

**SCAN ASSOCIATES BERHAD**

Company No. 525669-P  
(Incorporated in Malaysia)

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**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER AND FINANCIAL YEAR ENDED  
31 DECEMBER 2011**

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

	31-Dec-11 RM'000	31-Dec-10 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	921	906
Development expenditure	6,433	8,476
Fixed deposits with licensed banks	3,146	1,040
	10,500	10,422
<b>CURRENT ASSETS</b>		
Trade and other receivables	5,342	16,731
Current tax assets	-	-
Fixed deposits with licensed banks	-	213
Cash and cash equivalents	7,264	3,176
	12,606	20,119
<b>TOTAL ASSETS</b>	23,106	30,541
<b>EQUITY</b>		
Share capital	20,000	20,000
Share premium	18,160	18,160
Foreign currency translation reserves	(527)	(451)
Accumulated Loss	(22,149)	(16,108)
	15,484	21,600
<b>Equity attributable to Owners of the company</b>	15,484	21,600
<b>Non-controlling interests</b>	-	-
<b>TOTAL EQUITY</b>	15,484	21,600
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	2,303	55
Deferred tax liabilities	-	-
	2,303	55
<b>CURRENT LIABILITIES</b>		
Trade and other payables	4,709	6,818
Borrowings	579	1,863
Current tax payable	31	205
	5,320	8,886
<b>TOTAL LIABILITIES</b>	7,623	8,941
<b>TOTAL EQUITY AND LIABILITIES</b>	23,106	30,541

**Notes:**

*The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2010.*

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**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER AND FINANCIAL YEAR ENDED  
31 DECEMBER 2011**


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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Year To Date Ended
	31-Dec-11 RM'000	31-Dec-10 RM'000	31-Dec-11 RM'000	31-Dec-10 RM'000
Revenue	8,371	11,763	23,915	26,620
Cost of sales	(5,511)	(8,257)	(13,539)	(17,262)
Operating expenses	(8,954)	(2,263)	(15,345)	(11,091)
Other operating income	16	55	80	2,353
Finance costs	(1,049)	(88)	(1,152)	(497)
<b>Loss before tax</b>	<b>(7,127)</b>	<b>1,211</b>	<b>(6,041)</b>	<b>124</b>
Income tax expense	-	(222)	-	(222)
<b>Loss for the period</b>	<b>(7,127)</b>	<b>989</b>	<b>(6,041)</b>	<b>(98)</b>
<b>Loss attributable to :</b>				
Owner of the Company	(7,127)	989	(6,041)	(98)
Non-controlling interests	-	-	-	-
	<b>(7,127)</b>	<b>989</b>	<b>(6,041)</b>	<b>(98)</b>
Basic earnings per ordinary share of RM0.10 each (sen)	(0.36)	0.05	(0.30)	(0.05)
Diluted earnings per ordinary share of RM0.10 each (sen)	N/A	N/A	N/A	N/A

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31 DECEMBER 2011**

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Quarter 31-Dec-11 RM'000	Preceding Year Corresponding Quarter 31-Dec-10 RM'000	Current Year To Date 31-Dec-11 RM'000	Preceding Year Year To Date Ended 31-Dec-10 RM'000
<b>Loss for the period</b>	(7,127)	989	(6,041)	(98)
<b>Other comprehensive loss:</b>				
Foreign currency translations	69	157	(76)	(215)
<b>Other comprehensive loss for the period</b>	69	157	(76)	(215)
<b>Total comprehensive loss for the period</b>	<u>(7,058)</u>	<u>1,146</u>	<u>(6,117)</u>	<u>(313)</u>
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company	(7,058)	1,146	(6,117)	(313)
Non-controlling interests	-	-	-	-
	<u>(7,058)</u>	<u>1,146</u>	<u>(6,117)</u>	<u>(313)</u>

**Notes:**

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2010.*

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**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011**


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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2011**

	← Attributable to owners of the Company →						Total equity
	Share capital	Share premium	Foreign exchange reserves	Accumulated losses	Total	Non-controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Balance as at 1 January 2011</b>	20,000	18,160	(451)	(16,108)	21,600	-	21,600
Total comprehensive loss for the period	-	-	(76)	(6,041)	(6,117)	-	(6,117)
<b>Balance as at 31 December 2011</b>	<u>20,000</u>	<u>18,160</u>	<u>(527)</u>	<u>(22,149)</u>	<u>15,484</u>	<u>-</u>	<u>15,484</u>
<b>Balance as at 1 January 2010</b>	20,000	18,160	(236)	(16,006)	21,918	-	21,918
Total comprehensive loss for the period	-	-	(215)	(102)	(317)	-	(317)
<b>Balance as at 31 December 2010</b>	<u>20,000</u>	<u>18,160</u>	<u>(451)</u>	<u>(16,108)</u>	<u>21,600</u>	<u>-</u>	<u>21,600</u>

**Notes:**

*The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2010.*

**SCAN ASSOCIATES BERHAD**Company No. 525669-P  
(Incorporated in Malaysia)

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**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER AND FINANCIAL YEAR  
ENDED 31 DECEMBER 2011**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD  
ENDED 31 DECEMBER 2011**

	31-Dec-11 RM'000	31-Dec-10 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	33,325	20,986
Cash payments to suppliers	(13,152)	(14,894)
Cash payments to employees and for administrative expenses	(13,925)	(9,782)
	<hr/>	<hr/>
Cash generated from/(used in) operations	6,248	(3,690)
Tax paid	-	(242)
Interest received	80	80
Interest paid	(133)	(53)
	<hr/>	<hr/>
Net cash from/(used in) operating activities	6,195	(3,905)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(445)	(345)
Proceed from disposal of property, plant and equipment	-	2
(Placement)/Withdrawal of fixed deposit activities	(2,106)	749
	<hr/>	<hr/>
Net cash (used in)/from investing activities	(2,551)	406
Drawdown of term loan	796	2,997
Repayment of hire purchase liabilities	167	(128)
Repayment of term loan	(732)	(1,853)
	<hr/>	<hr/>
Net used in financing activities	232	1,015
<b>Net decrease in cash and cash equivalents</b>	3,876	(2,484)
<b>Cash and cash equivalents brought forward</b>	3,389	5,873
	<hr/>	<hr/>
<b>Cash and cash equivalents carried forward</b>	7,264	3,389
	<hr/> <hr/>	<hr/> <hr/>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	7,264	1,253
Fixed deposits with licensed banks	-	2,135
	<hr/>	<hr/>
	7,264	3,389
	<hr/> <hr/>	<hr/> <hr/>

**Notes:**

The Condensed consolidated Statements of Cash Flows should be read in conjunction with the Notes to Interim Financial Reports and the audited Financial Statements of the Company for the financial year ended 31 December 2010.

**SCAN ASSOCIATES BERHAD (525669-P)**

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

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**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 INTERIM FINANCIAL REPORTING****A1 Basis Of Preparation**

This interim financial statements of the Group is unaudited and has been prepared in accordance with FRS 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board ("MASB") and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

The accounting policies, method of computation and basis of consolidation adopted by the Group in this interim financial statement are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2010.

**A2 Auditors' Report On Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2010 was not subject to any audit qualification.

**A3 Seasonal Or Cyclical Factors**

The Group's core business is in Information Technology, where the revenue streams are mainly project driven, subject to the numbers of secured projects. The Group has initiated a strategic move to increase its recurring income and continuously embarking into cost rationalization initiatives.

**A4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income Or Cash Flows**

There were no items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence during the current financial quarter under review.

**A5 Material Changes In Estimates**

There were no changes in estimates of amounts which may have a material effect in the current financial quarter under review.

**A6 Debts And Equity Securities**

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.



**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 INTERIM FINANCIAL REPORTING (CONT'D)**

**A7 Dividends**

No dividends were declared and paid during the financial quarter under review.

**A8 Segmental Information**

	<b>Current financial quarter RM'000</b>	<b>Financial year to date RM'000</b>
<b><u>Segment revenue</u></b>		
Malaysia	7,985	21,545
Overseas	386	2,370
	8,371	23,915
<b><u>Segment profit before tax</u></b>		
Malaysia	(1,687)	(735)
Overseas	(5,440)	(5,305)
	(7,127)	(6,040)

**A9 Valuation Of Property, Plant And Equipment**

The Group did not carry out any valuation of its property, plant and equipment.

**A10 Material Events Subsequent To the Financial Quarter**

There were no material events between 31 December 2011 to the date of this report that have not been reflected in the interim financial statements for the financial quarter under review.

**A11 Changes In The Composition Of The Group**

On 5 April 2011, thru an Extraordinary General Meeting SCAN acquired 49% of the total issued and paid up share capital of Thainexia Co. Ltd for a total consideration of RM150,000.

On 20 April 2011, SCAN acquired 100% of the total issued and paid up share capital of SCAN Corporation Sdn Bhd ("SCSB") amounting to 20 shares of RM0.10 each for a total consideration of RM2.00.

In Dec 2011, SCAN entered into a Joint Venture agreement with a Saudi Partner with participating interest of 30%.

**A12 Contingent Liability**

The Group does not have any contingent liability as at the date of the announcement.

**A13 Significant Related Party Transactions**

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

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Performance Analysis**

The Group recorded revenue and loss before taxation of RM8.371 million and RM7.127 million respectively.

The loss before taxation amounted RM7.127 million in the current financial quarter, a decreased by RM8.338 million as compared to the preceding year corresponding quarter. This was mainly attributed to the provision and written off of debts and amortization of Research and Development Expenditure.

The decreased compared to the previous corresponding quarter ended 31 December 2010 was mainly due to lower revenue contribution from overseas operating segments. In addition, the local revenue contribution from Managed Security Services (MSS) and Technical Security Services (TSS) had also decreased.

**B2 Comparison With Immediate Preceding Quarter**

The Group generated revenue of RM8.371 million in the current financial quarter under review. This represents a decrease of approximately RM3.391 million or 29% from the revenue of RM11.763 million recorded in the preceding financial quarter. Indonesia operation had registered lower revenue.

The Group recorded a loss before taxation amounting to RM7.127 million in the current financial quarter, a decrease by RM8.338 million as compared to the preceding financial quarter. This quarter operating expenses has increased by 325% compared to the preceding quarter. The loss was attributed to mainly provision and written off of debts and amortization of Research and Development Expenditure apart from higher operational cost.

**B3 Business Prospects**

The Group has continuously tendering for various ICT Security projects both locally and overseas. Barring any unforeseen circumstances, the Group expects and has actively positioned ourselves strategically, to secure more contracts in the future.

It also intends to diversify its business by increasing its existing range of ICT solutions and services which are more resilient to economic cycles.

**B4 Variance Of Actual Profit From Forecast Profit**

This note is not applicable for the current financial quarter.

**B5 Taxation**

There was no taxation on operating income during the financial quarter under review due to tax exempt income of the Company pursuant to its pioneer status granted under the Promotion of Investments Act, 1986 (Amendments) pursuant to its MSC status entitlement under the MSC Bill of Guarantees for five years commencing 24 December 2002. The status has been extended for another five (5) years from the date of expiry of the first five(5) years period.

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B6 Corporate Proposals**

- 1) The Group has no plan to proceed with its corporate exercise which was rejected by Bursa on 2 August 2010.
- 2) The timeframe to utilise the balance proceeds expires on 5 April 2011. On 22 March 2011, M&A Securities Sdn Bhd, on behalf of the Board of Directors of SCAN, announced that an application for the Proposed Extension of 6 months up to 5 October 2011 and variation for the utilisation of the balance proceeds from the Initial Public Offering initially earmarked for the development expenditure to working capital has been submitted to Securities Commission.

The status of utilisation of proceeds from the Rights Issue and Public Issue is as follows:

	<b>Approved Amount Unutilised as at 31.8.2009</b>	<b>Amount Utilized Current quarter</b>	<b>Amount Utilized Total to Date</b>	<b>Amount unutilized Total to date</b>	<b>Time frame for utilization</b>
	RM'000	RM'000	RM'000	RM'000	
Development expenditure	795	-	(404)	391	5 April 2011
Working capital	5,000	-	(5,000)	-	5 April 2011
<b>Total</b>	<b>5,795</b>	<b>-</b>	<b>(5,404)</b>	<b>391</b>	

On the 23rd December 2011 and 28 December 2011 the Group announced and proposed to Bursa to undertake the following proposals:

- a) Proposed Acquisitions
- b) Proposed Exemption
- c) Proposed Increase in Authorised Share Capital
- d) Proposed Amendments to The Memorandum of Association
- e) Proposed Change of Name

**B7 Group Borrowings And Debt Securities**

	<b>Secured RM'000</b>
<b>Current</b>	
Term Loan	297
Hire purchase	281
	<u>578</u>
<b>Non-current</b>	
Term loan	2,214
Hire purchase	89
	<u>2,303</u>
<b>Total</b>	<u><u>2,881</u></u>

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**B8 Material Litigations**

There were no material litigations or pending material litigations involving the Group as at the date of this announcement.

**B9 Dividends**

There is no dividend declared and paid as at the date of this announcement.

**B10 Earnings Per Share**

	<u>Current financial quarter</u>	<u>Financial period to date</u>
Loss attributable to ordinary shareholders (RM'000)	<u>(7,127)</u>	<u>(6,041)</u>
Number of ordinary shares of RM0.10 issued ('000)	200,000	200,000
Weighted average numbers of ordinary shares of RM0.10 issued ('000)	200,000	200,000
Basic earnings per share (sen)	(0.36)	(0.30)
Diluted earnings per share (sen)	<u>N/A</u>	<u>N/A</u>

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders for the financial quarter under review divided by the weighted average number of ordinary shares of RM0.10 issued.

The Company has no ordinary shares issued which have dilutive factors.

**B11 Disclosure of realised and unrealised profits and losses**

The breakdown of the accumulated losses of the Group as at 31 December 2011, into realised and unrealised profits and losses is as follows:

	<b>31 December 2011 RM'000</b>	<b>30 September 2011 RM'000</b>
Total accumulated losses of the Group:		
- Realised losses	(22,152)	(15,026)
- Unrealised gain	4	4
Total	<u>(21,148)</u>	<u>(15,022)</u>

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**B12 Additional Disclosures**

	<b>Current Quarter Ended 31 Dec 2011 (RM)</b>	<b>Current Year To Date 31 Dec 2011 (RM)</b>
Bad Debts written off	(1,132,057)	(1,132,057)
Provision for Bad Debts	(2,482,500)	(2,482,500)
Amortisation of Research & Development Expenditure	(1,559,495)	(1,559,495)
Depreciation	(397,197)	(778,099)
Gain / (Loss) on foreign exchange	28,386	48,125
Interest expense	(117,673)	(132,832)
Interest income	15,707	80,134
	<u>(5,644,829)</u>	<u>(5,956,725)</u>

Other disclosure items pursuant to Appending 9B Note 16 of the listing requirements of Bursa Malaysia Securities Berhad are not applicable.