

**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 period ended 30 June 2015.*





**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 period ended 30 June 2015.*

*\*The Group changed its financial year end from 31 December to 30 June. Comparative figures consist of the 3-month results from 1 July 2014 to 30 September 2014.*



**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 period ended 30 June 2015.*



**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 period ended 30 June 2015.*

*\*The Group changed its financial year end from 31 December to 30 June. Comparative figures consist of the 3-month results from 1 July 2014 to 30 September 2014.*

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

(Incorporated in Malaysia)

# **NOTES TO THE INTERIM FINANCIAL STATEMENTS**

# **FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 Securities”).

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 period ended 30 June 2015. 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 period ended 30 June 2015.

**A2 Auditors’ Report on Preceding Annual Financial Statements**

The auditors of the Company had issued a disclaimer of opinion report on the Company’s and Group’s financial statements for the financial period ended 30 June 2015.

**A3 Seasonal or Cyclical Factors**

The Group’s core business is in Information Technology, where the revenue streams are mainly project driven.

**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 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 Valuation of Property, Plant and Equipment**

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

**A8 Material Events Subsequent To the Financial Quarter**

There were no material events subsequent to this financial quarter other than those disclosed in Note B8.

**A9 Changes in the Composition of the Group**

There was no change in the composition of the Group for the quarter under review.

**A10 Contingent Liability**

The Group does not have any contingent liability as at the date of the announcement other than those disclosed in Note B8.

**A11 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 SECURITIES**

**B1 Performance Analysis**

The Group recorded revenue and loss before taxation of RM1.953 million and RM0.379 million respectively.

**B2 Comparison with Immediate Preceding Quarter**

The Group recorded revenue of RM1.953 million in the current financial quarter under review. This represents a decrease of approximately RM2.129 million or 52% from the revenue of RM4.082 million recorded in the preceding financial quarter. The reduction in revenue is mainly due to the completion of a major project in June 2015.

The Group recorded a loss before tax of RM0.379 million as compared to loss before tax of RM12.900 million in the preceding financial quarter. The lower loss was attributed to lower operating expenses and direct cost. Furthermore, there was an impairment of development expenditure, receivables, property plant & equipment and investment amounting to RM15.077 million in the preceding financial quarter.

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

**B3 Business Prospects**

A major project was completed during the financial period ended 30 June 2015.

The classification of the Company as a GN3 Company has significantly affected the Group’s ability to secure new projects.

In view of this, the Group has taken steps to reduce cost and streamline the operations of the Group.

The Company is also in the midst of exploring various opportunities as part of its plan to regularize the business operations and financial position of the Group.

**B4 Variance of Actual Loss from Forecast Loss**

The Group has not issued any profit forecast or profit estimate for the current financial quarter under review.

**B5 Taxation**

There is no tax charge for the current quarter since the Group has incurred losses.

**B6 Corporate Proposals**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Proposed Utilisation****(RM’000)** | **Proposed Variation For Utilisation As Per SC’s Letter Dated 5.4.2010****(RM’000)** | **Actual Utilisation as at 30.09.2015****(RM’000)** | **Variance****(RM’000)** |
| Development expenditure | 13,000 | 8,000 | 7,609 | 391\* |
| Overseas project implementation | 3,500 | 3,500 | 3,500 | - |
| Overseas expansion | 5,000 | 5,000 | 5,000 | - |
| Working capital  | 3,970 | 8,970 | 9,361 | (391)\* |
| Estimated listing expenses | 1,875 | 1,875 | 1,875 | - |
| Total | 27,345 | 27,345 | 27,345 | - |

*\* Note: The proceeds were used for Working Capital instead of Development Expenditure.*

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

**B7 Group Borrowings and Debt Securities**

|  |  |  |
| --- | --- | --- |
|  | **Secured** |  |
|  | **RM’000** |  |
| **Current** |  |  |
| Hire purchase | 239 |  |
|  |  |  |
| **Non-current** |  |  |
| Hire purchase | 156 |  |
|  |  |  |
| **Total** | 395 |  |

**B8 Material Litigations**

(a) **SCAN Associates Berhad (“The Plaintiff”) Vs. Dato’ Aminuddin Baki @ Sabtu bin Esa (“The Defendant”)**

On 20th September 2013, the Company announced that the Plaintiff had served a Writ of Summon dated 11th September 2013, on 19th September 2013, to the defendant who was at all material times a director and a Chief Executive Officer of the Plaintiff.

The Defendant was adjudged a bankrupt on 31st October 2012 by the Kuala Lumpur High Court. On 22nd July 2013, the Plaintiff obtained leave from the Kuala Lumpur High Court to issue the proceedings against the Defendant.

The Defendant caused or procured the Plaintiff to make payment of RM1.7 million to Technology Services Sdn. Bhd. (“TAG”), which sum was subsequently transferred to the Defendant and his nominee, Lim Poh Suan. The Plaintiff never purchased nor did TAG supplied the R&D Equipment in respect of the purchase order was issued.

The Plaintiff is seeking a claim of RM1.7 million, damages and/or equitable compensation and all court and legal related costs and the interest on the sums payable.

The High Court had on 24th 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/- to the Company.

On 20th August 2015, the Defendant had submitted a notice of appeal against the High Court’s decision.

The appeal is fixed for case management on 11th December 2015.

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

**B8 Material Litigations (Cont’d)**

 (b) **Industrial Court Case No. 19/4-643-11 between Dato’ Aminuddin Baki @ Sabtu bin Esa (“The Claimant”) Vs. SCAN Associates Berhad (“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 of the Company.

The Claimant and the Company had submitted their written submissions on 19th May 2014 and 4th September 2014 respectively. The Claimant had subsequently filed his written submission in reply on 8th January 2015.

The suit is pending a decision by the Court.

(c) **KL Sessions Court Summons No. A52NCVC-169-03/2015 between** **Unique Central Sdn. Bhd. (“The Plaintiff”) Vs. SCAN Associates Berhad (“The Defendant”)**

On 29th April 2015, the Plaintiff obtained a Judgement in Default of Appearance 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.

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

(d) **KL Magistrates Court Suit No. A72NCVC-1594-04/2015 between** **Convergence Networks Sdn. Bhd. (“The Plaintiff”) Vs. SCAN Associates Berhad (“The Defendant”)**

On 30th April 2015, the Plaintiff obtained a Judgement in Default of Appearance against the Defendant for an amount of RM39,311/- plus interest at 1.5% a month until full settlement and costs of RM782/-.

On 2 September 2015, RM8,389.11 was paid via the garnishee order. Therefore, the balance outstanding as at 30th September 2015 is RM30,922.

An amount of RM29,601/- has been provided in the accounts of the Company as at 30th September 2015.

(e) **Letters of Demand from Creditors**

As at 30th November 2015, the Company has received letters of demand from certain creditors demanding payments totalling RM4.580 million of which RM3.466 million has already been provided in the accounts as at 30th September 2015.

The Company is in the midst of verifying the difference of RM1.114 million between the amounts demanded and the amounts provided and will negotiate with the respective creditors for an amicable solution if their demands are determined to be valid.

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

**B8 Material Litigations (Cont’d)**

(f) **KL High Court Commercial No: 22NCC-283-09/2015 between a director and shareholder (“Plaintiff”) Vs. Dato’Dr Norbik Bashah Bin Idris & 7 Ors.**

On 17th September 2015, the Company was served with a writ and statement of claim filed by Plaintiff of the Company.

The Plaintiff alleges that 7 individuals acting in concert had through an agreement, arrangement and/or understanding acquired and held in aggregate 36.03% of the total issued shares of the Company and have breached Section 218(2) of the Capital Markets and Services Act (CMSA) and Section 9(1) of the Take-over and Mergers Code (the Code) by failing to make a mandatory offer (MO) to the remaining shareholders of the Company.

The Plaintiff is claiming the following relief:-

(i) A declaration that the 7 individuals are acting in concert to obtain control of the Company.

(ii) A declaration that the 7 individuals had breached Section 218(2) of the CMSA and Section 9(1) of the Code.

(iii) A declaration that the requisition by certain individuals, who are part of the 7 individuals, for an Extraordinary General Meeting to remove the existing directors and appoint certain new directors is null and void.

(iv) An order for the 7 individuals or any one of them to undertake a MO or alternatively all the shares of the Company held by the 7 individuals be vested with the Securities Commission.

(v) Damages and cost.

There is no relief being sort by the Plaintiff against the Company.

The case management is set for 11th December 2015.

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

**B8 Material Litigations (Cont’d)**

1. **KL High Court Origination Summons No. 24NCC-343-09/2015 Between Dato’Dr. Norbik Bashah Bin Idris Vs. SCAN Associates Berhad (the Company) & 4 Others (Collectively Defendants).**

On 6th October 2015, the Company was served with an Originating Summons which was filed by a former director, Dato’ Dr. Norbik Bashah bin Idris (“the Plaintiff”).

The Originating Summons by the Plaintiff is to seek the following court orders and/or relief:-

(a) that Defendants do immediately furnish to the Plaintiff with a copy of the Record of Depositors and the Register and Index of Members;

(b) that the Plaintiff upon being provided the Record of Depositors and the Register and Index of Members be granted with such enlargement of time of six months to convene an extraordinary general meeting;

(c) that the costs of and occasioned by this application be paid by the Defendants to the Plaintiff; and

(d) such further order and/or relief as this Honourable Court deems fit or just.

The Court has directed that this case be put on hold until the application to consolidate this case with case stated in (f) is heard and decided upon.

The application to consolidate the cases was filed by the solicitors for the Defendants and the case management is fixed on 9 December 2015.

(h) **KL High Court Suit No. 22NCC-347-10-2015 between SCAN Associates Berhad (“the Plaintiff”) Vs. Dato’Dr Norbik Bashah Bin Idris (‘”ex CEO”), Nurul Huda Binti Zaharol Natrar (“ex CFO”) and SCAN Consulting Services Sdn Bhd (“SCSSB”)**

On 30.10.2015, the Plaintiff had filed a statement of claim in the High Court of Kuala Lumpur against ex CEO, ex CFO and SCSSB (Collectively Defendants).

The ex CEO is a former director and shareholder of SCSSB who controlled and is still controlling SCSSB at all material times.

In the Statement of Claims, the Company claims that the ex CEO and ex CFO had (amongst others):

a) breached their duties and responsibilities as principal officers of the Company and caused the Company to incur losses, and/or

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

**B8 Material Litigations (Cont’d)**

 b) conspired to cause losses to the company, the details of which are as follows.

i) Based on representations and inducements made by the ex CEO, the Company had entered into an agreement with SCSSB worth RM13M to the Company on 7 March 2014. The Company had subsequent entered into another agreement with SCSSB worth RM 5.5M to the Company on 20.3.2014.

ii)Arising from the agreements signed and under the directions of the ex CEO the Company had;

a) Incurred RM2.27M in contract expenses which was invoiced to SCSSB

b) Advanced a total of RM1.33M in expenses and mobilization fees to 3rd parties.

The above amounts totaling RM3.6M have not been recovered as at to date and were fully provided for in the Company’s accounts as at 30.9.2015.

iii) The ex CFO had misused the Company’s corporate credit card for personal use amounting to RM47,900 and that such misuse could not have occurred without the cooperation of the ex CEO.

iv) The ex CEO has failed to return the Company’s laptop upon his resignation despite several reminders. The laptop contains confidential information and trade secret of the Company;

v) In furtherance to the conspiracy and upon the ex CEO’s discovery of the Company’s investigation, the ex CEO had caused the issuance of Requisition Notice (“Requisition”) on 23.7.2015 for an EGM, to remove all existing Directors (refer to the Company’s announcement date 24 July 2015 and 29 July 2015).

Consequent to the above, the Company is claiming;

 i) RM3.6M from the ex CEO, ex CFO and SCSSB jointly and severally;

 ii) RM47,900 from the ex CEO and ex CFO jointly and severally;

iii) General damages as a result of the unlawful conspiracy between the ex CEO and ex CFO;

iv) A declaration that the ex CEO had breached his fiduciary duties towards the Company;

v) An order that the ex CEO pays general damages to the Company and that such damages be assessed by the Court;

vi) A declaration that the Requisition by the ex CEO dated 23.7.2015 is null and void.

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

**B8 Material Litigations (Cont’d)**

vii) An order that the ex CEO, including his agents, representatives and proxies be prohibited from taking further action in relation to the Requisition .

viii) A declaration that the request by the ex CEO dated 27.8.2015 and 1.9.15 for the record of depositors (ROD) of the Company is null and void.

ix) An order that the ex CEO, including his agents, representatives and proxies be prohibited from taking further action in relation to the request for the ROD.

 x) An order that the ex CEO return the Company’s laptop.

 xi) A declaration that the ex CFO has breached her duties and responsibilities

xii) An order that the ex CFO pays general damages to the company and those damages be assessed by the Court.

 xiii) Against the ex CEO, ex CFO and SCSSB;

a) Interest at 5% p.a on the total damages from the date of filing the statement of claim up to full payment.

 b) Cost on an indemnity basis and all subsequent costs.

 c) Any other relief deemed fit by the Court.

The Case management is fixed on 13 January 2015.

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

**B9 Dividends**

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

**B10 Earnings per Share**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Current financial quarter** |  | **Financial period****to date** |
|  |  |  |  |
| Loss attributable to ordinary shareholders (RM’000)  | (379) |  | (379) |
|  |  |  |  |
| 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) | (0.19) |  | (0.19) |
| 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.

**B11 Disclosure of realised and unrealised losses**

The breakdown of the accumulated losses of the Group as at 30 September 2015, into realised and unrealized gain/losses and losses is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 September 2015** |  | **30 June****2015** |
|  |  |  | **(Audited)** |
|  | **RM’000** |  | **RM’000** |
|  |  |  |  |
| Total accumulated losses of the Group: |  |  |  |
| * Realised losses
 | (44,383) |  | (44,466) |
| * Unrealised gain
 |  2 |  | 464 |
|  |  |  |  |
| Total  | (44,381) |  |  (44,002) |

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

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

**B12 Additional Disclosures**



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