

SCAN ASSOCIATES BERHAD
(525669 – P)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31ST DECEMBER 2010

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010**

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SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in providing information and communication technology ("ICT") solutions. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net loss for the financial year	(102,106)	(765,536)
Other comprehensive loss, net of tax	(215,263)	-
Total comprehensive loss for the financial year	<u>(317,369)</u>	<u>(765,536)</u>
Attributable to:		
Owners of the parent	(317,369)	(765,536)
Minority interests	-	-
	<u>(317,369)</u>	<u>(765,536)</u>

DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31st December 2010.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liabilities or other liabilities of the Group and of the Company have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares or debentures.

DIRECTORS

The directors in office since the date of the last report are:-

Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus
Dato' Dr. Norbik Bashah bin Idris
Shaharil bin Abdul Malek
Dato' Nasri bin Nasrun
Francis Collin Lazaroo
Muhammad Azraini bin Abdul Hamid
(Alternate Director to Francis Collin Lazaroo)
Andrew Su Meng Kit

- resigned on 30.8.2010

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company during the financial year ended 31st December 2010 are as follows:-

Number of ordinary shares of RM1/- each

	At 1.1.2010	Additions	Disposals	At 31.12.2010
The Company				
Direct interest				
Dato' Dr. Norbik Bashah bin Idris	22,959,400	-	-	22,959,400
Shaharil bin Abdul Malek	2,516,910	-	-	2,516,910

Other than as disclosed as above, none of the other directors in office at the end of the financial year had any interest in the shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

Significant events that occurred during and after the financial year are disclosed in Note 26 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

.....
DATO' DR. NORBIK BASHAH BIN IDRIS
Director

.....
SHAHARIL BIN ABDUL MALEK
Director

Kuala Lumpur

Date: 20th April 2011

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2010

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	905,502	1,685,279	866,039	1,651,310
Development expenditure	5	8,475,658	8,503,474	8,034,774	8,034,774
Investment in subsidiaries	6	-	-	4,810,081	376,202
Fixed deposits with licensed banks	7	1,040,389	1,789,693	1,002,653	1,398,735
Total non-current assets		10,421,549	11,978,446	14,713,547	11,461,021
Current assets					
Trade and other receivables	8	16,730,693	7,634,569	7,531,845	5,716,091
Work-in-progress	9	-	72,030	-	72,030
Amounts due from subsidiaries	10	-	-	157,405	4,361,532
Fixed deposits with licensed banks	7	212,962	512,962	212,962	512,962
Cash and bank balances	11	3,175,692	5,360,478	2,084,997	4,322,804
		20,119,347	13,580,039	9,987,209	14,985,419
Total current assets		20,119,347	13,580,039	9,987,209	14,985,419
TOTAL ASSETS		30,540,896	25,558,485	24,700,756	26,446,440

The accompanying notes form an integral part of these financial statements.

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2010
(Continued)

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	12	20,000,000	20,000,000	20,000,000	20,000,000
Share premium	12	18,159,512	18,159,512	18,159,512	18,159,512
Foreign currency translation reserve	13	(450,797)	(235,534)	-	-
Accumulated losses	14	(16,108,348)	(16,006,242)	(15,735,329)	(14,969,793)
Total equity		21,600,367	21,917,736	22,424,183	23,189,719
Non-current liability					
Borrowings	15	54,988	190,418	54,988	189,366
Total non-current liability		54,988	190,418	54,988	189,366
Current liabilities					
Trade and other payables	16	6,817,894	2,495,249	2,074,852	2,356,371
Borrowings	15	1,862,988	713,556	146,733	710,984
Tax payable		204,659	241,526	-	-
Total current liabilities		8,885,541	3,450,331	2,221,585	3,067,355
Total liabilities		8,940,529	3,640,749	2,276,573	3,256,721
TOTAL EQUITY AND LIABILITIES		30,540,896	25,558,485	24,700,756	26,446,440

The accompanying notes form an integral part of these financial statements.

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010**

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Revenue	17	26,620,483	28,917,281	16,181,539	15,435,779
Cost of sales	18	(17,262,394)	(18,106,276)	(9,336,759)	(7,352,189)
Gross profit		9,358,089	10,811,005	6,844,780	8,083,590
Other income		2,353,493	1,435,321	2,337,096	1,276,855
Administrative expenses		(11,093,819)	(15,925,285)	(9,475,767)	(14,387,541)
Finance costs	19	(515,210)	(159,550)	(471,645)	(120,607)
Profit/(loss) before taxation	20	102,553	(3,838,509)	(765,536)	(5,147,703)
Taxation	21	(204,659)	(336,112)	-	58,804
Net loss for the financial year		(102,106)	(4,174,621)	(765,536)	(5,088,899)
Other comprehensive (loss)/ income, net of tax					
- foreign currency translation		(215,263)	65,997	-	-
Total comprehensive loss for the financial year		(317,369)	(4,108,624)	(765,536)	(5,088,899)
Loss attributable to:					
Owners of the parent		(102,106)	(4,174,621)	(765,536)	(5,088,899)
Minority interest		-	-	-	-
		(102,106)	(4,174,621)	(765,536)	(5,088,899)
Total comprehensive loss for the financial year attributable to:					
Owners of the parent		(317,369)	(4,108,624)	(765,536)	(5,088,899)
Minority interest		-	-	-	-
		(317,369)	(4,108,624)	(765,536)	(5,088,899)

The accompanying notes form an integral part of these financial statements

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010
(Continued)

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Loss per share attributable to owners of the parent (sen per share)					
- basic	22	(0.05)	(2.09)	-	-
- diluted	22	(0.05)	(2.09)	-	-

The accompanying notes form an integral part of these financial statements

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SCAN ASSOCIATES BERHAD
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FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010 (Continued)

	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total RM
Company				
At 1st January 2009	20,000,000	18,159,512	(9,880,894)	28,278,618
Total comprehensive loss for the financial year	-	-	(5,088,899)	(5,088,899)
At 31st December 2009	20,000,000	18,159,512	(14,969,793)	23,189,719
Total comprehensive loss for the financial year	-	-	(765,536)	(765,536)
At 31st December 2010	20,000,000	18,159,512	(15,735,329)	22,424,183

The accompanying notes form an integral part of these financial statements

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	20,986,099	27,581,175	16,995,392	14,303,757
Cash payments to suppliers	(14,894,168)	(14,731,139)	(9,436,308)	(14,164,158)
Cash payments to employees and for administrative expenses	(9,781,890)	(16,211,456)	(9,278,749)	(4,630,316)
Cash used in operations	(3,689,959)	(3,361,420)	(1,719,665)	(4,490,717)
Tax paid	(241,526)	(146,382)	-	-
Interest received	79,912	183,170	63,518	158,141
Interest paid	(53,213)	(153,392)	(30,492)	(146,382)
Net Operating Cash Flows	(3,904,786)	(3,478,024)	(1,686,639)	(4,478,958)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(345,302)	(318,962)	(320,865)	(295,070)
Proceeds from disposal of property, plant and equipment	1,996	-	1,996	-
Additions of development expenditure	-	(2,374,112)	-	(2,374,112)
Proceeds from insurance claims	-	3,954	-	3,954
Purchase of investment in a subsidiary	-	-	(4,433,879)	-
Repayment to directors	-	-	-	(8,006)
Uplift of fixed deposits held as security value	749,304	1,021,174	396,082	1,334,182
Net Investing Cash Flows	405,998	(1,667,946)	(4,356,666)	(1,339,052)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of hire purchase liabilities	(128,328)	(131,694)	(125,693)	(131,514)
Drawdown of term loans	2,996,649	2,400,000	1,281,383	2,400,000
Repayment of term loans	(1,854,319)	(2,603,896)	(1,854,319)	(2,383,830)
Advances from/(to) subsidiary companies	-	-	4,204,127	(583,138)
Net Financing Cash Flows	1,014,002	(335,590)	3,505,498	(698,482)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,484,786)	(5,481,560)	(2,537,807)	(6,516,492)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	5,873,440	11,355,000	4,835,766	11,352,258
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	3,388,654	5,873,440	2,297,959	4,835,766

The accompanying notes form an integral part of these financial statements.

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010 (Continued)

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Fixed deposits with licensed banks	1,253,351	2,302,655	1,215,615	1,911,697
Cash and bank balances	3,175,692	5,360,478	2,084,997	4,322,804
	<hr/>	<hr/>	<hr/>	<hr/>
	4,429,043	7,663,133	3,300,612	6,234,501
Less: Fixed deposits held as security value	(1,040,389)	(1,789,693)	(1,002,653)	(1,398,735)
	<hr/>	<hr/>	<hr/>	<hr/>
	3,388,654	5,873,440	2,297,959	4,835,766

In financial year 2009, the Group and the Company acquired property, plant and equipment amounting to RM323,247/- and RM295,570/- respectively of which RM4,285/- was acquired under hire purchase arrangement.

The accompanying notes form an integral part of these financial statements.

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally engaged in providing information and communication technology (“ICT”) solutions. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 10 Floor Menara Hap Seng, No.1 & 3 Jalan P Ramlee, 50250 Kuala Lumpur.

The principal place of business of the Company is located at Level 7, Menara Atlan, 161-B, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20th April 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented except for the adoption of new and revised FRSS, amendments/improvements to FRSS and IC Interpretations (“IC Int”) that are mandatory for the Group and the Company for the financial period beginning 1st January 2010 as disclosed in Note 2.2 to the financial statements.

2.1 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards (“FRSs”) and the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported financial year. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2.2 NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs AND IC INT

(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Int

On 1st January 2010, the Group and the Company adopted the following new and revised FRSs, amendments/improvements to FRSs and IC Int mandatory for annual financial period beginning on or after 1st January 2010.

New FRSs

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 139	Financial Instruments : Recognition and Measurement

Revised FRSs

FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs

Amendments/Improvements to FRSs

FRS 1	First time Adoption of Financial Reporting Standards
FRS 2	Share-Based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After Reporting Period
FRS 116	Property, Plant and Equipment
FRS 117	Leases

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs AND IC INT (Continued)

(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Int (Continued)

Amendments/Improvements to FRSs

FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate
FRS 128	Investment In Associates
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible assets
FRS 139	Financial Instruments : Recognition and Measurement
FRS 140	Investment Property

IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 11	FRS 2 – Group and Treasury Share Transactions
IC Int 13	Customer Loyalty Programmes
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new and revised FRSs, amendments/improvements to FRSs and IC Int do not have a material impact on the financial performance or position of the Group and the Company except for those as discussed below:-

FRS 7 Financial Instruments: Disclosures

Prior to 1st January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence the new disclosures have not been applied to the comparatives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs AND IC INT (Continued)

(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Int (Continued)

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non owner changes equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised directly in the statement of comprehensive income, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or two linked statements. The Group and the Company have elected to present the statement of comprehensive income in a single statement.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes of managing capital.

The "balance sheets" and "cash flow statement" have been re-titled to "statements of financial position" and "statements of cash flows" respectively.

The revised FRS 101 was adopted retrospectively by the Group and the Company. The change in accounting policy only impacts presentation aspects.

FRS 139 Financial Instruments: Recognition and Measurement

The Group and the Company have adopted FRS139 prospectively in accordance with the transitional provisions in FRS139 for recognising and measuring financial assets and financial liabilities as at 1st January 2010.

The changes in accounting policies and effects arising from the adoption of FRS139 are discussed below:-

Impairment of trade receivables

Prior to 1st January 2010, allowance for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

FRS 8 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group concluded that the reportable operating segments are the same as the geographical segments previously identified under FRS 114 Segment Reporting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs AND IC INT (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs and IC Int that are issued, not yet effective and have not been adopted early

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
<u>Revised FRSs</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
<u>Amendments/Improvements to FRSs</u>		
FRS 1	First time Adoption of Financial Reporting Standards	1 January 2011
FRS 2	Share-based Payment	1 July 2010 & 1 January 2011
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 7	Financial Instruments: Disclosure	1 January 2011
FRS 132	Financial Instruments: Presentation	1 March 2010
FRS 138	Intangible Assets	1 July 2010
<u>IC Int</u>		
IC Int 4	Determining whether an Arrangement Contains a Lease	1 January 2011
IC Int 9	Reassessment of Embedded Derivatives	1 July 2010
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 15	Agreements for the Construction of Real Estate	1 July 2010 & 1 January 2012
IC Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-Cash Assets to Owners	1 July 2010
IC Int 18	Transfer of Assets from Customers	1 January 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs AND IC INT (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs and IC Int that are issued, not yet effective and have not been adopted early (Continued)

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1st July 2010. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1st July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

The initial application of the above new and revised FRS, amendments/improvements to FRSs and IC Int are not expected to have any material impact on the financial statements of the Group and of the Company or any material changes in accounting policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest.

The excess of the cost of the acquisition over the net fair value of the Group's share of the identifiable net assets, liabilities and contingent liabilities represents goodwill. Any excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the profit or loss of the Group.

Intra-group transactions and balances, and resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as write downs or impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency with the accounting policies adopted by the Group.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through the subsidiary. It is measured at the minorities' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary's equity since that date.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

Subsidiaries are those corporations in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(g)(ii). If an investment in a subsidiary is classified as held for sale, the said investment is accounted for in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations. On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in the profit or loss of the Group.

In the Group's consolidated financial statements, the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets together with any unamortised goodwill is reflected as a gain or loss on disposal in the profit or loss of the Group.

(c) Property, Plant and Equipment and Depreciation

All property, plant and equipment were initially stated at cost less subsequent accumulated depreciation and allowance for impairment, if any. The policy for the recognition and measurement of allowance for impairment is in accordance with Note 2.3(g)(ii).

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) **Property, Plant and Equipment and Depreciation (Continued)**

The annual rates used for this purpose are as follows:-

Computer equipment	33 1/3%
Computer software	33 1/3%
Office equipment	20%
Furniture and fittings	20% - 25%
Office renovation	20%
Development assets	33 1/3%
Air-conditioner	20%
Motor vehicles	20%
Security Operation centre	20%

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

(d) **Development expenditure**

Development expenditure is charged to the profit or loss in the financial year in which it is incurred, except in so far as it relates to a clearly defined project which the benefit there from can be reasonably regarded as assured.

Development expenditure is initially measured at cost and subsequently at cost less amortisation and allowance for impairment, if any. The policy for the recognition and measurement of allowance for impairment is in accordance with Note 2.3(g)(ii). The amortisation period and method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of economic benefits embodied in the asset is accounted for by changing the amortisation period or method and are treated as changes in accounting estimates.

In prior years, the development expenditure was amortised in the profit or loss upon commencement of commercial production over a period of 5 years. During the financial year 2010, the Group and the Company have revised the estimate of the useful life of the development expenditure from 5 years to indefinite useful life to better reflect the expected pattern of the consumption of economic benefits embodied in the asset. The effects of this change have been accounted for prospectively and therefore the amortisation of development expenditure to profit or loss has ceased since 1st January 2010 and subject to impairment assessment as stated in Note 2.3(g)(ii).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Development expenditure (Continued)

The development expenditure of a project is only recognised as an asset when all of the following criteria are met:

- (i) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
- (ii) the technical feasibility of the product or process can be demonstrated;
- (iii) the enterprise intends to produce and market, or use, the product or process;
- (iv) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
- (v) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

(e) Financial Instruments

(1) Financial Assets

Initial Recognition

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of its financial assets at initial recognition. Financial assets are recognised on the statement of financial position when, and only when the Group and the Company become a party to the contracted provisions of the financial instruments.

Financial assets are recognised initially at fair value, and in the case of financial assets not at fair value through profit or loss, at fair values plus directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset. The Group and the Company's financial assets include trade and other receivables, work in progress, amount due from subsidiaries, fixed deposits placed with licensed banks and cash and bank balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(1) Financial Assets(Continued)

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:-

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are carried in the statements of financial position at fair value with changes in fair value being recognised in the profit or loss.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortised cost using the effective interest rate (“EIR”) method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-Maturity Financial Assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the EIR method less impairment. The losses arising from impairment are recognised in the profit or loss. If the Group and the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale and prevent the Group and the Company from classifying the afore mentioned financial assets as held-to-maturity for the current and the following two financial years. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(1) Financial Assets(Continued)

Subsequent Measurement (Continued)

(iv) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the profit or loss. Available-for-sale financial assets are measured at cost if the fair value of the unquoted equity instrument cannot be reliably measured.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(e) **Financial Instruments (Continued)**

(2) **Financial Liabilities**

Initial Recognition

Financial liabilities within the scope of FRS 139 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. Financial liabilities are recognised initially at fair value and in the case of the other financial liabilities, at fair value plus directly attributable transaction costs.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:-

(i) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Gains or losses on liabilities held for trading are recognised in the profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss.

(ii) Other financial liabilities

The Group and the Company's other financial liabilities include trade payables, other payables and borrowings.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses for other financial liabilities are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(e) **Financial Instruments (Continued)**

(2) **Financial Liabilities (Continued)**

Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(3) **Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the receivable fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Intra-group's financial guarantees are eliminated on consolidation.

(f) **Share Capital**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) **Impairment**

(i) **Financial Assets**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an impairment loss when such evidence exists.

Loans and receivables

Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an allowance for impairment account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) **Non-Financial Assets Other Than Goodwill**

Non-financial assets other than goodwill (“Non-financial assets”) of the Group and of the Company at the reporting date consist of property, plant and equipment, development expenditure and investment in subsidiaries. Non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units (“CGU”) to which the asset belongs. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) **Impairment (Continued)**

(ii) **Non-Financial Assets Other Than Goodwill**

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(h) **Provisions**

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(i) **Leases**

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(j) **Employee Benefits**

(i) **Short Term Employee Benefits**

Wages, salaries, bonuses and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave and maternity leave are recognised when absences occur.

(ii) **Post-Employment Benefits**

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(k) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

i) **Rendering of service – maintenance and support**

Revenue from maintenance and support services is recognised when the services are rendered.

ii) **Interest income**

Interest income is accrued and recognised on a time-apportioned basis by reference to principal outstanding at the effective interest rate.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(l) **Borrowing costs**

All other borrowing costs are recognised as an expense in the profit or loss in the period in which they are incurred. Borrowing costs consist of interest that the Group and the Company incurred in connection with the borrowing of funds.

(m) **Taxation**

(i) **Current Tax**

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting date.

(ii) **Deferred Tax**

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of deferred tax assets, if any, is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the assets realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt in equity.

(n) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, deposits and demand deposits that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign Currency Translation

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company’s functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rate as at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(p) **Earnings Per Share**

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(q) **Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses relating to transactions with the Group’s other components. All operating segment’s operating results are reviewed by the Group’s Chief Executive Officer to make decisions about resources allocation to the segment and assess its performance, and for which discrete financial information is available.

(r) **Contingent liabilities**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

(s) **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors (and certain general managers) are considered as the key management personnel.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) **Critical judgements in applying accounting policies**

In the process of applying Group's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements other than as stated below:

Recognition of development expenditure

The Group follows the recognition criteria as set out in FRS 138 - Intangible Assets, in determining whether development expenditure can be capitalised on the statements of financial position as development expenditure. This determination requires significant judgement as the Group evaluates factors such as the technical feasibility and availability of resources to complete the development work, the ability to use the intangible assets to generate future economic benefits, and the ability to measure reliably the expenditure attributable to the intangible assets during its development.

(b) **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

(i) Depreciation of property, plant and equipment

The directors estimate the useful lives of the Group's property, plant and equipment to be within 3 to 5 years. The estimation of the useful lives of property, plant and equipment is based on the period over which the assets are expected to be available for use.

The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets.

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

(b) **Key sources of estimation uncertainty (Continued)**

(i) Depreciation of property, plant and equipment (Continued)

It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets. The estimates for the useful lives and related depreciation charges for its property, plant and equipment is based on commercial and production factors which could change significantly as a result of level of usage, technical innovation and competitor actions in response to severe market conditions. Changes in those commercial and production factors could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised.

(ii) Impairment of non-current assets

The Group and the Company review the carrying amount of its non-current assets, which include property, plant and equipment, development expenditure and investment in subsidiaries, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets. This requires an estimation of the value in use of the cash-generating units of the aforementioned items.

When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or cash generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows. Based on the impairment assessment at the reporting date, the directors are of the opinion that there is no indication of impairment to these assets.

(iii) Impairment of loans and receivables

The directors review its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the receivable, the probability that the receivable will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, the directors make judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the receivable, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the receivable operates in.

Where there is objective evidence of impairment, the directors make judgements as to whether an impairment loss should be recorded as an expense. In determining this, the directors use estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

(b) **Key sources of estimation uncertainty (Continued)**

(iv) Income taxes

Significant judgement is required in determining the provision for income taxes. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Useful life of development expenditure

In prior years, the development expenditure was amortised in the profit or loss upon commencement of commercial production over a period of 5 years. During the financial year 2010, the Group and the Company have revised the estimate of the useful life of the development expenditure from 5 years to indefinite useful life to better reflect the expected pattern of the consumption of economic benefits embodied in the asset. The effects of this change have been accounted for prospectively and therefore the amortisation of development expenditure to profit or loss has ceased since 1st January 2010 and subject to impairment assessment as stated in Note 2.3(g)(ii).

Development expenditure is not amortised and is subject to impairment assessment. The directors estimate the useful life of this asset based on the expected pattern of consumption of economic benefits embodied in the asset. Future changes in the market demand or technological advancements could impact the asset life cycle, and therefore, the future useful life of the asset and its future pattern of consumption of economic benefits. The carrying amounts of development expenditure of the Group and of the Company as at 31st December 2010 were RM8,475,658/-(2009: RM8,503,474/-) and RM8,034,774/-(2009 : RM8,034,774/-) respectively.

(vi) Impairment of investments in subsidiaries

The directors follow the guidance of FRS 136 – Impairment of Assets, in determining whether investment in subsidiaries is impaired. This requires assumption to be made regarding the duration and extent to which the fair value of an investment is less than its costs, the financial health, and near-term business outlook of the investments including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The directors’ assessment for impairment of investment in subsidiaries is based on the estimation of value in use of the cash-generating unit (“CGU”) by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate to calculate the present value of those cash flows. The Company’s carrying amount of investment in subsidiaries at 31st December 2010 was RM4,810,081/- (2009: RM376,202/-).

4. PROPERTY, PLANT AND EQUIPMENT

Group 2010	Computer Equipment	Computer Software	Office Equipment	Furniture & Fittings	Office Renovation	Development Assets	Air- Conditioners	Motor Vehicles	Security Operation Centre	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
At 1st January 2010	2,259,535	857,557	629,041	2,108,603	683,192	17,200	344,886	1,044,800	566,226	8,511,040
Additions	309,867	-	200	24,805	8,780	-	1,650	-	-	345,302
Disposals	(5,620)	-	-	-	-	-	-	-	-	(5,620)
Write-offs	(102,582)	-	(46,161)	(1,020,021)	(560,853)	-	(32,828)	-	(15,604)	(1,778,049)
Effect of movement in exchange rates	-	-	-	(15,693)	-	-	-	-	-	(15,693)
At 31st December 2010	2,461,200	857,557	583,080	1,097,694	131,119	17,200	313,708	1,044,800	550,622	7,056,980
Accumulated Depreciation										
At 1st January 2010										
- Accumulated depreciation	2,038,025	846,022	511,526	1,625,292	447,054	17,198	234,006	505,357	556,602	6,781,082
- Allowance for impairment	-	-	-	-	-	-	-	44,679	-	44,679
	2,038,025	846,022	511,526	1,625,292	447,054	17,198	234,006	550,036	556,602	6,825,761
Depreciation	135,077	11,482	67,642	215,978	80,317	-	64,731	208,960	7,027	791,214
Disposals	(4,527)	-	-	-	-	-	-	-	-	(4,527)
Write-offs	(102,260)	-	(32,853)	(829,127)	(450,060)	-	(17,901)	-	(15,092)	(1,447,293)
Effect of movement in exchange rates	-	-	-	(13,677)	-	-	-	-	-	(13,677)
At 31st December 2010	2,066,315	857,504	546,315	998,466	77,311	17,198	280,836	758,996	548,537	6,151,478
Net Book Value at 31st December 2010	394,885	53	36,765	99,228	53,808	2	32,872	285,804	2,085	905,502

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Computer Equipment	Computer Software	Office Equipment	Furniture & Fittings	Office Renovation	Development Assets	Air- Conditioners	Motor Vehicles	Security Operation Centre	Total
2009	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
At 1st January 2009	2,064,735	825,557	625,441	2,049,611	619,192	17,200	344,886	1,044,800	566,226	8,157,648
Additions	194,800	32,000	3,600	28,847	64,000	-	-	-	-	323,247
Effect of movement in exchange rates	-	-	-	30,145	-	-	-	-	-	30,145
At 31st December 2009	2,259,535	857,557	629,041	2,108,603	683,192	17,200	344,886	1,044,800	566,226	8,511,040
Accumulated Depreciation										
At 1st January 2009										
- Accumulated depreciation	1,801,396	765,694	430,480	1,256,849	315,445	17,198	175,668	296,397	493,831	5,552,958
- Allowance for impairment	-	-	-	-	-	-	-	44,679	-	44,679
	1,801,396	765,694	430,480	1,256,849	315,445	17,198	175,668	341,076	493,831	5,597,637
Depreciation	236,629	80,328	81,046	344,025	131,609	-	58,338	208,960	62,771	1,203,706
Effect of movement in exchange rates	-	-	-	24,418	-	-	-	-	-	24,418
At 31st December 2009	2,038,025	846,022	511,526	1,625,292	447,054	17,198	234,006	550,036	556,602	6,825,761
Net Book Value at 31st December 2009	221,510	11,535	117,515	483,311	236,138	2	110,880	494,764	9,624	1,685,279

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Computer Equipment	Computer Software	Office Equipment	Furniture & Fittings	Office Renovation	Development Assets	Air- Conditioners	Motor Vehicles	Security Operation Centre	Total
2010	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
At 1st January 2010	2,259,535	857,557	629,041	1,844,148	683,192	17,200	344,886	1,044,800	566,226	8,246,585
Additions	309,867	-	200	368	8,780	-	1,650	-	-	320,865
Disposals	(5,620)	-	-	-	-	-	-	-	-	(5,620)
Write-offs	(102,582)	-	(46,161)	(1,020,021)	(560,853)	-	(32,828)	-	(15,604)	(1,778,049)
At 31st December 2010	2,461,200	857,557	583,080	824,495	131,119	17,200	313,708	1,044,800	550,622	6,783,781
Accumulated Depreciation										
At 1st January 2010										
- Accumulated depreciation	2,038,025	846,022	511,526	1,394,806	447,054	17,198	234,006	505,357	556,602	6,550,596
- Allowance for impairment	-	-	-	-	-	-	-	44,679	-	44,679
	2,038,025	846,022	511,526	1,394,806	447,054	17,198	234,006	550,036	556,602	6,595,275
Depreciation	135,077	11,482	67,642	199,051	80,317	-	64,731	208,960	7,027	774,287
Disposals	(4,527)	-	-	-	-	-	-	-	-	(4,527)
Write-offs	(102,260)	-	(32,853)	(829,127)	(450,060)	-	(17,901)	-	(15,092)	(1,447,293)
At 31st December 2010	2,066,315	857,504	546,315	764,730	77,311	17,198	280,836	758,996	548,537	5,917,742
Net Book Value at 31st December 2010	394,885	53	36,765	59,765	53,808	2	32,872	285,804	2,085	866,039

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2009	Computer Equipment RM	Computer Software RM	Office Equipment RM	Furniture & Fittings RM	Office Renovation RM	Development Assets RM	Air- Conditioners RM	Motor Vehicles RM	Security Operation Centre RM	Total RM
Cost										
At 1st January 2009	2,064,735	825,557	625,441	1,843,478	619,192	17,200	344,886	1,044,800	566,226	7,951,515
Additions	194,800	32,000	3,600	670	64,000	-	-	-	-	295,070
At 31st December 2009	2,259,535	857,557	629,041	1,844,148	683,192	17,200	344,886	1,044,800	566,226	8,246,585
Depreciation and Impairment Loss										
At 1st January 2009										
- Accumulated depreciation	1,801,396	765,694	430,480	1,089,884	315,445	17,198	175,668	296,397	493,831	5,385,993
- Allowance for impairment	-	-	-	-	-	-	-	44,679	-	44,679
	1,801,396	765,694	430,480	1,089,884	315,445	17,198	175,668	341,076	493,831	5,430,672
Depreciation	236,629	80,328	81,046	304,922	131,609	-	58,338	208,960	62,771	1,164,603
At 31st December 2009	2,038,025	846,022	511,526	1,394,806	447,054	17,198	234,006	550,036	556,602	6,595,275
Net Book Value at 31st December 2009	221,510	11,535	117,515	449,342	236,138	2	110,880	494,764	9,624	1,651,310

4. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Property, plant and equipment held under finance lease

Included in property, plant and equipment of the Group and of the Company are amounts totalling RM328,672/- (2009 : RM477,902/-) and RM325,733/- (2009: RM473,733/-) respectively which represents the carrying amounts of motor vehicles acquired under hire purchase arrangements.

5. **DEVELOPMENT EXPENDITURE**

Group	RM
2010	
Cost	
At 1st January 2010	8,972,551
Exchange difference	(37,090)
At 31st December 2010	<u>8,935,461</u>
Accumulated Amortisation	
At 1st January 2010	469,077
Exchange difference	(9,274)
At 31st December 2010	<u>459,803</u>
Net carrying amount	
at 31st December 2010	<u>8,475,658</u>
2009	RM
Cost	
At 1st January 2009	6,518,706
Additions	2,374,112
Exchange difference	79,733
At 31st December 2009	<u>8,972,551</u>
Accumulated Amortisation	
At 1st January 2009	297,151
Amortisation	171,926
At 31st December 2009	<u>469,077</u>
Net carrying amount	
at 31st December 2010	<u>8,503,474</u>

5. DEVELOPMENT EXPENDITURE (Continued)

Company	
2010	RM
Cost	
At 1st January/31st December 2010	<u>8,347,617</u>
Accumulated Amortisation	
At 1st January/31st December 2010	<u>312,843</u>
Net carrying amount	
at 1st January/31st December 2010	<u>8,034,774</u>
2009	RM
Cost	
At 1st January 2009	5,973,505
Additions	2,374,112
At 31st December 2009	<u>8,347,617</u>
Accumulated Amortisation	
At 1st January 2009	297,151
Amortisation	15,692
At 31st December 2009	<u>312,843</u>
Net carrying amount	
at 31st December 2009	<u>8,034,774</u>

Development expenditure

Development expenditure relates to expenditure incurred in the development of software used by the Group and the Company in rendering information, communication and technology related services to their customers.

In prior years, the development expenditure was amortised in the profit or loss upon commencement of commercial production over a period of 5 years. During the financial year 2010, the Group and the Company have revised the estimate of the useful life of the development expenditure from 5 years to indefinite useful life to better reflect the expected pattern of the consumption of economic benefits embodied in the asset. The effects of this change have been accounted for prospectively and therefore the amortisation of development expenditure to profit or loss has ceased since 1st January 2010 and subject to impairment assessment as stated in Note 2.3(g)(ii).

5. **DEVELOPMENT EXPENDITURE (Continued)**

Impairment assessment on development expenditure

Development expenditure has been allocated into two individual cash-generating units (“CGU”) for impairment assessment as follows:-

- Malaysia segment
- Indonesia segment

	Malaysia segment		Indonesia segment	
	2010	2009	2010	2009
	RM	RM	RM	RM
Development expenditure	8,034,774	8,034,774	440,884	468,700

The recoverable amounts of the CGUs have been determined based on its value in use by using cash flows projections from financial budgets approved by the directors covering a five-year period. The pre-tax discount rate applied to the cash flows projections and the forecasted growth rates used to extrapolate cash flows over the five-year period are as follows:-

	Malaysia segment		Indonesia segment	
	2010	2009	2010	2009
	%	%	%	%
Growth rates	15	15	15	15
Pre-tax discount rates	6.3	5.8	6.5	6.5

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

- Budgeted gross margins** : Gross margins are based on average values achieved in the three years preceding the start of the budgeted period. These are increased over the budgeted period for anticipated efficiency improvements.
- Growth rates** : The forecasted growth rates are based on future contracts secured as at the date of reporting for a period of five years.
- Pre-tax discount rates** : Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by the directors to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each CGU, regard has been given to the yield on the banks’ lending rates at the beginning of the budgeted year.

5. **DEVELOPMENT EXPENDITURE (Continued)**

Included in the addition of development expenditure are the following:-

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Cumulative personnel expenses:				
- Employees' Provident Fund	-	170,277	-	170,277
- Wages, salaries and others	-	1,370,628	-	1,370,628

6. **INVESTMENT IN SUBSIDIARIES**

	Company	
	2010	2009
	RM	RM
Unquoted shares - at cost	4,810,081	376,202

Details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2010	2009	
		%	%	
Scan Crypto- Tech Sdn. Bhd. <i>(now known as Scan Managed Services Sdn. Bhd.)#</i>	Malaysia	100	100	The intended principal activity of the Company is the provision of crypto solution and secure mobile communications products and services. The company has yet to commence its operation since the date of incorporation.
PT Scan Nusantara*	Indonesia	99	99	The principal activity of the Company is the provision of ICT Solutions.

In view of the capital deficiency reported by this subsidiary, the Auditors' Report of this subsidiary contains an emphasis of matter relating to the appropriateness of the going concern basis of accounting used in the preparation of its financial statements. This subsidiary recorded a capital deficiency of RM19,418/-.

* *This subsidiary is audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng.*

During the financial year, the Company subscribed for additional ordinary shares comprising 1,272,744 ordinary shares of USD1/- each for a cash consideration of USD1,272,744/- (equivalent to RM4,433,879/-) in the enlarged share capital of PT Scan Nusantara thereby maintaining the Company's shareholding of 99%.

7. **FIXED DEPOSITS PLACED WITH LICENSED BANKS**

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Non-current	1,040,389	1,789,693	1,002,653	1,398,735
Current	212,962	512,962	212,962	512,962
	<u>1,253,351</u>	<u>2,302,655</u>	<u>1,215,615</u>	<u>1,911,697</u>

Non-current portion of fixed deposits placed with licensed bank represents fixed deposits with maturity period of more than three months from the reporting date and is pledged on lien to a bank as security for banking facilities and contracts received. The fixed deposits of the Group and of the Company earn interest at rates ranging from 2.50% to 6.90% (2009: 2.00% to 8.00%) per annum and 2.50% to 3.70% (2009: 2.00% to 3.35%) per annum respectively.

The foreign currency exposure profile of fixed deposits placed with licensed bank is as follows:-

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Ringgit Malaysia	1,215,615	1,911,697	1,215,615	1,911,697
Indonesia Rupiah	37,736	390,958	-	-
	<u>1,253,351</u>	<u>2,302,655</u>	<u>1,215,615</u>	<u>1,911,697</u>

Fixed deposits of the Group and of the Company both amounting to RM87,536/- (2009 : RM271,268/-) are held in trust under the name of a director.

The Group and the Company's exposures to credit and interest rate risks are disclosed in Note 27 to the financial statements to the financial statements.

8. **TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Trade receivables	22,995,959	16,798,821	14,659,729	15,456,504
Less: Allowance for impairment	(9,945,420)	(12,199,924)	(9,945,420)	(12,199,924)
Trade receivables,net	<u>13,050,539</u>	<u>4,598,897</u>	<u>4,714,309</u>	<u>3,256,580</u>

8. TRADE AND OTHER RECEIVABLES (Continued)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other receivables				
Sundry receivables	3,286,082	2,322,210	3,273,982	2,226,150
Deposits	291,293	951,387	248,142	909,111
Prepayments	1,000,806	660,102	193,439	222,277
	4,578,181	3,933,699	3,715,563	3,357,538
Less: Allowance for impairment	(898,027)	(898,027)	(898,027)	(898,027)
Other receivables, net	3,680,154	3,035,672	2,817,536	2,459,511
Total trade and other receivables	16,730,693	7,634,569	7,531,845	5,716,091

a) Trade receivables

Trade receivables are non-interest bearing and the normal trade credit terms of the Group range from 30 to 60 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition. As at 31st December 2010, the Group had significant concentration of credit risk in the form of outstanding balance due from 1 (2009: Nil) customer representing 33.39% (2009: Nil %) of the total Group trade receivables.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Neither past due nor impaired	10,949,984	3,551,695	3,270,890	2,286,575
Pass due but not impaired				
1 to 30 days past due not impaired	265,392	570,260	265,392	530,773
31 to 60 days past due not impaired	459,591	152,034	459,591	114,324
61 to 90 days past due not impaired	287,168	255,651	175,706	255,651
91 to 120 days past due not impaired	18,000	29,287	18,000	29,287
More than 121 days past due not impaired	1,070,404	39,970	524,730	39,970
	2,100,555	1,047,202	1,443,419	970,005
Impaired	9,945,420	12,199,924	9,945,420	12,199,924
	22,995,959	16,798,821	14,659,729	15,456,504

8. **TRADE AND OTHER RECEIVABLES (Continued)**

a) Trade receivables (Continued)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group and the Company. None of the Group and the Company's trade receivables that are neither past due nor impaired have been negotiated during the financial year.

Trade receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM2,100,555/- (2009 : RM1,047,202/-) and RM1,443,419/- (2009 : RM970,005/-) respectively that are past due at the reporting date but not impaired. Based on the historical default rates, the Group and the Company believe that no impairment loss is necessary in respect of trade receivables that are past due from 1 day to up to more than 121 days. These receivables mainly arise from trade receivables that have a good credit record with the Group and the Company. The Group and the Company do not hold any collateral in respect of trade receivables and these receivables are unsecured in nature.

Trade receivables that are impaired

The movement in allowance for impairment is as follows:-

	Group and Company	
	2010	2009
	RM	RM
At 1st January	12,199,924	13,379,056
Write off	-	(64,372)
Reversals of impairment	(2,254,504)	(1,114,760)
At 31st December	<u>9,945,420</u>	<u>12,199,924</u>

Trade receivables that are impaired were determined based on individual trade receivable which has defaulted in payments.

The reversals of allowance for impairment on trade receivables of the Group and of the Company in the financial year ended 2010 and 2009 were due to recovery of debts from the trade receivables amounting to RM2,254,504/- and RM1,114,760/- in the respective financial year.

8. **TRADE AND OTHER RECEIVABLES (Continued)**

a) Trade receivables (Continued)

Credit risk information

Credit risk for trade receivables information provided to the key management is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
By geopgrahical areas:				
Malaysia	4,714,309	3,256,580	4,714,309	3,256,580
Indonesia	8,336,230	1,342,317	-	-
	<u>13,050,539</u>	<u>4,598,897</u>	<u>4,714,309</u>	<u>3,256,580</u>

Foreign currency exposure

The foreign currency exposure profile of trade receivables is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
US Dollar	432,319	841,237	432,319	767,077
Ringgit Malaysia	4,190,811	2,389,149	4,190,811	2,389,149
Saudi Arabia Riyal	91,179	100,354	91,179	100,354
Indonesia Rupiah	8,336,230	1,268,157	-	-
	<u>13,050,539</u>	<u>4,598,897</u>	<u>4,714,309</u>	<u>3,256,580</u>

b) Other receivables

Included in sundry receivables of the Group and of the Company are the following:-

- i) an amount of RM1,148,343/- (2009: RM1,189,839/-) which represents sinking fund held by a financial institution for term loans facilities granted to the Company, and
- ii) amounts totalling RM1,083,438/- (2009 : RM Nil) which represent advances to third parties for overseas projects;

The amounts due from other receivables are unsecured, interest free and are repayable on demand.

Included in deposits for the financial year 2009 is an amount totalling RM480,000/- paid by the Company for the acquisition of a unit of shop-office ('the acquisition'). During the financial year, the aforementioned amount was forfeited as the Company was unable to secure banking facilities for the acquisition.

8. **TRADE AND OTHER RECEIVABLES (Continued)**

b) Other receivables (Continued)

Foreign currency exposure

The foreign currency exposure profile of other receivables is as follows:-

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Ringgit Malaysia	2,817,536	2,459,511	2,817,536	2,459,511
Indonesia Rupiah	862,618	576,161	-	-
	<u>3,680,154</u>	<u>3,035,672</u>	<u>2,817,536</u>	<u>2,459,511</u>

Other receivables that are impaired

The movement in allowance for impairment is as follows:-

	Group and Company	
	2010	2009
	RM	RM
At 1st January	898,027	-
Charge for the financial year	-	898,027
At 31st December	<u>898,027</u>	<u>898,027</u>

As at 31st December 2010, the Group and the Company have provided an allowance for impairment of RM898,027/- in respect of unsecured advances to a third party with a nominal sum of RM898,027/-. This related party has been suffering significant financial losses for the current and past financial years.

The Group and the Company's exposure to credit risk are disclosed in Note 27 to the financial statements.

9. **WORK-IN-PROGRESS**

Work-in-progress represents accrued revenue from maintenance and support services rendered to customers.

10. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2010	2009
	RM	RM
Scan Crypto- Tech Sdn. Bhd.	16,471	11,930
PT Scan Nusantara	140,934	4,349,602
	157,405	4,361,532

Foreign currency exposure

The foreign currency exposure profile of amounts due from subsidiaries is as follows:-

	Company	
	2010	2009
	RM	RM
Ringgit Malaysia	157,405	4,361,532

The amounts due from subsidiaries represent advances which are unsecured, interest-free and are repayable on demand.

The Company's exposure to credit risk is disclosed in Note 27 to the financial statements.

11. CASH AND BANK BALANCES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Ringgit Malaysia	1,821,240	4,322,808	1,821,238	4,322,804
Saudi Arabia Riyal	131,409	-	131,409	-
US Dollar	230,309	17,543	132,350	-
Rupiah	992,734	1,020,127	-	-
	3,175,692	5,360,478	2,084,997	4,322,804

12. **SHARE CAPITAL**

	Group and Company			
	2010		2009	
	Number of Shares Unit	Amount RM	Number of Shares Unit	Amount RM
Ordinary shares of RM0.10/- each				
Authorised:				
At the beginning/end of the financial year	25,000,000	25,000,000	25,000,000	25,000,000
Issued and fully paid:				
At the beginning of the financial year	20,000,000	20,000,000	20,000,000	20,000,000

a) Share capital

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

b) Share premium

Share premium of the Group and of the Company arose from allotments of ordinary shares at premium net of share issue expenses.

13. **FOREIGN EXCHANGE TRANSLATION RESERVE**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiary whose functional currencies are different from that of the Group's presentation currency.

13. **FOREIGN EXCHANGE TRANSLATION RESERVE (Continued)**

The movement in foreign currency translation reserve of the Group at the reporting date is as follows:-

	Foreign exchange translation reserve RM
Group	
At 1st January 2009	(301,531)
Other comprehensive income	
- Foreign currency translation	65,997
At 31st December 2009	<u>(235,534)</u>
Other comprehensive income	
- Foreign currency translation	(215,263)
At 31st December 2010	<u>(450,797)</u>

14. **ACCUMULATED LOSSES**

At 31st December 2010, the Company has tax credit under Section 108 of the Income Tax Act, 1967 amounting to approximately RM2,820,000/- (2009: RM2,820,000/-) to frank the payment of dividends out of its future distributable profit and tax exempt income account amounting to RM1,800,000/- (2009: RM1,800,000/-) available for future distribution of tax exempt dividend; subject to the approval of the tax authorities.

The Malaysia Budget 2008 introduced a single tier Company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31st December 2010 will be available to the Company until such time the credit is fully utilised or upon expiry of the six year transitional period on 31st December 2013 whichever is earlier.

15. **BORROWINGS**

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Non- current				
Finance lease liabilities (Note 15a)	54,988	190,418	54,988	189,366
Current				
Term loans (Note 15b)	1,715,266	572,936	-	572,936
Finance lease liabilities (Note 15a)	147,722	140,620	146,733	138,048
	<u>1,862,988</u>	<u>713,556</u>	<u>146,733</u>	<u>710,984</u>
Total borrowings	<u>1,917,976</u>	<u>903,974</u>	<u>201,721</u>	<u>900,350</u>

15. **BORROWINGS (Continued)**

a) Obligations under finance lease

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Finance lease liabilities				
Minimum finance lease payment:				
-not later than one year	152,207	154,517	151,152	151,152
-later than one year but not later than five years	55,416	152,274	55,416	151,151
-later than two years and not later than five years	-	55,417	-	55,417
	<u>207,623</u>	<u>362,208</u>	<u>206,568</u>	<u>357,720</u>
Less: Future finance charges	(4,913)	(31,170)	(4,847)	(30,306)
	<u>202,710</u>	<u>331,038</u>	<u>201,721</u>	<u>327,414</u>
Represented by:				
Current				
- not later than one year	147,722	140,620	146,733	138,048
Non- current				
- later than one year but not later than two years	54,988	139,100	54,988	138,048
- later than two years but not later than five years	-	51,318	-	51,318
	<u>54,988</u>	<u>190,418</u>	<u>54,988</u>	<u>189,366</u>
	<u>202,710</u>	<u>331,038</u>	<u>201,721</u>	<u>327,414</u>

The Group leases motor vehicles from non-related parties under finance lease. The finance lease liabilities are effectively secured on the rights of the assets under finance lease as disclosed in Note 4 to the financial statements.

The foreign currency exposure profile of finance lease liabilities is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	201,721	331,038	201,721	327,414
Indonesia Rupiah	989	-	-	-
	<u>202,710</u>	<u>331,038</u>	<u>201,721</u>	<u>327,414</u>

15. **BORROWINGS (Continued)**

b) Term loans

The terms of repayments are as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Within the next twelve months	1,715,266	572,936	-	572,936

The foreign currency exposure profile of term loans is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	-	572,936	-	572,936
Indonesia Rupiah	1,715,266	-	-	-
	1,715,266	572,936	-	572,936

The term loans are secured by way of:

- (i) fixed deposits amounting to RM Nil (2009 : RM618,577/-);
- (ii) guarantee by ESCROW account amounting to 70% from credit facility;
- (iii) standby letter of credit amounting to 30% of credit facility;
- (iv) debenture creating a first and floating charge over the Company's assets, present and future;
- (v) deed of assignment on the proceeds from a contract between a third party and the Company;
- (vi) irrecoverable letter of instruction and undertaking;
- (vii) facility agreement; and
- (viii) joint and several guarantees by several directors of the Company

The Group and the Company's exposures to liquidity and interest rate risks are disclosed in Note 27 to the financial statements.

16. **TRADE AND OTHER PAYABLES**

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables	3,811,390	143,689	15,000	143,689
Other payables	1,824,370	797,360	927,632	712,972
Accruals	1,182,134	1,554,200	1,132,220	1,499,710
	6,817,894	2,495,249	2,074,852	2,356,371

16. **TRADE AND OTHER PAYABLES (Continued)**

Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30-day (2009: 30 to 60-day) terms.

Other payables

Other payables of the Group and of the Company mainly comprise of staff costs and service tax payables at the date of reporting. These amounts are unsecured, non-interest bearing and are repayable on demand.

Included in accruals is an amount of RM1,100,220/- (2009 : RM1,279,310/-) which represents accrual for co-founders' bonus.

The foreign currency exposure profile of trade and other payables is as follows:-

	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	2,077,803	2,358,161	2,074,852	2,356,371
Indonesia Rupiah	4,740,091	137,088	-	-
	<u>6,817,894</u>	<u>2,495,249</u>	<u>2,074,852</u>	<u>2,356,371</u>

The Group and the Company's exposure to liquidity risk are disclosed in Note 27 to the financial statements.

17. **REVENUE**

Revenue represents the value of contract income recognised from the projects and the invoiced value of fees received from services rendered.

18. **COST OF SALES**

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cost of services rendered	17,262,394	18,106,276	9,336,759	7,352,189
	<u>17,262,394</u>	<u>18,106,276</u>	<u>9,336,759</u>	<u>7,352,189</u>

Included in the cost of sales of the Group and of the Company in financial year 2009 are term loan interests of RM49,098/-.

19. FINANCE COSTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Bank charges	24,818	30,499	18,246	21,822
Hire purchase interest	26,206	24,682	25,459	24,582
Loss on foreign exchange				
- realised	390,307	5,427	390,307	5,427
- unrealised	79,291	25,740	43,561	-
Other interest	7,369	2,900	6,853	926
Term loan interest				
- current year	-	70,302	-	67,850
- prior year	(12,781)	-	(12,781)	-
	<u>515,210</u>	<u>159,550</u>	<u>471,645</u>	<u>120,607</u>

20. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
After charging:-				
Auditors' remuneration	45,007	37,441	32,000	25,000
Amortisation of development expenditure	-	171,926	-	15,692
Bad debts written off	10,739	210,941	10,739	210,941
Deposits written off	480,000	-	480,000	-
Depreciation	791,214	1,203,706	774,287	1,164,603
Finance costs (Note 19)	515,210	159,550	471,645	120,607
Impairment loss on trade receivables	-	1,488,787	-	1,488,787
Office rental	1,083,878	1,647,710	964,217	1,527,360
Property, plant and equipment written off	330,316	-	330,316	-
Rental deposits written off	50,308	-	50,308	-
Staff costs (including key management personnel)				
- salaries, allowances and bonus	7,273,285	9,853,193	6,453,427	9,228,668
- Employee Provident Fund	990,252	1,274,135	972,441	1,258,003
- SOCSO	71,403	90,872	71,403	90,872
- other staff related expenses	759,489	1,365,007	478,481	1,348,875
	<u></u>	<u></u>	<u></u>	<u></u>

20. **PROFIT/(LOSS) BEFORE TAXATION (Continued)**

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
After crediting:-				
Interest income	79,912	183,170	63,518	158,141
Gain on disposal of property, plant and equipment	903	3,954	903	3,954
Rental income	12,466	-	12,466	-
Reversal of allowance for impairment on trade receivables	2,254,504	1,114,760	2,254,504	1,114,760
	<hr/>			

21. **TAXATION**

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Income tax				
- current year	(204,659)	(241,524)	-	-
- prior years	-	58,804	-	58,804
	<hr/>			
	(204,659)	(182,720)	-	58,804
Deferred taxation				
- current year	-	(153,392)	-	-
	<hr/>			
	(204,659)	(336,112)	-	58,804
	<hr/>			

The Company has been awarded the Multimedia Super Corridor Status. This entitles the Company to tax exemption for five years commencing from 24th December 2002. The status has been extended for another 5 years from the date of expiry of the first five years period.

Subject to the agreement with Inland Revenue Board, the Company has unabsorbed business losses and unutilised capital allowances of RM25,017,221/- (2009 : RM23,815,599/-) and RM5,356,392/- (2009 : RM4,263,704/-) respectively. These amounts are available to be utilised upon cessation of the tax exempt period.

21. TAXATION (Continued)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit/(loss) before taxation	102,553	(3,838,509)	(765,536)	(5,147,703)
Tax at applicable tax rate of 25%	(25,638)	959,627	191,384	1,286,926
Tax effects arising from				
- non-deductible expenses	(308,539)	(828,274)	(301,629)	(327,045)
- non-taxable income	583,604	-	579,505	-
- different tax rate in foreign jurisdictions	15,174	-	-	-
- utilisation of prior year deferred tax assets	-	983,828	-	396,624
- tax loss under pioneer status	-	(1,356,505)	-	(1,356,505)
- origination of deferred tax assets not recognised in the financial statements	(469,260)	(153,592)	(469,260)	-
- overaccrual in prior years	-	58,804	-	58,804
Tax expense for the financial year	(204,659)	(336,112)	-	58,804

The deferred tax assets that have not been recognised at the reporting date are as follows:-

	Group and Company	
	2010 RM	2009 RM
Unabsorbed losses	25,017,221	23,815,599
Deductible temporary differences	3,247,450	2,572,031
	<u>28,264,671</u>	<u>26,387,630</u>
Potential deferred tax assets not recognised at 25%	<u>7,066,168</u>	<u>6,596,908</u>

22. **LOSS PER ORDINARY SHARE**

Basis loss per ordinary share

Basic loss per ordinary share is calculated by dividing the net loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period calculated as follows:

	Group	
	2010	2009
	RM	RM
Net loss for the financial year	(102,106)	(4,174,621)
Weighted average number of ordinary shares	200,000,000	200,000,000
Basic loss per share for the financial year (sen)	(0.05)	(2.09)

Diluted loss per ordinary share

The basic and diluted loss per ordinary share is the same as the Group has no dilutive potential ordinary shares.

23. **RELATED PARTY TRANSACTIONS**

a) Related Party Transaction

The related party transaction between the Group and the related party which took place at the terms agreed between the related party during the financial year is as follows:-

	Company	
	2010	2009
	RM	RM
Provision of customisation report services to a subsidiary	4,000	-
	4,000	-

The directors are of the opinion that the above transaction has been entered into in the normal course of business and has been established on negotiated basis.

23. **RELATED PARTY TRANSACTIONS (Continued)**

b) Key Management Personnel Compensation

The remuneration of directors and other key management personnel during the financial year are as follows:

	Group and Company	
	2010	2009
	RM	RM
Executive directors		
- fees		
- salaries, allowances and bonuses	600,000	544,000
- Employees' Provident Fund	127,363	111,453
- SOCSO contribution	620	1,262
- other emoluments	18,500	-
- benefits-in-kind	47,900	39,917
	794,383	696,632
Non-executive directors		
- fees	124,000	74,000
Total directors' remunerations	918,383	770,632
Other key management personnel		
- salaries, allowances and bonus	333,207	214,127
- Employees' Provident Fund	36,689	23,650
- SOCSO contribution	324	221
	370,220	237,998
Total key management personnel remunerations	1,288,603	1,008,630

The number of directors of the Company whose total remuneration including (benefit-in-kind) during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2010	2009
Executive directors:		
Less than RM100,000	-	1
Rm100,000 - RM200,000	-	-
RM200,001 - RM300,000	1	1
RM300,000 - RM400,000	1	1
Non-executive directors:		
Less than RM100,000	4	6

24. CAPITAL COMMITMENT

	Group and Company	
	2010	2009
	RM	RM
Authorised and contracted for:		
Purchase of a unit of shop-office as R&D Centre cum Corporate Office	-	4,320,000
		<hr/>

25. SEGMENTAL INFORMATION

During the financial year, the Group adopted FRS 8 Operating Segments. FRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance. Nevertheless, the replaced FRS 114²⁰⁰⁴ required the identification of two sets of segments – one based on related products and services, and the other on geographical area. FRS 114²⁰⁰⁴ regarded one set as primary segments and the other as secondary segments.

General Information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the nature of the products and services of the Group.

Measurement of Reportable Segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group's activity is principally confined to providing information and communication technology (ICT) security solutions. Accordingly, the business segment of the Group is not presented.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

25. SEGMENTAL INFORMATION (Continued)

	MALAYSIA		INDONESIA		ELIMINATION		CONSOLIDATION	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
REVENUE								
External customers	16,177,539	13,684,025	10,442,944	15,233,256	-	-	26,620,483	28,917,281
Inter-segment	4,000	-	-	-	(4,000)	-	-	-
Consolidated Total Revenue	16,181,539	13,684,025	10,442,944	15,233,256	(4,000)	-	26,620,483	28,917,281
RESULTS								
Reportable segment (loss)/profit	(40,936)	(5,313,609)	728,624	2,765,446	146,961	-	834,649	(2,548,163)
Interest income	63,518	158,141	16,394	25,029	-	-	79,912	183,170
Interest expenses	(19,531)	(93,358)	(1,263)	(4,526)	-	-	(20,794)	(97,884)
Depreciation and amortisation	(774,287)	(1,180,295)	(16,927)	(195,337)	-	-	(791,214)	(1,375,632)
(Loss)/profit before taxation	(771,236)	(6,429,121)	726,828	2,590,612	146,961	-	102,553	(3,838,509)
Taxation	-	58,804	(204,659)	(394,916)	-	-	(204,659)	(336,112)
Net (loss)/profit for the financial year	(771,236)	(6,370,317)	522,169	2,195,696	146,961	-	(102,106)	(4,174,621)

25. SEGMENTAL INFORMATION (Continued)

	MALAYSIA		INDONESIA		ELIMINATION		CONSOLIDATION	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
ASSETS								
Reportable segment assets	24,700,758	26,446,444	10,660,662	3,849,775	(4,820,524)	(4,737,734)	30,540,896	25,558,485
Consolidated Total Assets	24,700,758	26,446,444	10,660,662	3,849,775	(4,820,524)	(4,737,734)	30,540,896	25,558,485
LIABILITIES								
Reportable segment liabilities	2,295,994	3,270,441	6,588,862	4,360,076	(148,986)	(4,231,294)	8,735,870	3,399,223
Tax payable	-	-	204,659	241,526	-	-	204,659	241,526
Consolidated Total Liabilities	2,295,994	3,270,441	6,793,521	4,601,602	(148,986)	(4,231,294)	8,940,529	3,640,749
<u>OTHER INFORMATION</u>								
Additions to non-current assets								
- property plant and equipment	320,865	295,070	24,437	28,177	-	-	345,302	323,247
- development expenditure	-	2,374,112	-	-	-	-	-	2,374,112
- investment in subsidiaries	4,433,879	-	-	-	(4,433,879)	-	-	-
	4,754,744	2,669,182	24,437	28,177	(4,433,879)	-	345,302	2,697,359
Capital expenditure	320,865	295,070	24,437	28,177	-	-	345,302	323,247
Other material items other than depreciation and amortisation								
- bad debts written off	10,739	210,941	-	-	-	-	10,739	210,941
- deposits written off	480,000	-	-	-	-	-	480,000	-
- impairment loss on trade receivables	-	1,488,787	-	-	-	-	-	1,488,787
- rental deposits written off	50,308	-	-	-	-	-	50,308	-
- property, plant and equipment written off	330,316	-	-	-	-	-	330,316	-

26. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

- a) On 8th October 2009, the Group announced and proposed to Bursa Malaysia Securities Berhad (“Bursa”) to undertake the following proposals:-
- i) proposed share exchange on the basis of one (1) existing ordinary share of RM0.10 each in Scan Associates Berhad (“SCAN”) for one (1) new ordinary share of RM0.10 each in a newly incorporated company (“Newco”) at an issue price to be determined later pursuant to a scheme of arrangement under Section 176 of the Companies Act, 1965 (“Proposed Share Exchange”);
 - ii) proposed transfer of the listing status of SCAN to Newco (“Proposed Transfer”);
 - iii) proposed establishment of an employees’ share option scheme involving up to 30% of the issued and paid-up share capital of the Company/Newco at any one time (“Proposed ESOS”); and
 - iv) proposed share buy-back of up to a maximum of 10% of the issued and paid-up share capital of the Company/Newco (“Proposed Share Buy-Back”).

On 6th November 2009, the Group announced to Bursa to revise the Previous Proposed ESOS to reduce the maximum limit from 30% to 10% of the issued and paid-up share capital of the Company or Newco at any one time (“Proposed Revised (“ESOS”)).

On 2nd August 2010, Bursa had vide its letter resolved to reject the Company’s application in relation to the Proposed Share Exchange and Proposed Transfer on the ground that the said proposals do not demonstrate a clear benefit to the shareholders of SCAN.

- b) On 22nd March 2011, the Company announced that an application for the Proposed Extension of time for the utilisation of proceeds raised from the rights issue and public issue pursuant to the initial public offering (“IPO”) of the Group on the ACE Market of Bursa Securities Malaysia Berhad (“Proposed Extension”) of 6 months up to 5 October 2011 and variation for the utilisation of the balance proceeds from the IPO existingly earmarked for development expenditure to working capital has been submitted to the Securities Commission.
- c) On 28th March 2011, Scan Cryto-Tech Sdn. Bhd., a wholly owned subsidiary of the Company had changed its name to Scan Managed Services Sdn. Bhd.
- d) On 20th April 2011, the Company acquired 100% equity interest in a subsidiary, SCAN Corporation Sdn. Bhd. at a total consideration of RM2/-.

27. FINANCIAL INSTRUMENTS

(a) Financial Risk Management and Objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group and the Company's risk management framework. The Group and the Company's financial risk management policy seek to ensure that adequate financial resources are available for the development of the Group and the Company's businesses whilst managing its credit risk, interest rate risk, liquidity and cash flow risk and foreign currency risk. The Group and the Company's risk management approach seek to minimise the potential material adverse effects from these exposures. The Board reviews and agrees policies for managing each of these risks and they are summarised below. As the Group and the Company's exposure to market risk are kept at a minimum level, the Group and the Company have not used any derivatives financial instruments for trading purposes.

Certain comparative figures have not been presented for 31st December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7, Financial Instruments: Disclosures.

(i) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees of banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over certain amount.

The Group and the Company trade only with recognised and creditworthy third parties. It is the Group and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group and the Company are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

27. **FINANCIAL INSTRUMENTS (Continued)**

(a) **Financial Risk Management and Objectives (Continued)**

(i) **Credit risk (Continued)**

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Monies due from the customers are followed up, reviewed on a regular basis to understand the reasons of non-payment or delay in payment, if any, so that appropriate actions can be implemented promptly.

The maximum exposure to credit risk for each of the financial assets at the reporting date was as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade and other receivables	16,730,693	7,634,569	7,531,845	5,716,091
Work-in-progress	-	72,030	-	72,030
Amount due from subsidiaries	-	-	157,405	4,361,532
Fixed deposits placed with licensed banks	1,253,351	2,302,655	1,215,615	1,911,697
Cash and bank balances	3,175,692	5,360,478	2,084,997	4,322,804
	<u>21,159,736</u>	<u>15,369,732</u>	<u>10,989,862</u>	<u>16,384,154</u>

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 8 to the financial statements.

(ii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group and the Company's exposure to interest rate risk arise primarily from fixed deposits placed with licensed banks, finance lease liabilities and term loans.

The Group and the Company's policy is to manage interest cost using mix of fixed and floating rate debts, which depends on the interest rates market and economic conditions. For interest income from cash deposits, the Group and the Company manage the interest rate risk by placing cash deposits with reputable financial institutions on varying maturities and interest rate terms.

27. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(ii) Interest rate risk (Continued)

Profile

At the reporting date, the interest rate profile of interest-bearing financial instruments is as follows:-

Group	2010		2009	
	Effective Interest Rate %	Carrying amount RM	Effective Interest Rate %	Carrying amount RM
Fixed rate instruments				
Fixed deposits placed with licensed banks	2.50 - 3.70	1,253,351	2.00-8.00	2,302,655
Finance lease liabilities	4.00 -7.24	202,710	4.00-17.90	331,038
Variable rate instrument				
Term loans	7.00 - 14.00	1,715,266	7.00-13.25	572,936
Company				
Fixed rate instruments				
Fixed deposits placed with licensed banks	2.50-3.70	1,215,615	2.00-3.35	1,911,697
Finance lease liabilities	4.00-7.24	201,721	4.00-7.24	327,414
Variable rate instrument				
Term loans	-	-	7.00-12.95	572,936

27. **FINANCIAL INSTRUMENTS (Continued)**

(a) **Financial Risk Management and Objectives (Continued)**

(ii) **Interest rate risk (Continued)**

Interest rate sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss of the Group and of the Company.

Interest rate sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

Illustrative tabular disclosure of interest rate risk sensitivity analysis where more than one currency is involved:

	31.12.2010		
	Increase/ decrease in basis points	Effect on profit net of tax RM	Effect on equity RM
Group	100	17,153	-

The sensitivity analysis for variable instrument for Company level is not presented as the Company has no variable instrument as at 31st December 2010.

27. **FINANCIAL INSTRUMENTS (Continued)**

(a) **Financial Risk Management and Objectives (Continued)**

(iii) **Liquidity and Cash Flow Risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company maintain sufficient cash and cash equivalents and internally generated cash flows to finance its activities and has available adequate amount of committed credit facilities from financial institutions.

The Group and the Company adopt prudent liquidity risk management by maintaining sufficient cash, and available funding through an adequate amount of committed credit facilities. Due to dynamic nature of the underlying businesses, the Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

The analysis of financial instruments by remaining contractual maturities is as follows:-

	On demand or within one year RM	One to five years RM	Total RM
31 December 2010			
Group			
Trade and other payables	6,817,894	-	6,817,894
Finance leases liabilities	147,722	54,988	202,710
Term loans	1,715,266	-	1,715,266
	<u>8,680,882</u>	<u>54,988</u>	<u>8,735,870</u>
Company			
Trade and other payables	2,074,852	-	2,074,852
Finance leases liabilities	146,733	54,988	201,721
	<u>2,221,585</u>	<u>54,988</u>	<u>2,276,573</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

27. **FINANCIAL INSTRUMENTS (Continued)**

(a) **Financial Risk Management and Objectives (Continued)**

(iv) **Foreign currency risk**

The Group and the Company are exposed to transactional currency risk primarily through fees received that are denominated in Indonesia Rupiah and US Dollar other than the functional currency of the operations to which they relate. Foreign exchange exposures in transactional currencies other than functional currency of the operating entity are kept to an acceptable level.

The foreign currency risk profile of the Group and of the Company is disclosed in the respective notes to financial statements.

The directors believe that the impact of foreign exchange fluctuation will not significantly affect the profitability of the Group and of the Company. As such sensitivity analysis is not presented.

(b) **Accounting classifications and Fair Values**

(i) Financial assets and liabilities classification and fair values

The fair values of financial assets and liabilities of the Group and of the Company, together with the carrying amounts shown in the statement of financial position, are as follows:-

Group 31 December 2010	Note	Loans and receivables RM	Other financial liabilities RM	Total carrying amount RM	Fair value RM
Financial assets					
Trade and other receivables	8	16,730,693	-	16,730,693	16,730,693
Fixed deposits placed with licensed banks	7	1,253,351	-	1,253,351	1,253,351
Cash and bank balances	11	3,175,692	-	3,175,692	3,175,692
		21,159,736	-	21,159,736	21,159,736
Financial liabilities					
Trade and other payables	16	-	6,817,894	6,817,894	6,817,894
Borrowings	15	-	1,917,976	1,917,976	1,917,976
		-	8,735,870	8,735,870	8,735,870

27. FINANCIAL INSTRUMENTS (Continued)

(b) Accounting classifications and Fair Values (Continued)

(i) Financial assets and liabilities classification and fair values (Continued)

Company 31 December 2010	Note	Loans and receivables RM	Other financial liabilities RM	Total carrying amount RM	Fair value RM
Financial assets					
Trade and other receivables	8	7,531,845	-	7,531,845	7,531,845
Amounts due from subsidiaries	10	157,405	-	157,405	157,405
Fixed deposits placed with licensed banks	7	1,215,615	-	1,215,615	1,215,615
Cash and bank balances	11	2,084,997	-	2,084,997	2,084,997
		<u>10,989,862</u>	<u>-</u>	<u>10,989,862</u>	<u>10,989,862</u>
Financial liabilities					
Trade and other payables	16	-	2,074,852	2,074,852	2,074,852
Borrowings	15	-	201,721	201,721	201,721
		<u>-</u>	<u>2,276,573</u>	<u>2,276,573</u>	<u>2,276,573</u>

(ii) Determination of fair values

The carrying amounts of trade and other receivables, amounts due from subsidiaries, fixed deposits placed with licensed banks, cash and bank balances and trade and other payables approximate their fair values due to relatively short term nature of these financial instruments.

The carrying amounts of short term borrowings with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Non-derivative financial liabilities

Fair value of hire purchase and finance lease liabilities and term loans (“non-derivative financial liabilities”), which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

27. **FINANCIAL INSTRUMENTS (Continued)**

(b) **Accounting classifications and Fair Values (Continued)**

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2010
	%
Finance lease liabilities	5
Term loans	<u>6.3</u>

(c) **Unrecognised Financial Instruments**

There were no unrecognised financial instruments on the statements of financial position of the Group and of the Company as at 31st December 2010.

28. **CAPITAL MANAGEMENT**

The Group and the Company's objectives when managing capital are to safeguard the Group and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The Group and the Company maintain an optimum capital structure through internally generated funds.

The capital equity of the Group and of the Company consist of equity attributable to owners of the parent, comprising share capital, shares premium, accumulated losses and total liabilities.

The debt-to-equity ratio is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Total liabilities	8,940,529	3,640,749	2,276,573	3,256,721
Equity attributable to owners of the parent	<u>21,600,367</u>	<u>21,917,736</u>	<u>22,424,183</u>	<u>23,189,719</u>
Debt-to-equity ratio	41.4%	16.6%	10.2%	14.0%

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Other than as mentioned, the Group and the Company are not subject to any externally imposed capital requirements.

29. **COMPARATIVE FIGURES**

The comparative figures have been audited by another firm of chartered accountants other than Messrs Baker Tilly Monteiro Heng.

A reclassification has been made to the prior year's financial statements to conform with the current year's presentation. As a result, certain lines in the profit or loss have been amended. The reclassifications are as follows:-

	Group		Company	
	2009	2009	2009	2009
	As previously reported	As restated	As previously reported	As restated
	RM	RM	RM	RM
Other expenses	1,699,728	-	1,699,728	-
Administrative expenses	14,225,557	15,925,285	12,687,813	14,387,541

A third statement of financial position is not presented as the directors are of the view that the reclassification has no impact on the third statement of financial position of the Group and of the Company as at 1st January 2009.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25th March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the reporting date, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and of the Company as at 31st December 2010 are as follows:-

	Group RM	Company RM
Total accumulated losses of the Company and its subsidiaries		
-Realised	(16,254,981)	(15,735,329)
Add: Consolidation adjustments	146,633	-
Total accumulated losses	<u>(16,108,348)</u>	<u>(15,735,329)</u>

The determination of realised and unrealised profits or losses is complied based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits or 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.

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, **DATO' DR. NORBIK BASHAH BIN IDRIS** and **SHAHARIL BIN ABDUL MALEK**, being two of the directors of Scan Associates Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 5 to 72 are 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 31st December 2010 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out on page 73 have been compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

.....
**DATO' DR. NORBIK BASHAH BIN
IDRIS**
Director

.....
SHAHARIL BIN ABDUL MALEK
Director

Kuala Lumpur

Date: 20th April 2011

SCAN ASSOCIATES BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION

I, **DATO' DR. NORBIK BASHAH BIN IDRIS** , being the director primarily responsible for the financial management of Scan Associates Bhd, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 5 to 72 and the supplementary information set out on page 73 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

.....
DATO' DR. NORBIK BASHAH BIN IDRIS

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 20th April 2011.

Before me,

.....
Arshad Abdullah (W550)
Commissioner for Oaths

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SCAN ASSOCIATES BERHAD**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Scan Associates Berhad, which comprise the statements of financial position as at 31st December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 72.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 31st December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions for the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act other than the modified audit opinion of the subsidiaries as disclosed on Note 6 with emphasis of matter on the going concern consideration.

Other Matters

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information set out on page 73 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

The financial statements of the Group and of the Company as at 31st December 2009 was audited by another firm of chartered accountants whose report dated 28th April 2010, expressed an unqualified opinion on that financial statements.

Company No. 525669- P

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 20th April 2011