

**INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
 30 JUNE 2015**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
 POSITION AS AT 30 JUNE 2015**

	30-Jun-15 RM'000	31-Dec-13 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	637	1,309
Development expenditure	-	6,816
Fixed deposits with licensed banks	987	2,710
	<u>1,624</u>	<u>10,835</u>
CURRENT ASSETS		
Trade and other receivables	5,490	6,207
Current tax assets	493	483
Cash and cash equivalents	490	236
	<u>6,473</u>	<u>6,926</u>
Assets of disposal group classified as held for sale	-	932
TOTAL ASSETS	<u><u>8,097</u></u>	<u><u>18,693</u></u>
EQUITY		
Share capital	20,000	20,000
Share premium	18,160	18,160
Reserve of disposal group classified as held for sale	-	(66)
Accumulated Losses	(44,155)	(24,810)
	<u>(5,995)</u>	<u>13,284</u>
Non-controlling interests	-	(70)
	<u>(5,995)</u>	<u>13,214</u>
Equity attributable to Owners of the company	<u>(5,995)</u>	<u>13,214</u>
TOTAL EQUITY	<u><u>(5,995)</u></u>	<u><u>13,214</u></u>
NON-CURRENT LIABILITIES		
Borrowings	245	604
	<u>245</u>	<u>604</u>
CURRENT LIABILITIES		
Trade and other payables	11,723	4,036
Borrowings	2,123	235
Liabilities directly associated with disposal group classified as held for sale	-	604
	<u>13,847</u>	<u>4,875</u>
TOTAL LIABILITIES	<u><u>14,092</u></u>	<u><u>5,479</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>8,097</u></u>	<u><u>18,693</u></u>
NET (LIABILITY)/ASSETS PER SHARE (SEN)	<u><u>(3.00)</u></u>	<u><u>6.61</u></u>
	(0)	0

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 2013.

**INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
 30 JUNE 2015**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Quarter 30-Jun-15 RM'000	Preceding Year Corresponding Quarter 30-Jun-14 RM'000	Current Period To Date 30-Jun-15 (18 Months) RM'000	Preceding Year Year To Date Ended 31-Dec-13 (Audited) (12 Months) RM'000
Revenue	4,082	3,365	21,881	23,824
Cost of sales	(2,703)	(4,718)	(18,947)	(18,124)
Operating expenses	(13,853)	(2,023)	(23,019)	(7,544)
Other operating income	(463)	46	436	1,020
Finance costs	36	(212)	259	(464)
Loss before tax	(12,900)	(3,543)	(19,389)	(1,288)
Income tax expense	0	(388)	44	0
Loss from continuing operations, net of tax	(12,900)	(3,930)	(19,345)	(1,288)
DISCONTINUED OPERATIONS				
Loss from Discontinued Operations	0	0	0	(1,302)
Net Loss for the financial period	(12,900)	(3,930)	(19,345)	(2,590)
Loss attributable to :				
Owners of the Company	(12,900)	(3,926)	(19,345)	(2,580)
Non-controlling interests	0	(4)	0	(10)
	(12,900)	(3,930)	(19,345)	(2,590)
Basic loss per ordinary share of RM0.10 each (sen)	(6.45)	(1.96)	(9.67)	(1.29)
Diluted earnings per ordinary share of RM0.10 each (sen)	N/A	N/A	N/A	N/A

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
 30 JUNE 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Quarter 30-Jun-15 RM'000	Preceding Year Corresponding Quarter 30-Jun-14 RM'000	Current Period To Date 30-Jun-15 (18 Months) RM'000	Preceding Year Year To Date Ended 31-Dec-13 (Audited) (12 Months) RM'000
Loss for the period	(12,900)	(3,930)	(19,345)	(2,590)
Other comprehensive income:				
Foreign currency translations	0	353	448	514
Other comprehensive income for the period	-	353	448	514
Total comprehensive loss for the period	(12,900)	(3,577)	(18,897)	(2,076)
Total comprehensive loss attributable to:				
Owners of the Company	(12,900)	(3,573)	(18,897)	(2,066)
Non-controlling interests	-	(4)	-	(10)
	(12,900)	(3,577)	(18,897)	(2,076)

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 2013.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

Attributable to owners of the Company

	←	Attributable to owners of the Company						→
	Share capital	Share premium	Foreign exchange reserves	Reserve of disposal group classified as held for sale	Accumulated losses	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2014	20,000	18,160	-	(66)	(24,810)	13,284	(70)	13,214
Total comprehensive loss for the period	-	-	448	-	(19,345)	(18,897)	-	(18,897)
Foreign currency translation	-	-	(448)	-	-	(448)	-	(448)
Disposal of a subsidiary	-	-	-	66	-	66	70	136
Balance as at 30 JUNE 2015	20,000	18,160	-	-	(44,155)	(5,995)	-	(5,995)
Balance as at 1 January 2013	20,000	18,160	(580)	-	(22,231)	15,349	(59)	15,289
Total comprehensive loss for the period	-	-	-	-	(2,579)	(2,579)	(10)	(2,590)
Foreign currency translation	-	-	514	-	-	514	-	514
Reclassification of foreign currency translation reserve to reserve of disposal group classified as held for sale	-	-	66	(66)	-	-	-	-
Balance as at 31 December 2013 (Audited)	20,000	18,160	-	(66)	(24,810)	13,284	(70)	13,214

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 2013.

SCAN ASSOCIATES BERHAD

Company No. 525669-P
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
30 JUNE 2015**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED 30 JUNE 2015**

	30-Jun-15 RM'000	31-Dec-13 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	17,567	27,261
Cash payments to suppliers	(8,985)	(15,342)
Cash payments to employees and for administrative expenses	(13,025)	(9,682)
Loss from Discontinued Operations	-	(283)
	<u>(4,442)</u>	<u>1,953</u>
Cash generated from/(used in) operations		
Other income received	92	-
Interest received	22	30
Interest paid	-	(319)
Tax paid	483	(483)
Net cash from/(used in) operating activities	<u>(3,845)</u>	<u>1,180</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(443)	(361)
Proceed from disposal of property, plant and equipment	-	6
Placement of fixed deposit activities	1,812	128
Net cash (used in)/from investing activities	<u>1,370</u>	<u>(227)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of loan	2,910	3,433
Repayment of hire purchase liabilities	(299)	(1,224)
Repayment of loan	-	(4,554)
Net used in financing activities	<u>2,611</u>	<u>(2,346)</u>
Net increase / (decrease) in cash and cash equivalents	136	(1,393)
Cash and cash equivalents brought forward	354	1,747
Cash and cash equivalents carried forward	<u>490</u>	<u>354</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	490	354
Fixed deposits with licensed banks	-	-
	<u>490</u>	<u>354</u>
	0	(0)

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 2013.

SCAN ASSOCIATES BERHAD (525669-P)

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

This interim financial statements of the Group are 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 2013. 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 2013.

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 converge Malaysia's existing Financial Reporting Standards framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standard Board. 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.

Change in Financial Year End

On 27 April 2015, the Group changed its financial year end from 31 December to 30 June. The current cumulative period is for eighteen (18) months ie from 1 Jan 2014 to 30 June 2015.

GN3 Classification

On 18 May 2015, the Company was classified as a Guidance Note 3 ("**GN3**") Company pursuant to GN3 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"). The Company was determined to have triggered the prescribed criteria under paragraph 2.1(b) and (c) of GN3 of the Listing Requirements.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors had expressed an unqualified opinion on the Group's statutory financial statements for the financial year ended 31 December 2013.

A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 INTERIM FINANCIAL REPORTING

A3 Seasonal or Cyclical Factors

The Group's performance is not significantly affected by seasonal or cyclical factors.

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

There were no unusual items during the current quarter.

A5 Material Changes in Estimates

There were no material changes in estimates during the current financial quarter under review.

A6 Debts and Equity Securities

There was no issuance, cancellation, repurchase, resale or repayment of debt or equity securities during the current financial quarter under review.

A7 Dividends

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

A8 Segmental Information

The Group applies a single reporting segment in Malaysia after the disposal of its controlling interest in its sole operating subsidiary in Indonesia as disclosed in Note B12.

A9 Valuation of Property, Plant and Equipment and Development Expenditure

The Group has assessed internally the carrying amount of its property, plant and equipment ("PPE") and development expenditure and impairments were made during the quarter under review as disclosed in Note B11

A10 Material Events Subsequent To the Financial Quarter

There were no known material events subsequent to the end of the current financial quarter.

A11 Changes in the Composition of the Group

There was no change in the composition of the Group for the period under review and up to the date of this report other than disclosed in Note B12.

A12 Contingent Liability

The Group does not have any contingent liability as at the date of the announcement other than disclosed in Note B7

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 RM4.082 million and RM12.900 million respectively. The significant loss during the current quarter was mainly due to the impairment as disclosed in Note B11.

B2 Comparison with Immediate Preceding Quarter

The Group recorded revenue of RM4.082 million in the current financial quarter under review. This represents a decrease of approximately RM1.855 million or 31% from the revenue of RM5.937 million recorded in the preceding financial quarter. The decrease was mainly due to lesser projects being undertaken by the Group.

The Group recorded a loss before tax of RM12.900 million as compared to a profit before tax of RM70,000 in the preceding quarter. The significant loss during the quarter was mainly due to the impairment as discussed in Note B11. Further to this impairment, the revenue for the current quarter was lower by RM1.855m compared to the preceding quarter due to the completion of a few projects.

B3 Business Prospects

The Group has continued to tender for various ICT Security projects and is currently undergoing extensive cost cutting measures. Given its classification as a GN3 company, the Group's business prospects remain challenging. All necessary steps are being taken as part of its turnaround effort to secure more projects.

B4 Variance of Actual Loss from Forecast Loss

This note is not applicable.

B5 Corporate Proposals

On behalf of the Board of Directors of the Company, M&A Securities Sdn Bhd had on 7 July 2015 announced that the private placement of up to 20,000,000 new ordinary shares of RM0.10 each in the Company to independent third party investors to be identified ("**Private Placement**") had lapsed on 18 June 2015 and the Company does not intend to extend the timeline for the implementation of the Private Placement.

B6 Group Borrowings and Debt Securities

	<u>Secured</u> RM'000
<u>Current</u>	
Hire purchase	235
Loan	1,888
	<hr/> 2,123
<u>Non-current</u>	
Hire purchase	245
	<hr/> 245
Total	<hr/> <hr/> 2,368

There is an overdue payment of RM1.034m in respect of the above loan, which was due on 31 May 2015. The company is in the process of negotiating with the lender to revise the terms of repayment.

B7 Material Litigations

Material litigations and letters of demand received by the Group are as follows:

a) SCAN Associates Berhad ("The Plaintiff") Vs former CEO (Dato' Aminuddin Baki'@ Sabtu bin Esa ("The Defendant"))

The High Court had on 24 July 2015 allowed the company's claim of RM1.7 million against the Defendant and dismissed the Defendant's counterclaim, with costs of RM170,000.00 to the company.

On 20th August 2015, the Defendant had submitted a notice of appeal against the High Court's decision. The company has instructed its lawyers to pursue the matter.

b) Unique Central Sdn Bhd ("The Plaintiff") Vs SCAN Associates Berhad ("The Defendant")

On 29 April 2015, the plaintiff obtained a Judgment in Default of Appearance ("JID") against the defendant for an amount of RM112,187 plus interest at 1.5% a month until full settlement and cost on a solicitor client basis.

The Company has appointed lawyers to advise the Company on this matter.

An amount of RM105,616 has been provided in the accounts of the Company as at 30th June 2015.

c) Convergence Networks Sdn Bhd ("The Plaintiff") Vs SCAN Associates Berhad ("The Defendant")

On 30 April 2015, the plaintiff obtained a JID against the defendant for an amount of RM39,311 plus interest of 1.5% per month until full settlement and costs of RM782.

The Company has appointed lawyers to advise the Company on this matter.

An amount of RM37,990 has been provided in the accounts of the Company as at 30 June 2015.

d) Letter of Demand From Creditors

The company has received letters of demand from certain creditors demanding payments totaling RM3.733m for which RM3.534m has already been provided in the accounts as at 30 June 2015. The company is in the midst of verifying the difference of RM0.199m between the amounts demanded and the amounts provided and is further negotiating with the respective creditors for an amicable solutions to their demands.

e) SCAN Associates Berhad Vs Bursa Malaysia Securities Berhad

On 8 May 2015, Bursa Malaysia Securities Berhad ("**Bursa Securities**") issued a directive to the Company to announce that the Company had triggered the prescribed criteria under paragraph 2.1(b) and (c) of GN3 of the Listing Requirements based on the Company's Q4 2014 results (the "**Directive**").

The Company disagreed with the Directive and had on 10 May 2015 filed a suit in the High Court against Bursa Securities to, inter alia, nullify the Directive and seek damages from Bursa Securities (the "**Suit**").

On 11 May 2015, the High Court granted an ad interim injunction to restrain Bursa Securities from enforcing the Directive, until the High Court makes a decision on 18 May 2015.

On 18 May 2015, the High Court dismissed the Suit with costs in the cause. Consequently, the Company was classified as a GN3 company.

On 2 June 2015, the Company appealed against the decision of the High Court dated 18 May 2015 (the "**Appeal**").

On 27 August 2015, the Company withdrew the Suit with no liberty to file afresh and with costs of RM30,000 paid to Bursa Securities. Following thereto, the Company will withdraw the Appeal. The Company is of the view that the withdrawal of the Suit is in the best interest of the Company.

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

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 attributable to ordinary shareholders (RM'000)	(12,900)	(19,345)
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 loss per share (Sen)	(6.45)	(9.67)
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 divided by the weighted average number of ordinary shares of RM0.10 issued.

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

B10 Disclosure of realised and unrealised gain/losses

The breakdown of the accumulated losses of the Group as at 30 June 2015 and 31 December 2013, into realized and unrealized gain/losses is as follows:

	30 June 2015	31 December 2013 (Audited)
	RM'000	RM'000
Total accumulated losses of the Group:		
- Realized losses	(44,619)	(24,814)
- Unrealised gain	464	4
Total	<u>(44,155)</u>	<u>(24,810)</u>

The disclosure of realised and unrealised gain/losses 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)**B11 Additional Disclosures**

	Current Quarter Ended 30-Jun-15	Current Period To Date 30-Jun-15 (18 Months)
	(RM)	(RM)
Depreciation	120,518	723,107
Gain/(Loss) on foreign exchange	(5,468)	448,017
Interest expense	7,201	74,120
Interest income	-	21,808
Impairment:		
Development expenditure	6,816,157	6,816,157
Receivables	6,958,194	6,958,194
Property, Plant & Equipment	491,622	491,622
Investment	810,097	810,097

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

B12 Discontinued Operations and Disposal Subsidiary Company

The Group had disposed 85% interest in PT SCAN Nusantara for a total cash consideration of USD100,000 on 26 August 2014. Subsequent to this sale, the Group has a remaining equity interest of 15% in PT SCAN Nusantara.