

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED
 31 MARCH 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2013

	31-Mar-13 RM'000	31-Dec-12 RM'000	1-Jan-12 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1,540	1,628	921
Development expenditure	6,816	6,816	6,816
Fixed deposits with licensed banks	2,859	2,837	3,113
	<u>11,215</u>	<u>11,281</u>	<u>10,850</u>
CURRENT ASSETS			
Trade and other receivables	7,699	8,686	4,855
Current tax assets	149	17	-
Fixed deposits with licensed banks	-	-	-
Cash and cash equivalents	821	1,747	6,588
	<u>8,669</u>	<u>10,450</u>	<u>11,442</u>
TOTAL ASSETS	<u>19,884</u>	<u>21,731</u>	<u>22,292</u>
EQUITY			
Share capital	20,000	20,000	20,000
Share premium	18,160	18,160	18,160
Foreign currency translation reserves	(589)	(580)	(534)
Accumulated Loss	(23,271)	(22,231)	(22,121)
	14,299	15,349	15,504
Non-controlling interests	(51)	(59)	(346)
	<u>14,248</u>	<u>15,289</u>	<u>15,158</u>
Equity attributable to Owners of the company	14,248	15,289	15,158
Non-controlling interests	-	-	-
TOTAL EQUITY	<u>14,248</u>	<u>15,289</u>	<u>15,158</u>
NON-CURRENT LIABILITIES			
Borrowings	209	1,954	554
Deferred tax liabilities	-	-	-
	<u>209</u>	<u>1,954</u>	<u>554</u>
CURRENT LIABILITIES			
Trade and other payables	2,187	3,257	4,221
Borrowings	3,092	1,230	2,327
Provision for taxation	29	-	31
Current tax payable	119	-	-
	<u>5,427</u>	<u>4,487</u>	<u>6,580</u>
TOTAL LIABILITIES	<u>5,636</u>	<u>6,442</u>	<u>7,134</u>
TOTAL EQUITY AND LIABILITIES	<u>19,884</u>	<u>21,731</u>	<u>22,292</u>
NET ASSETS PER SHARE (SEN)	<u>0.07</u>	<u>0.08</u>	<u>0.08</u>

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 2012.

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED
 31 MARCH 2013**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Quarter 31-Mar-13 RM'000	Preceding Year Corresponding Quarter 31-Mar-12 RM'000	Current Year To Date 31-Mar-13 RM'000	Preceding Year Year To Date Ended 31-Mar-12 RM'000
Revenue	4,405	4,551	4,405	4,551
Cost of sales	(3,443)	(3,297)	(3,443)	(3,297)
Operating expenses	(1,751)	(1,912)	(1,751)	(1,912)
Other operating income	11	7	11	7
Finance costs	(263)	(10)	(263)	(10)
Profit/(Loss) before tax	(1,041)	(661)	(1,041)	(661)
Income tax expense	(0)	-	(0)	-
Profit/(Loss) for the period	(1,041)	(661)	(1,041)	(661)
Loss attributable to :				
Owner of the Company	(1,041)	(661)	(1,041)	(661)
Non-controlling interests	-	-	-	-
	(1,041)	(661)	(1,041)	(661)
Basic earnings per ordinary share of RM0.10 each (sen)	(0.05)	(0.03)	(0.52)	(0.03)
Diluted earnings per ordinary share of RM0.10 each (sen)	N/A	N/A	N/A	N/A

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED
 31 MARCH 2013**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Quarter 31-Mar-13 RM'000	Preceding Year Corresponding Quarter 31-Mar-12 RM'000	Current Year To Date 31-Mar-13 RM'000	Preceding Year Year To Date Ended 31-Mar-12 RM'000
Profit/(Loss) for the period	(1,041)	(661)	(1,041)	(661)
Other comprehensive loss:				
Foreign currency translations	(9)	(316)	(9)	(316)
Other comprehensive loss for the period	(9)	(316)	(9)	(316)
Total comprehensive loss for the period	(1,050)	(976)	(1,050)	(976)
Total comprehensive loss attributable to:				
Owners of the Company	(1,050)	(976)	(1,050)	(976)
Non-controlling interests	-	-	-	-
	(1,050)	(976)	(1,050)	(976)

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 2012.

SCAN ASSOCIATES BERHAD

Company No. 525669-P

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2013**

	← 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 2013	20,000	18,160	(580)	(22,231)	15,349	(59)	15,289
Total comprehensive loss for the period	-	-	(9)	(1,040)	(1,049)	8	(1,041)
Disposal of a subsidiary	-	-	-	-	-	-	-
Balance as at 31 December 2013	<u>20,000</u>	<u>18,160</u>	<u>(589)</u>	<u>(23,271)</u>	<u>14,299</u>	<u>(51)</u>	<u>14,248</u>
Balance as at 1 January 2012	20,000	18,160	(534)	(22,121)	15,504	(346)	15,158
Total comprehensive loss for the period	-	-	(47)	(109)	(156)	(10)	(165)
Disposal of a subsidiary	-	-	-	-	-	297	297
Balance as at 31 December 2012	<u>20,000</u>	<u>18,160</u>	<u>(580)</u>	<u>(22,231)</u>	<u>15,349</u>	<u>(59)</u>	<u>15,289</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 2012.

SCAN ASSOCIATES BERHAD

Company No. 525669-P
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED
31 MARCH 2013**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED 31 MARCH 2013**

	31-Mar-13	31-Mar-12
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	5,853	1,888
Cash payments to suppliers	(3,212)	(2,187)
Cash payments to employees and for administrative expenses	-	-
	(3,697)	(3,221)
	<hr/>	<hr/>
Cash generated from/(used in) operations	(1,056)	(3,521)
Tax paid	-	-
Other income received	94	7
Interest received	1	(3)
Interest paid	-	-
	<hr/>	<hr/>
Net cash from/(used in) operating activities	(961)	(3,517)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(60)	(2)
Proceed from disposal of property, plant and equipment	-	-
Placement/(Withdrawal) of fixed deposit activities	(22)	780
	<hr/>	<hr/>
Net cash (used in)/from investing activities	(81)	778
Drawdown of term loan	3,707	596
Repayment of hire purchase liabilities	(60)	(47)
Repayment of term loan	(3,531)	-
Advance to Subsidiaries Companies	-	(111)
	<hr/>	<hr/>
Net used in financing activities	116	438
Net decrease in cash and cash equivalents	(926)	(2,301)
ADJUSTMENT		
Write off property, plant and equipment	-	-
Cash and cash equivalents brought forward	1,747	6,588
Cash and cash equivalents carried forward	<hr/>	<hr/>
	821	4,287
CASH AND CASH EQUIVALENTS		
Cash and bank balances	821	4,287
Fixed deposits with licensed banks	-	-
	<hr/>	<hr/>
	821	4,287

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 2012.

SCAN ASSOCIATES BERHAD (525669-P)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

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 financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. 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 2012.

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 March 2013. 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.

The Group has consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1 January 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2012 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.

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

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.

A8 Segmental Information

	Current financial quarter RM'000	Financial year to date RM'000
<u>Segment revenue</u>		
Malaysia	4,087	4,087
Overseas	318	318
	<u>4,405</u>	<u>4,405</u>
<u>Segment loss before tax</u>		
Malaysia	(958)	(958)
Overseas	(83)	(83)
	<u>(1,041)</u>	<u>(1,041)</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 were no material events between 31 March 2013 and 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

No changes in the composition of the Group during the quarter under review.

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

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 RM4.405 million and RM1.041 million respectively.

The loss before taxation amounted to RM1.041 million in the current financial quarter, an increased by RM0.380 million as compared to the preceding year corresponding quarter.

B2 Comparison with Immediate Preceding Quarter

The Group generated revenue of RM4.405 million in the current financial quarter under review. This represents a decrease of approximately RM0.146 million or 3% from the revenue of RM4.551 million recorded in the preceding financial quarter. This was mainly attributed by lower income contribution from SDV, followed by TSS.

The Group recorded a loss before taxation amounting to RM1.041 million in the current financial quarter, an increase by RM0.380 million as compared to the preceding financial quarter. The loss was attributed by lower revenue contribution from SDV followed by TSS by 3% or approximately RM0.146 million and higher cost of sale by 4% or approximately RM0.146 million.

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 Loss from Forecast Loss

This note is not applicable for the current financial quarter.

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

B5 Corporate Proposals

- a) 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 has been submitted to Securities Commission.

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

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		Amount unutilised Total to date	Time frame for utilisation
	RM'000	Current quarter	Total to Date	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	

B6 Group Borrowings and Debt Securities

	Secured RM'000
<u>Current</u>	
Term Loan	2,315
Hire purchase	777
	3,092
<u>Non-current</u>	
Term Loan	-
Hire purchase	209
	209
Total	3,301

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

B7 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 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 has rescheduled the hearing dates for 6 and 7 August 2012.

The first hearing was on 6 August 2012. There were six witnesses from the Company identified to give their statements.

Most recent hearing was on 10 April 2013. The Claimant's councillor requested the court for a postponement. Both parties agreed to bring forward the hearing dates tentatively to 25 and 26 July 2013.

B8 Dividends

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

B9 Earnings per Share

	<u>Current financial quarter</u>	<u>Financial period to date</u>
Loss/(Loss) attributable to ordinary shareholders (RM'000)	(1,041)	(1,041)
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)	(0.05)
Diluted earnings per share (Sen)	N/A	N/A

The calculation of the basic earnings per share is based on the loss 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)

B10 Disclosure of realised and unrealised loss and losses

The breakdown of the accumulated losses of the Group as at 31 March 2013, into realised and unrealised loss and losses is as follows:

	31 March 2013	31 December 2012 (Audited)
	RM'000	RM'000
Total accumulated losses of the Group:		
- Realised losses	(23,275)	(22,235)
- Unrealised gain	4	4
Total	<u>(23,271)</u>	<u>(22,231)</u>

The disclosure of realised and unrealised loss 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.

B11 Additional Disclosures

	Current Quarter Ended 31-Mar-2013 (RM)	Current Year To Date 31-Mar-2013 (RM)
Depreciation	148,160	148,160
Gain / (Loss) on foreign exchange	33,510	33,510
Interest expense	206,344	206,344
Interest income	14,696	14,696
	<u>402,710</u>	<u>402,710</u>

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