

SCAN ASSOCIATES BERHADCompany No. 525669-P
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2012****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

| | 30-Sep-12 RM'000 | 31-Dec-11 RM'000 | 1-Jan-11 RM'000 |
|---|---------------------|---------------------|--------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 1,158 | 921 | 906 |
| Development expenditure | 6,816 | 6,816 | 8,476 |
| Fixed deposits with licensed banks | 2,435 | 3,113 | 1,040 |
| | 10,409 | 10,850 | 10,422 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 9,754 | 4,855 | 16,731 |
| Current tax assets | - | - | - |
| Fixed deposits with licensed banks | - | - | 213 |
| Cash and cash equivalents | 4,202 | 6,588 | 3,176 |
| | 13,955 | 11,442 | 20,119 |
| TOTAL ASSETS | 24,364 | 22,292 | 30,541 |
| EQUITY | | | |
| Share capital | 20,000 | 20,000 | 20,000 |
| Share premium | 18,160 | 18,160 | 18,160 |
| Foreign currency translation reserves | (756) | (534) | (451) |
| Accumulated Loss | (21,542) | (22,121) | (16,108) |
| | 15,862 | 15,504 | 21,600 |
| Non-controlling interests | - | (346) | - |
| | 15,862 | 15,158 | 21,600 |
| Equity attributable to Owners of the company | 15,862 | 15,158 | 21,600 |
| Non-controlling interests | - | - | - |
| TOTAL EQUITY | 15,862 | 15,158 | 21,600 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 2,817 | 554 | 55 |
| Deferred tax liabilities | - | - | - |
| | 2,817 | 554 | 55 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 3,686 | 4,221 | 6,818 |
| Borrowings | 1,841 | 2,327 | 1,863 |
| Provision for taxation | 28 | - | - |
| Current tax payable | 130 | 31 | 205 |
| | 5,685 | 6,580 | 8,886 |
| TOTAL LIABILITIES | 8,502 | 7,134 | 8,941 |
| TOTAL EQUITY AND LIABILITIES | 24,364 | 22,292 | 30,541 |
| NET ASSETS PER SHARE (SEN) | 0.08 | 0.08 | 0.11 |

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 2011.

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED
 30 SEPTEMBER 2012**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|---|---|---|---|--|
| | Current Quarter 30-Sep-12 RM'000 | Preceding Year Corresponding Quarter 30-Sep-11 RM'000 | Current Year To Date 30-Sep-12 RM'000 | Preceding Year Year To Date Ended 30-Sep-11 RM'000 |
| Revenue | 7,941 | 5,029 | 18,392 | 15,544 |
| Cost of sales | (4,270) | (3,258) | (10,923) | (8,028) |
| Operating expenses | (2,650) | (2,218) | (6,846) | (6,390) |
| Other operating income | 41 | 54 | 74 | 63 |
| Finance costs | (49) | (28) | (110) | (103) |
| Profit/(Loss) before tax | 1,013 | (421) | 586 | 1,086 |
| Income tax expense | (6) | - | (6) | - |
| Profit/(Loss) for the period | 1,006 | (421) | 580 | 1,086 |
| Loss attributable to : | | | | |
| Owner of the Company | 1,006 | (421) | 580 | 1,086 |
| Non-controlling interests | - | - | - | - |
| | 1,006 | (421) | 580 | 1,086 |
| Basic earnings per ordinary share of RM0.10 each (sen) | 0.05 | (0.02) | 0.03 | 0.05 |
| Diluted earnings per ordinary share of RM0.10 each (sen) | N/A | N/A | N/A | N/A |

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED
 30 SEPTEMBER 2012**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|--|---|---|---|--|
| | Current Quarter 30-Sep-12 RM'000 | Preceding Year Corresponding Quarter 30-Sep-11 RM'000 | Current Year To Date 30-Sep-12 RM'000 | Preceding Year Year To Date Ended 30-Sep-11 RM'000 |
| Profit/(Loss) for the period | 1,006 | (421) | 580 | 1,086 |
| Other comprehensive loss: | | | | |
| Foreign currency translations | (222) | 214 | (756) | (238) |
| Other comprehensive loss for the period | (222) | 214 | (756) | (238) |
| Total comprehensive loss for the period | 784 | (207) | (176) | 849 |
| Total comprehensive loss attributable to: | | | | |
| Owners of the Company | 784 | (207) | (176) | 849 |
| Non-controlling interests | - | - | - | - |
| | 784 | (207) | (176) | 849 |

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 2011.

SCAN ASSOCIATES BERHAD

Company No. 525669-P

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

| | ← Attributable to owners of the Company → | | | | | | |
|---|---|------------------|---------------------------------|-----------------------|---------------|----------------------------------|---------------|
| | Share capital | Share premium | Foreign exchange reserves | Accumulated losses | Total | Non- controlling interests | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 January 2012 | 20,000 | 18,160 | (534) | (22,121) | 15,504 | (346) | 15,158 |
| Total comprehensive loss for the period | - | - | (222) | 580 | 358 | - | 358 |
| Balance as at 30 September 2012 | <u>20,000</u> | <u>18,160</u> | <u>(756)</u> | <u>(21,542)</u> | <u>15,862</u> | <u>(346)</u> | <u>15,516</u> |
| Balance as at 1 January 2011 | 20,000 | 18,160 | (451) | (16,108) | 21,600 | - | 21,600 |
| Total comprehensive loss for the period | - | - | (83) | (6,013) | (6,096) | (423) | (6,519) |
| Acquisition of a subsidiary | - | - | - | - | - | 77 | 77 |
| Balance as at 31 December 2011 | <u>20,000</u> | <u>18,160</u> | <u>(534)</u> | <u>(22,121)</u> | <u>15,504</u> | <u>(346)</u> | <u>15,158</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 2011.

SCAN ASSOCIATES BERHAD

Company No. 525669-P

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

| | 30-Sep-12 RM'000 | 30-Sep-11 RM'000 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | 14,430 | 14,684 |
| Cash payments to suppliers | (7,442) | (7,880) |
| Cash payments to employees and for administrative expenses | (10,455) | (10,872) |
| Cash generated from/(used in) operations | (3,468) | (4,068) |
| Tax paid | - | - |
| Other income received | 73 | - |
| Interest received | 1 | 30 |
| Interest paid | - | (12) |
| Net cash from/(used in) operating activities | (3,394) | (4,050) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (803) | (218) |
| Proceed from disposal of property, plant and equipment | 30 | - |
| Placement/(Withdrawal) of fixed deposit activities | 719 | 446 |
| Net cash (used in)/from investing activities | (54) | 228 |
| Drawdown of term loan | 3,436 | 1,281 |
| Repayment of hire purchase liabilities | 316 | (105) |
| Repayment of term loan | (1,976) | (1,854) |
| Advance to Subsidiaries Companies | (1,154) | - |
| Net used in financing activities | 623 | (678) |
| Net decrease in cash and cash equivalents | (2,825) | (4,500) |
| ADJUSTMENT | | |
| Write off property, plant and equipment | 440 | - |
| Cash and cash equivalents brought forward | 6,588 | 5,873 |
| Cash and cash equivalents carried forward | 4,202 | 1,373 |
| CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 3,482 | 860 |
| Fixed deposits with licensed banks | 719 | 513 |
| | 4,202 | 1,373 |

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 2011.

SCAN ASSOCIATES BERHAD (525669-P)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

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 2011. 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 2011.

The Group has adopted MFRS framework issued by MASB with effect from 1 January 2012. The MFRS framework was introduced by MASB in order to fully converged Malaysia's existing Financial Reporting Standards framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standard Board. These condensed interim financial statements are the Group first MFRS condensed interim financial statements for part of the period covered by the Group first MFRS annual financial statements for the year ending 31 December 2012. The Group has applied MFRS 1: First-Time adoption Malaysia Financial Reporting Standards with effect from 1 January 2012. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2011 was subjected to audit qualification as follows:-

Qualified Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2012 and of their financial performance and cash flows for the financial year then ended.

Basis for Qualified Opinion

As disclosed in Note 6 of the annual financial statements, the audited financial statements of the subsidiary, namely Thainexia Co. Ltd. for the financial year ended 31st December 2011 are not available. This subsidiary has been consolidated using the unaudited financial statements for the financial year ended 31st December 2011. On 27th April 2012, the Company signed a commitment with one of the previous vendor of the subsidiary and it was agreed that the vendor is to acquire back the shares earlier transferred to the Company. It is also be noted that the vendors will be responsible for any other undertakings of the subsidiary for the financial year 2011.

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

We were unable to satisfy ourselves by other audit procedures as to whether the financial statements and information of the said subsidiary that has been consolidated with the financial statements of the Company for the financial year ended 31st December 2011 are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements for the financial year ended 31st December 2011 and we have not received satisfactory information and explanations required by us for those purposes.

Current status

On 27th April 2012, the Company signed a commitment with one of the previous vendor of the subsidiary and it was agreed that the vendor is to acquire back the shares earlier transferred to the Company and are responsible for any other undertakings of the subsidiary for the financial year 2011.

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.

A7 Dividends

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

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

A8 Segmental Information

| | Current financial quarter RM'000 | Financial year to date RM'000 |
|---|---|--|
| <u>Segment revenue</u> | | |
| Malaysia | 7,475 | 17,283 |
| Overseas | 466 | 1,109 |
| | <u>7,941</u> | <u>18,392</u> |
| <u>Segment profit before tax</u> | | |
| Malaysia | 1,229 | 1,138 |
| Overseas | (216) | (553) |
| | <u>1,013</u> | <u>585</u> |

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 was no material event between 31 December 2011 and the date of this report that has not been reflected in the interim financial statements for the financial quarter under review.

A11 Changes in the Composition of the Group

On 27th April 2012, the Company disposed 49% of the total issued and paid up capital of Thainexia Co. Ltd amounting to 9,799 shares of Bath100 each and the Company is to be compensated back for all costs based on the Agreement and Term Sheets pursuant to the duly signed Shares Sales Agreement of Thainexia dated 5 April 2011.

On 9 October 2012, the Company acquired 100% of the total issued and paid up share capital of SCAN Consultancy Sdn Bhd ("SCSB") amounting to 20 shares of RM0.10 each for a total consideration of RM2.00.

On 24 October 2012, the Company acquired 100% of the total issued and paid up share capital of Aegis Solutions Sdn Bhd ("ASSB") amounting to 20 shares of RM0.10 each for a total consideration of RM2.00.

A12 Contingent Liability

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

A13 Significant Related Party Transactions

There was no significant related party transaction 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 profit before taxation of RM7.941 million and RM1.013 million respectively.

The profit before taxation amounted to RM1.013 million in the current financial quarter, an increased of RM1.465 million as compared to the preceding year corresponding quarter.

B2 Comparison with Immediate Preceding Quarter

The Group generated revenue of RM7.491 million in the current financial quarter under review. This represents an increase of approximately RM2.041 million or 35% from the revenue of RM5.900 million recorded in the preceding financial quarter. This was mainly attributed to higher revenue generated from SDV.

The Group recorded a profit before taxation amounting to RM1.013 million in the current financial quarter, an increase of RM0.779 million as compared to the preceding financial quarter. The profit was attributed by higher revenue and lower cost of sales by 27% or approximately RM0.914 million compared to the preceding quarter.

B3 Business Prospects

The Group has continuously tendered for various ICT Security projects both locally and overseas. Barring any unforeseen circumstances, the Group expects and has actively positioned itself 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.

B6 Corporate Proposals

- 1) The timeframe to utilise the balance proceeds expired on 5 April 2011. On 22 March 2011, M&A Securities Sdn Bhd, on behalf of the Board of Directors of the Group, 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 was submitted to the Securities Commission.

As at to date, the Group has yet to receive the response from the Securities Commission.

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

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

| | Approved Amount Unutilised as at 31.8.2009 | Amount Utilised Current quarter | Total to Date | Amount unutilised Total to date | Time frame for utilisation |
|-------------------------|---|--|--------------------------|--|---------------------------------------|
| | 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 |
| Total | 5,795 | - | (5,404) | 391 | |

2) 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

The Group had on 24 February 2012 requested for an extension of the timeline for the submission of its application in relation to the above proposals.

On 25 May 2012, both the Company and the Parties/Vendors of the above exercise entered into a rescission agreement of the Share Sale Agreement ("SSA") dated 23 December 2011. Pursuant to the Rescission Agreements, the company and the Parties/Vendors have mutually agreed to rescind the Share Sale Agreement and the proposals are consequently terminated.

B7 Group Borrowings and Debt Securities

| | Secured RM'000 |
|---------------------------|---------------------------|
| <u>Current</u> | |
| Term Loan | 109 |
| Hire purchase | 1,732 |
| | <u>1,841</u> |
| <u>Non-current</u> | |
| Term Loan | 577 |
| Hire purchase | 2,240 |
| | <u>2,817</u> |
| Total | <u><u>4,658</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

The Group has not been involved in any material litigation in Malaysia either as plaintiff or defendant as at the date of this Report except:

- a) Industrial Court Case No: 19/4-643/11 between Dato' Aminuddin Baki @ Sabtu bin Esa ("the Claimant") and the Company.

The Claimant's suit against the Defendant is with regards to the dismissal of the Claimant with effect from 9 January 2009, allegedly without just cause or excuse. The Claimant is seeking reinstatement to his former position as Chief Executive Officer (CEO) of the Company.

The Claimant joined the Company on 14 January 2005 and his last drawn salary was RM30,000.00 per month. His service was terminated, after a domestic inquiry which was concluded in favour of the Company.

After the case was mentioned on 9 February 2012, the Industrial Court has vacated the hearing date on 16, 17 and 18 May 2012. On 2 May 2012, the Court rescheduled the hearing dates to 6 and 7 August 2012.

The first hearing was heard on 6 and 7 August 2012. There were six witnesses from the Company identified to give their statements in this case. Three witnesses gave their statement on 7 August 2012, while another two witnesses gave their statement on 8 November 2012.

The next hearing for the last witness to give their statements has been scheduled to 10 and 11 April 2013

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> |
|---|---|--|
| Profit/(Loss) attributable to ordinary shareholders (RM'000) | 1,013 | 586 |
| 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) | 0.05 | 0.03 |
| Diluted earnings per share (Sen) | N/A | N/A |

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.

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

B11 Disclosure of realised and unrealised profits and losses

The breakdown of the accumulated losses of the Group as at 30 September 2012, into realised and unrealised profits and losses is as follows:

| | 30 September 2012 | 31 December 2011 (Audited) |
|--|------------------------------|---|
| | RM'000 | RM'000 |
| Total accumulated losses of the Group: | | |
| - Realised losses | (21,546) | (22,125) |
| - Unrealised gain | 4 | 4 |
| Total | <u>(21,542)</u> | <u>(22,121)</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.

B12 Additional Disclosures

| | Current Quarter Ended 30-Sept-12 (RM) | Current Year To Date 30-Sept-12 (RM) |
|---------------------------------------|--|---|
| Recovery allowance for doubtful debts | - | 23,643 |
| Depreciation | (118,907) | (227,634) |
| Gain / (Loss) on foreign exchange | (27,632) | (27,180) |
| Interest expense | (21,366) | (34,198) |
| Interest income | 630 | 32,924 |
| | <u>(167,274)</u> | <u>(232,445)</u> |

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