.73

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 31 December 2017 disclosed in the report approximate their fair values.

The following table represents the assets measured at fair value:

	Current Financial Quarter Ended 31.12.2017 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	13,237	8,062

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

27. REALISED AND UNREALISED PROFIT

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

		As at Current Financial Period Ended 31.12.2017	As at Preceding Financial Year Ended 30.6.2017
		RM'000	RM'000
Total retained profit for Scicom and its subsidiaries :			
- Realised		24,867	26,147
- Unrealised		1,480	102
		26,347	26,249
Total share of retained profit from jointly controlled entity :			
- Realised		154	135
		26,501	26,384
Add : Consolidation adjustments		49,056	46,566
Total Group retained profits as per consolidated accounts		75,557	72,950

By order of the Board of Directors

DATO' SRI LEO SURESH ARIYANAYAKAM
DIRECTOR
7 February 2018