

1. SUMMARY INFORMATION

THE SUMMARY INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP AND THAT INVESTORS SHALL READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE SHARES OF THE COMPANY. THE SUMMARY INFORMATION SETS OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

1.1 INCORPORATION AND COMMENCEMENT OF BUSINESS

SCAN Associates was incorporated in Malaysia under the Companies Act, 1965 on 9 September 2000 as a private limited company under the name of Secure Computing & Networking Associates Sdn Bhd. Subsequently, on 27 August 2002, it changed its name to SCAN Associates Sdn Bhd. On 15 June 2005, it was converted to a public limited company and has since assumed its present name. The SCAN Group is principally involved in providing ICT Security Services and Solutions, currently focusing on data. With convergence of technologies, ICT Security for voice is gaining momentum. SCAN Group has future plans to venture into ICT Security for voice, especially for mobile communications.

Details of the subsidiary corporations of SCAN Associates are as follows: -

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Subsidiaries of SCAN Associates				
SCAN Crypto-Tech	6 September 2002 / Malaysia	2	100	Intended for provision of crypto solution and secure mobile communications products and services
PT SCAN Nusantara*	27 September 2004 / Indonesia	USD100,000	99	Provision of ICT Solutions

Further details on the history and business of the Group are set out in Section 4 of this Prospectus.

The structure of the Group is as set out below: -



Note:-

* Hazmi bin Hussain is entitled to purchase a further 39% of the share capital in PT SCAN Nusantara upon the fulfilment of the terms and conditions of the Shareholders Agreement dated 27 May 2005 between SCAN Associates and Hazmi bin Hussain.

1. SUMMARY INFORMATION (Cont'd)**1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL**

The direct and indirect shareholdings of the promoters, substantial shareholders, Directors, key management and technical personnel of the Group are as follows: -

Name	Designation	No. of Ordinary Shares Held in SCAN Associates After the Public Issue			
		Direct	(%)	Indirect	(%)
Promoters					
Aminuddin Baki @ Sabtu bin Esa	CEO / Executive Director	#53,311,700	26.66	-	-
Dato' Dr. Norbik Bashah bin Idris	Technical Director / Executive Director	38,378,060	19.19	-	-
Chong Sau Wei	Project Manager	3,488,910	1.74	-	-
Chong Siew Kok	Managing Consultant, Technical Security Services	3,488,910	1.74	-	-
Md. Nazri bin Ahmad	Head of Managed Security Services	3,488,910	1.74	-	-
Norzakimi bin Zahari	Assistant Manager, Information Risk & Advisory Services	3,488,910	1.74	-	-
Shaharil bin Abdul Malek	Principal Consultant, Technology	3,488,910	1.74	-	-
Ramli bin Jaafar	Assistant Manager, Technical Security Services	3,488,910	1.74	-	-
Nik Khairul bin Raja Abdullah	Managing Consultant, Solution Development	3,488,910	1.74	-	-
Nor Ramzani bin Abdul Rahim	Assistant Manager, Technical Security Services	3,488,910	1.74	-	-
CAV	Venture Capital	29,898,960	14.95	-	-
Substantial Shareholders					
Aminuddin Baki @ Sabtu bin Esa	CEO/ Executive Director	53,311,700	26.66	-	-
Dato' Dr. Norbik Bashah bin Idris	Technical Director/ Executive Director	38,378,060	19.19	-	-
CAV	Venture Capital	29,898,960	14.95	-	-
BCHB	Substantial Shareholder of CAV	-	-	⁽²⁾ 29,898,960	14.95
EPF	Substantial Shareholder of BCHB	-	-	⁽³⁾ 29,898,960	14.95
Khazanah	Substantial Shareholder of BCHB	-	-	⁽³⁾ 29,898,960	14.95

1. SUMMARY INFORMATION (Cont'd)

Name	Designation	No. of Ordinary Shares Held in SCAN Associates After the Public Issue			
		Direct	(%)	Indirect	(%)
Directors					
Datuk Ir. Mohamed Al Amin bin Abdul Majid	Chairman/ Independent Director	(1) 125,000	0.06	-	-
Lt. Gen. (R) Raja Dato' Abdul Rashid bin Raja Badiozaman	Deputy Chairman/ Independent Director	(1) 125,000	0.06	-	-
Aminuddin Baki @ Sabtu bin Esa	CEO / Executive Director	#53,311,700	26.66	-	-
Dato' Dr. Norbik Bashah bin Idris	Technical Director/ Executive Director	38,378,060	19.19	-	-
Dato' Nasri bin Nasrun	Non-Executive Non-Independent Director	-	-	-	-
Raja Shamsul Kamal bin Raja Shahruzzaman	Non-Executive Non-Independent Director	(1) 125,000	0.06	-	-
Mohd Jafni bin Mohd Alias	Alternate Director to Raja Shamsul Kamal bin Raja Shahruzzaman	(1) 125,000	0.06	-	-
Shaharil bin Abdul Malek	Alternate Director to Dato' Dr. Norbik Bashah bin Idris	3,488,910	1.74	-	-
Key Management and Technical Personnel					
Aminuddin Baki @ Sabtu bin Esa	CEO/ Executive Director	#53,311,700	26.66	-	-
Dato' Dr. Norbik Bashah bin Idris	Technical Director/ Executive Director	38,378,060	19.19	-	-
Shaharil bin Abdul Malek	Principal Consultant, Technology	3,488,910	1.74	-	-
Khairil Anuar bin Haji Aziz	Director, International Sales	(1) 127,386	0.06	-	-
Haji Ramlan bin Rosli	Head, Project Management	(1)334,518	0.17	-	-
Mohamed Faizal bin Kasim @ Abdul Aziz	Head, Corporate Services and Legal	(1)323,202	0.16	-	-
Mohd Abdul Razak bin Abdullah @ Zakaria	Head, Finance & Accounts	(1)361,708	0.18	-	-
Nik Khairul bin Raja Abdullah	Managing Consultant, Solution Development	3,488,910	1.74	-	-
Chin Yau Kong	Head, Corporate Communication and Public Relations	(1)323,202	0.16	-	-
Chong Siew Kok	Managing Consultant, Technical Security Services	3,488,910	1.74	-	-

1. SUMMARY INFORMATION (Cont'd)

Notes: -

- # Pursuant to the Call Option Agreement between CAV and Aminuddin Baki @ Sabtu bin Esa, Aminuddin Baki @ Sabtu bin Esa will own up to 26.7% of the enlarged share capital of SCAN Associates.
- (1) Being their pink form allocation only.
- (2) Deemed interested pursuant to Section 6A of the Act by virtue of its substantial shareholding in CAV, which in turn has a substantial shareholding in SCAN Associates.
- (3) Deemed interested pursuant to Section 6A of the Act by virtue of their substantial shareholdings in BCHB, which in turn has a substantial shareholding in CAV.

Details of the Promoters, substantial shareholders, Directors, key management and technical personnel of the Group are set out in Section 5 of this Prospectus.

1.3 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the proforma consolidated results of the Group for the past three (3) financial years ended 31 December 2003 to 2005 and six (6) months financial period ended 30 June 2006, prepared on the assumption that the Group has been in existence throughout the period under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 and Section 9.1 of this Prospectus.

Financial year ended 31 December	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	30 June 2005 (Unaudited) (RM'000)	30 June 2006 (RM'000)
Revenue	20,436	21,575	25,980	13,297	19,312
Gross Profit	6,627	12,376	16,823	7,449	8,149
Profit before amortisation, depreciation, interest and taxation	6,388	10,185	10,569	4,891	4,971
Amortisation	(600)	(600)	(500)	(300)	-
Depreciation	(563)	(672)	(1,263)	(564)	(816)
Interest expense	(1,610)	(941)	(132)	(336)	(161)
Profit before taxation but after amortisation, depreciation and interest	3,615	7,972	8,674	3,691	3,994
Taxation	(111)	(112)	207	(7)	163
Profit after taxation before minority interest MI	3,504	7,860	8,881	3,684	4,157
Profit after taxation	3,504	7,862	8,883	3,684	4,157
No. of ordinary shares assumed in issue ('000) #	149,500	149,500	149,500	149,500	149,500
Enlarged no. of shares assumed in issue ('000) *	200,000	200,000	200,000	200,000	200,000
Gross EPS #	2.42	5.33	5.80	4.94 [^]	5.34 [^]
Net EPS #	2.34	5.26	5.94	4.93 [^]	5.56 [^]
Gross EPS *	1.81	3.99	4.34	3.69 [^]	3.99 [^]
Net EPS *	1.75	3.93	4.44	3.68 [^]	4.16 [^]

Notes: -

- # The assumed issued and paid-up capital of 149,500,000 ordinary shares of RM0.10 each is based on the issued and paid-up capital of SCAN Associates after the Bonus Issue, Rights issue and Sub-division but prior to the Public Issue.
- * The enlarged issued and paid-up capital of 200,000,000 ordinary shares of RM0.10 each is based on the issued and paid-up capital of SCAN Associates after the Bonus Issue, Rights Issue, Sub-division and Public Issue.
- [^] Annualised
- ** The proforma consolidated results for financial period ended 30 June 2005 have not been audited and are presented for comparison purposes only

1. SUMMARY INFORMATION (Cont'd)

- (1) The Proforma Group Income Statement has been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited Financial Statements.
- (2) There were no extraordinary or exceptional items in all the financial years under review.
- (3) SCAN Group's results have been restated through appropriate consolidation adjustment to eliminate inter-company transaction.

The financial statements of the Group for the years under review were not subject to any audit qualification. Detailed information on the Proforma Income Statements is set out in Sections 9.1 and 10 of this Prospectus.

1.4 PROFORMA CONSOLIDATED BALANCE SHEETS OF GROUP AS AT 30 JUNE 2006

The proforma consolidated balance sheet as at 30 June 2006 set out below has been prepared for illustrative purposes only to show the effects on the audited balance sheet of SCAN Associates had the Listing Scheme been affected on that date.

	SCAN Group as at 30 June 2006 RM'000	Proforma I RM'000	Proforma II RM'000
SHARE CAPITAL	14,950	20,000	20,000
RESERVES	11,679	31,879	30,004
SHAREHOLDERS' FUND	26,629	51,879	50,004
NON-CURRENT LIABILITIES			
Bank borrowings	1,912	1,912	1,912
Hire purchase creditors	210	210	210
	28,751	54,001	52,126
REPRESENTED BY:-			
NON-CURRENT ASSETS			
Property, plant and equipments	4,562	4,562	4,562
Development expenditure	-	-	13,000
Deferred taxation	286	286	286
Total non-current assets	4,848	4,848	17,848
CURRENT ASSETS			
Receivables	19,618	19,618	19,618
Amount due from customers for contract work	2,902	2,902	2,902
Cash and bank balances	8,912	34,162	19,287
Total current assets	31,432	56,682	41,807
CURRENT LIABILITIES			
Payables	5,698	5,698	5,698
Bank borrowings	1,644	1,644	1,644
Hire purchase creditors	151	151	151
Tax payable	36	36	36
Total current liabilities	7,529	7,529	7,529
NET CURRENT ASSETS	23,903	49,153	34,278
	28,751	54,001	52,126
NET TANGIBLE ASSETS PER ORDINARY SHARE of :			
- RM0.10 (sen)	18	26	19

1. SUMMARY INFORMATION (Cont'd)

Notes: -

Proforma I – Public Issue of 50,500,000 new ordinary shares of RM0.10 each (“Public Issue Share”) at an issue price of RM0.50 per Public Issue Share by way of private placement to identified investors, pink form allocation and allocation to the Malaysian public; and

Proforma II – Assume after Proforma I and the gross proceeds arose from the Rights Issue and Public Issue amounting to RM2,095,000 and RM25,250,000 respectively are expected to be fully utilised for the core business of SCAN in the following manner:-

	RM'000
Development expenditure	13,000
Overseas Projects Implementation	3,500
Overseas expansion	5,000
Working capital	3,970
Listing expenses	1,875
	<u>27,345</u>

The listing expenses are estimated at RM1,875,000 and will be set off against the share premium account.

Detailed Proforma Consolidated Balance Sheets and the Reporting Accountants' letter thereon are set out in Section 9.10 of this Prospectus.

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1. SUMMARY INFORMATION (Cont'd)**1.5 SUMMARY OF MATERIAL RISK FACTORS**

The following are a list of some of the material risk factors (which may not be exhaustive) as extracted from Section 3 of this Prospectus which applicants for the Public Issue should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Public Issue:-

Item	Risk factors
(a)	Business Risks
(b)	Dependence on Protection of Intellectual Property
(c)	Products and Services Performance
(d)	Rapid Technological Changes in ICT Industry
(e)	Delays in Product Development
(f)	Technology Used
(g)	Freeware and Open Source Technologies
(h)	Intensity of Competition
(i)	Market Acceptance of New Products
(j)	Brand Awareness
(k)	Dependency on Key Customers
(l)	Dependence on Contractors/ Suppliers
(m)	Dependence on Key Personnel
(n)	Investment Activities Risks
(o)	New Geographical Market
(p)	Foreign Exchange Risks
(q)	Security and Systems Disruption
(r)	Breakout of Fire, Energy Crisis and Other Emergencies
(s)	Insurance Coverage on Assets
(t)	Control by Promoters/ Some Shareholders
(u)	Government Control or Regulation Considerations
(v)	Litigation Risks
(w)	Change in or Loss of MSC Pioneer Status
(x)	Related Party Transactions/ Conflict of Interest
(y)	Financial Performance
(z)	Uncertainties in the 3-year Business Development Plan
(aa)	Disclosure Regarding Forward-Looking Statements
(bb)	No Prior Market for SCAN Associates' Shares
(cc)	Failure/ Delay In the Listing

Further details of the material risk factors are set out in Section 3 of this Prospectus.

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1. SUMMARY INFORMATION (Cont'd)**1.6 PROFIT AND DIVIDEND FORECASTS****Consolidated Profit Forecast**

Financial year ending 31 December 2006	
Revenue (RM'000)	45,505
Consolidated PBT (RM'000)	10,005
Consolidated PAT (RM'000)	10,001
Gross EPS (sen)*	5.0
Net EPS (sen)*	5.0
Prospective PE Multiple based on the Issue Price of RM0.50 (times)	10.0

* Based on the enlarged issued and paid-up share capital of 200,000,000 Shares

Further information on the profit forecast is set out in the Reporting Accountants' letter in Section 9.5 of this Prospectus.

Dividend Forecast

Financial year Ending 31 December 2006	
Net dividend per Share ⁽¹⁾ (sen)	1.0
Net dividend Yield based on the Issue Price (%)	2.0
Net dividend cover ⁽²⁾ (times)	5.0

Notes:-

(1) Based on the enlarged issues and paid-up share capital of SCAN Associates upon Listing comprising 200,000,000 Shares

(2) Computed based on the consolidated profit forecast PAT over the net dividend

Details of the dividend forecast are set out in Section 9.8 of this Prospectus.

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1. SUMMARY INFORMATION (Cont'd)**1.7 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE****Share Capital**

The following statistics relating to the Public Issue are derived from the full text of the Prospectus and should be read in conjunction with the text.

	Number of ordinary share of RM0.10 each	Share capital (RM)
AUTHORISED SHARE CAPITAL	250,000,000	25,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:	149,500,000	14,950,000
• New ordinary shares to be issued pursuant to Public Issue	50,500,000	5,050,000
ENLARGED SHARE CAPITAL	200,000,000	20,000,000
ISSUE PRICE		0.50
MARKET CAPITALISATION		100,000,000

The Issue Price is RM0.50 per Share payable in full upon application, subject to the terms and conditions of this Prospectus. Further information on the Public Issue is set out in Section 2 of this Prospectus.

1.8 PROPOSED UTILISATION OF PROCEEDS

The Rights Issue and the Public Issue are expected to raise gross proceeds of approximately RM2.095 million and RM25.25 million respectively. After deducting estimated listing expenses, the net proceeds from both the Rights Issue and Public Issue are expected to be RM25.47 million, which shall accrue to the Company.

The total proceeds will be utilised by the Group in the following manner: -

	Timeframe for utilisation	Amount (RM'000)
(i) Development expenditure	2006-2008	13,000
(ii) Overseas Projects Implementation	2006-2007	3,500
(iii) Overseas Expansion	2006-2008	5,000
(iv) Working capital	Within 12 months	3,970
(v) Finance estimated listing expenses	Upon listing	1,875
Total proceeds		27,345

Further details of the utilisation are set out in Section 2.5 of this Prospectus.

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2. PARTICULARS OF THE PUBLIC ISSUE

This Prospectus is dated 30 August 2006.

A copy of this Prospectus has been registered with the SC. A copy of this prospectus, together with the form of application, has also been lodged with the ROC who takes no responsibility for its contents.

The approvals of the SC obtained vide its letter dated 10 March 2006 shall not be taken to indicate that the SC recommends the Public Issue and that investors should rely on their own evaluation to assess the merits and risks of the Public Issue.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed SCAN Associates Shares as a prescribed security. In consequence thereof, the Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository.

Approval in principle has been obtained from Bursa Securities on 22 July 2005 for the admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of SCAN Associates on the MESDAQ of Bursa Securities. These Shares will be admitted to the Official List on the MESDAQ of Bursa Securities and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of the entire issued and fully paid-up share capital on the MESDAQ Market. Accordingly, monies paid in respect of any application accepted from the IPO will be returned in full without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of Bursa Securities within the aforesaid timeframe. If any such monies are not repaid within 14 days after the Company becomes liable to repay it, provision of sub-section 52 (2) of the SC Act 1993 shall apply accordingly.

Applicants of the Public Issue Shares must have a CDS account. In the case of an applicant by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Applicant requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Shares Application.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the MESDAQ of Bursa Securities is not to be taken as an indication of the merits of the Company or of its shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by SCAN Associates. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of SCAN Associates since the date hereof.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

The distribution of this Prospectus and the making of the Public Issue in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

2.1 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows: -

- (a) To raise funds for the Group's continued operation and expansion, details of which are elaborated in Section 2.5 "Utilisation of Proceeds" below;
- (b) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market of Bursa Securities;
- (c) To enable the Group to gain recognition and certain stature through its listing status and further enhance its corporate reputation and assist the Group in expanding its customer base;
- (d) To enable the Group to have access to the capital market for its future expansion and growth; and
- (e) To provide the opportunity for the eligible employees and Directors of the Group and the business associates of the Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group.

2.2 SHARE CAPITAL

	Number of ordinary share of RM0.10 each	Share capital (RM)
AUTHORISED SHARE CAPITAL	250,000,000	25,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:	149,500,000	14,950,000
• New ordinary shares to be issued pursuant to Public Issue	50,500,000	5,050,000
ENLARGED SHARE CAPITAL	200,000,000	20,000,000
ISSUE PRICE		0.50
MARKET CAPITALISATION		100,000,000

The Issue Price is RM0.50 per Share payable in full upon application, subject to the terms and conditions of this Prospectus.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

There is only one class of shares in the Company, namely, ordinary shares of RM0.10 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney or by authorised representative and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

2.3 DETAILS OF THE PUBLIC ISSUE

Public Issue

The Public Issue of 50,500,000 new ordinary shares at an issue price of RM0.50 per ordinary share are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(i) **Malaysian Public**

10,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) **Eligible Employees, Directors and Business Associates of the Group**

20,000,000 Public Issue Shares will be reserved for the eligible employees, Directors and the business associates (which include the suppliers, sales agents and customers) of the Group.

13,500,000 Public Issue Shares have been allocated to 171 eligible employees and Directors of the Group based on the following criteria as approved by the Company's Board of Directors: -

- (a) At least eighteen (18) years old;
- (b) Job position;
- (c) Length of service; and
- (d) Performance.

Details of the Directors' pink form allocation are as follows: -

Name of Directors	Designation	Pink Form Allocation
Datuk Ir. Mohamed Al Amin bin Abdul Majid	Chairman / Independent Director	125,000
Lt. Gen. (R) Raja Dato' Abdul Rashid bin Raja Badiozaman	Deputy Chairman / Independent Director	125,000

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Name of Directors	Designation	Pink Form Allocation
Aminuddin Baki @ Sabtu bin Esa	CEO / Executive Director	-
Dato' Dr. Norbik Bashah bin Idris	Technical Director/ Executive Director	-
Dato' Nasri bin Nasrun	Non-Executive Non-Independent Director	-
Raja Shamsul Kamal bin Raja Shahruzzaman	Non-Executive Non-Independent Director	125,000
Mohd Jafni bin Mohd Alias	Alternate Director to Raja Shamsul Kamal bin Raja Shahruzzaman	125,000
Shaharil bin Abdul Malek	Alternate Director to Dato' Dr. Norbik Bashah bin Idris	-
Total		500,000

6,500,000 have been allocated to 200 eligible business associates of the Group based on the following criteria as approved by the Company's Board of Directors: -

- (a) Contribution to SCAN Associates current and future business operations and opportunities; and
- (b) Length of business of relationship.

(iii) Places

20,500,000 Public Issue Shares are reserved for private placement to selected investors, which have been identified.

All the Public Issue Shares available for application by the Malaysian public and the eligible employees, Directors and business associates of the Group have been fully underwritten. The Public Issue Shares available for application by the selected investors are not underwritten. The Placement Agent has received irrevocable undertakings from the selected investors to take up the Public Issue Shares available for application under the private placement.

Any Public Issue Shares which are not taken up by eligible employees, Directors and the business associates of the Group will be made available for application by Malaysian Public via balloting and the selected investors via private placement. Any Public Issue Shares not taken up by Malaysian Public will be made available to selected investors via private placement if the private placement is oversubscribed and vice versa. Any further Public Issue Shares not subscribed for will be made available for subscription by the Underwriters in the proportion specified in the Underwriting Agreement dated 1 June 2006.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.4 BASIS OF ARRIVING AT THE PUBLIC ISSUE PRICE**

Prior to the offering, there has been no public market for the Shares. The Public Issue Price of RM0.50 per Share was agreed between the Company and the Managing Underwriter after taking into consideration, amongst others, the following factors:-

- (i) The Group's operating history and conditions and technology and financial position as outlined in Section 4 of this Prospectus;
- (ii) The prevailing market conditions; as at 28 July 2006, the PE multiple of the composite index of the MESDAQ Composite was 13.96 times. Taking this into consideration, SCAN Associates' forecast net PE multiple of 10.0 times, based on the forecast net EPS of 5 sen for the financial year ending 31 December 2006, is below the market PE which provides a growth opportunity to investors;
- (iii) The prospects and outlook of the industry in which the Group operates as outlined in Section 4.4.9 of this Prospectus;
- (iv) The future plans and prospects of SCAN Group as set out in Section 4.7 of this Prospectus;
- (v) The Public Issue Price of RM0.50 per Share represents a premium of RM0.31 or 163% over the proforma NTA per share of RM0.19 as at 30 June 2006;
- (vi) The prevailing market conditions as set out in Section 4.4 of the Prospectus;
- (vii) Competitive advantages as listed in Section 4.2.13 of this Prospectus.

The Directors of the SCAN Group and AmMerchant Bank are of the opinion that the Public Issue Price is reasonable after careful consideration of the abovementioned factors.

2.5 PROPOSED UTILISATION OF PROCEEDS

The Rights Issue and the Public Issue are expected to raise gross proceeds of approximately RM2.095 million and RM25.25 million respectively which shall accrue to the Company.

The Company intends to utilise the proceeds raised in the following manner: -

		Timeframe for utilisation	Amount (RM'000)
(i)	Development expenditure	2006-2008	13,000
(ii)	Overseas Projects Implementation	2006-2007	3,500
(iii)	Overseas Expansion	2006-2008	5,000
(iv)	Working capital	Within 12 months	3,970
(v)	Finance estimated listing expenses	Upon listing	1,875
Total proceeds			27,345

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares are fully underwritten or placed out.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Further details of the proposed utilisation of proceeds are as follows: -

(i) Development Expenditure

The Group has allocated RM13.0 million of the proceeds to spend on R&D in its on-going effort to acquire technological advantage over its competitors. The allocated sum will enable the Group to be aggressive in carrying out research and development works in the area of cryptography, security vulnerability and secure communication and thus, be in the forefront in the ICT security and solution industry. The works will be a concerted effort to move in tandem with the Technology Roadmap that the Group has developed. The R&D expenditures will include among others, the development of the existing facilities such as salary cost, software, equipment and related overheads. The allocation earmarked for development expenditure is expected to be utilised within three (3) years after listing.

(ii) Overseas Projects Implementation

The RM3.5 million proceeds have been allocated for the implementation of overseas projects recently secured. The implementation of overseas projects for Middle East and South East Asia will be allocated RM1.5 million and RM2.0 million respectively. The allocation earmarked for Overseas Projects Implementation is expected to be utilised within two (2) years after listing.

(iii) Overseas Expansion

The Group intends to invest RM5.0 million to establish marketing offices in Middle East, North Africa and South East Asia. This will enable the Group to source for more potential customers and augurs well for the Group's performance. The allocation earmarked for Overseas Expansion is expected to be utilised within three (3) years after listing.

(iv) Working Capital

Of the total proceeds, RM3.97 million will be used as general working capital for the Group including the payment of creditors, salaries, purchase of hardware and software and operating expenses. The allocation earmarked for Working Capital is expected to be utilised within twelve months (12) after listing.

(v) Finance Estimated Listing Expenses

The estimated listing expenses for the listing of and quotation for the enlarged share capital of 200,000,000 ordinary shares of RM0.10 each in SCAN Associates on the MESDAQ Market of Bursa Securities which will be fully utilised upon the completion of the Public Issue are as follows: -

Estimated listing expenses	Amount (RM)
Fees to authorities	73,500
Professional fees #	1,178,400
Underwriting and brokerage fees	303,800
Printing, advertising and other miscellaneous expenses @	319,300
Total	1,875,000

Notes: -

Include fees for the Adviser, Reporting Accountants, Solicitors, Placement Agent and other professional advisors.

@ Any unutilised amount shall be used for working capital purposes of the Group.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.6 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS**

The utilisation of the Rights Issue and Public Issue proceeds by the Group is expected to have a financial impact on the Group as follows: -

(i) Increase in R&D expenditure and security solution offerings

Part of the proceeds of RM13.0 million is earmarked for investment in R&D software solutions and hardware, R&D facilities as well as R&D in new technology. This would enable the Group to offer more innovative and flexible security solutions and services to meet customers' demands. This is expected to increase revenue and value of assets of the Group.

(ii) Increase in revenue from new opportunities

The Group will use proceeds earmarked for overseas expansion to pursue security solution projects targeting outsourcing markets. This represents opportunities which the Group would otherwise not have the operating capacity to exploit. The new opportunities are envisaged to provide the Group with more business and hence revenue.

(iii) Increase efficiency in operations

With a new design and development facility with better design work capacity and higher efficiency, the efficiency in security solutions operations is expected to increase. Higher efficiency will enable the Group to lower the cost of operations.

2.7 UNDERWRITING COMMISSION AND BROKERAGE

The Underwriters as mentioned in the Corporate Directory of this Prospectus, have agreed to underwrite the 30,000,000 Public Issue Shares to be issued to the Malaysian public, the eligible employees, Directors and business associates of the Group. Underwriting commission is payable by the Company to the Underwriters based on the Public Issue Price of RM0.50 per Share at the rate of 1.5%.

Placement fee is payable by the Company in respect of the Public Issue Shares available for private placement to selected investors based on the Public Issue Price of RM0.50 per Share at the rate of 1.5%.

Brokerage is payable by the Company in respect of the Public Issue made available for application by the Malaysian public at the rate of 1.0% of the Public Issue Price of RM0.50 per share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or MIH.

2.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Note: Unless stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

The following are some of the Clauses of the Underwriting Agreement dated 1 June 2006 ("Agreement"), including escape clauses, which may allow the underwriters to withdraw from obligations under the Agreement after the opening of the offer: -

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

6. CONDITIONS PRECEDENT FOR UNDERWRITING

6.1 The several obligations of the Underwriters under this Agreement shall be conditional upon the following:

- (a) this Agreement having been duly executed by all parties and duly stamped;
- (b) the Managing Underwriter being satisfied that:
 - (i) the Company has successfully obtained the necessary irrevocable letters of undertaking from the selected investors in respect of the private placement under **Recital (C)(i)** above; and
 - (ii) the funds for the private placement referred to in **Recital C(i)** are deposited into the joint account that is opened under the name of the Company and the Managing Underwriter before the registration of the Prospectus or such other extended date as agreed by the Managing Underwriter, but in no event later than the Closing Date;
- (c) the Company has obtained the confirmation of receipt by the SC of the notification made on 19 May 2006 in respect of the change of the Issue Price to Ringgit Malaysia Fifty Sen (RM0.50) mentioned under **Recital D** above;
- (d) the entire issued share capital of the Company being fully paid-up by 20 June 2006 or a later date (in any case, no later than the date of the issuance of the Prospectus);
- (e) the approval by the SC in respect of the Prospectus and the acceptance for registration by the CCM and the SC of the Prospectus and such other documentations as may be required in accordance with the SCA and the Companies Act in relation to the Public Issue and the subsequent registration with the SC and lodgement of the Prospectus with the CCM of the Prospectus within one (1) month from the date of this Agreement or within such other period as the parties may mutually agree;
- (f) the issuance of the Prospectus (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under the Listing Requirements (within forty five (45) days from the date of this Agreement or such other period as may be agreed by the parties in writing);
- (g) an application being made to the Bursa Securities within three (3) Market Days from the date of issue of the Prospectus for admission to the Official List of the Bursa Securities (where applicable);
- (h) Bursa Securities unconditionally agreeing in principle (or upon such conditions which are acceptable to the Managing Underwriter) and such agreement is not withdrawn prior to the Closing Date or the Extended Closing Date or such other date as may be agreed by the Company and the Managing Underwriter (**which in any event shall be no later than thirty (30) days from Closing Date or the Extended Closing Date**) for the admission of the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market;

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (i) the Managing Underwriter being reasonably satisfied that the entire enlarged issued and paid-up share capital of the Company will be admitted for listing and quoted on the MESDAQ Market within two (2) Market Days (or such other days as Bursa Securities may permit) after the submission to Bursa Securities for quotation on the MESDAQ Market together with the relevant documents and/or confirmations (upon such conditions which are acceptable by the Underwriters, if any);
- (j) all necessary approvals and consents required in relation to the Public Issue including but not limited to the SC or any other governmental approvals having been obtained and are in full force and effect on the Closing Date;
- (k) the issuance, offering and subscription of the Public Issue Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the SC and Bursa Securities);
- (l) the issuance of the Public Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting;
- (m) the Managing Underwriter having been reasonably satisfied that the Company has in relation to the issuance of Public Issue Shares complied with all policies, guidelines and requirements of the relevant authorities in Malaysia and all revisions, amendments or supplements thereto;
- (n) there having been, as at any time hereafter up to and including the Closing Date or the Extended Closing Date, as the case may be, no event of default pursuant to the provisions herein contained, and no breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement or notice provided under or in connection with this Agreement or which proves to be incorrect in any material respect;
- (o) there having been, as at any time hereafter up to and including the Closing Date or Extended Closing Date, no material variation and/or adverse change, or any development involving a prospective material variation and/or adverse change, in the condition or state of affairs, financial or otherwise, of the Company and its subsidiaries (which in the reasonable opinion of the Underwriters are or will be material in the context of the issue of the Public Issue Shares or the sale of the Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect the extent of which is or will be material to any of the representations, warranties and undertakings herein contained if they are repeated on and as of the Closing Date or Extended Closing Date;

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (p) the delivery to the Managing Underwriter prior to the date of registration of the Prospectus of:-
 - (i) a copy certified as true copy by a director or company secretary of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement and the performance of its obligations herein, the Prospectus, the Public Issue and authorising the execution of this Agreement and the issuance of the Prospectus; and
 - (ii) the relevant directors' report and responsibility statement signed by the duly authorised directors of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in specifically to **Clause 3** and **Clause 4** above and further that there is, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise as stipulated in **Clause 6.1(o)** above;
- (q) the Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in **Clause 17** hereof; and
- (r) the Managing Underwriter and/or any of the Underwriters being satisfied at the Closing Date that the Company is able to meet the minimum public shareholding spread as required under the Listing Requirements.

6.2 In the event any of the conditions set forth in **Clause 6.1** above is not satisfied by the Closing Date or the Extended Closing Date, as the case may be, and in the case of the condition referred to in **Clause 6.1(h)**, the date stipulated therein), the Underwriters or any of the Underwriters shall, subject as mentioned below, thereupon be entitled but not bound to terminate this Agreement by notice in writing and the following shall take place within seventy two (72) hours of the receipt of such notice:

- (a) the Company shall make payment of the Underwriting Commission to the Underwriters; and
- (b) each party shall return all other monies (in the case of the Underwriters, after deducting the Underwriting Commission due owing to the Underwriters hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder)

and thereafter, this Agreement shall *ipso facto* cease and determine and all obligations and liabilities of the Parties hereunder shall cease to have effect and the parties shall be released and discharged from their respective obligations hereunder and none of the parties shall have any further claims against each other save in respect of any antecedent breach.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

15. TERMINATION, LAPSE OF AGREEMENT OR FORCE MAJEURE

15.1 Notwithstanding anything herein contained, the Underwriters, acting through the Managing Underwriter may by notice in writing to the Company given at any time before the date of the listing and quotation of the entire issued and paid up capital of the Company on the MESDAQ Market, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:

- (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in **Clauses 3 and 4** above, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company or by the Closing Date or the Extended Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriters, which is required to be disclosed pursuant to this Agreement which, in the opinion of the Managing Underwriter and/or the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Public Issue Shares;
- (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war, hijacking, hostility invasion, natural catastrophe, earthquakes, storm, lightning, tempest, riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance against the government, insurrection, revolt military/ usurped power or accidents), which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriters), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Group, the success of the Public Issue, or the distribution or the sale of any of the Underwritten Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;
- (c) there shall have occurred, happened or come into effect any of the following circumstances: -
 - (i) any government requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial condition or business or operations of the Company or its subsidiaries; or
 - (ii) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing;

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriters), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the success of the Public Issue, or the distribution or the sale of any of the Underwritten Shares.

In the event that this Agreement is terminated or has lapsed pursuant to this **Clause 15.1(c)**, the Underwriters and the Company may confer with a view to deferring the Public Issue by amending its terms or the terms of this Agreement and may enter into a new underwriting agreement accordingly, provided that the Company shall reimburse all costs, fees and expenses incurred prior to the said termination;

- (d) any breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement or notice provided under or in connection with this Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice (informing of such breach) given to the Company;
- (e) there is failure on the part of the Company to perform any of its obligations herein contained or any conditions in **Clause 6** is not fulfilled by the Closing Date or the Extended Closing Date;
- (f) the occurrence of any event or the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenant and undertakings and obligations of the Company herein contained; or
- (g) there is withholding of information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Managing Underwriter and/or Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Public Issue Shares.

15.2 Upon such notice(s) being given under **Clause 15.1**, the Managing Underwriter and/or the Underwriters shall be released and discharged of their obligations without prejudice to its rights and the following shall take place within seventy two (72) hours within the receipt of such notice:

- (a) the Company shall make payment of the Underwriting Commission to the Underwriters respectively; and
- (b) each party shall return all other monies without interest (in the case of the Underwriters, after deducting the Underwriting Commission due owing to the Underwriters hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder)

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

and thereafter, this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, save and except for that the Company shall remain liable in respect of its obligations and liabilities for the payment of the costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies and remain liable in respect of its obligations and liabilities for any antecedent breach.

16. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS OF THE UNDERWRITERS

16.1 Each of the Underwriters severally undertakes with or represents and warrants, as the case may be, to the Company that:-

- (a) it shall duly observe and comply with all the applicable laws and regulations in each jurisdiction in which it may offer or sell the Underwritten Shares;
- (b) its obligations under this Agreement constitutes legal, valid and binding obligations of the Underwriters enforceable by the Company against the Underwriter in accordance with its terms; and
- (c) subject to compliance by the Company with the terms contained herein, it shall consent to the inclusion of its names in the Prospectus in form and in context.

16.2 The Underwriter authorises the Managing Underwriter to exercise and carry out all the discretions, authorises, powers and duties where conferred on it as agent for the Underwriters by this Agreement together with such powers reasonably incidental to it and this authority shall apply notwithstanding that the Managing Underwriter may have a conflict of interest or interest in relation to the exercise of its discretions, authorities, powers and duties conferred on it.

16.3 The Company may rely on all consents, waivers, exercises of discretion and any other acts of the Managing Underwriter when acting as agent for the Underwriters as being duly and expressly authorised by the Underwriter. The consent from the Managing Underwriter must be obtained on any material matter related to this Agreement.

16.4 The Managing Underwriter will notify the relevant Underwriter and provide such Underwriter with a copy of any communication between the Company and the Managing Underwriter when acting in its capacity as agent for the Underwriter on any matter related to this Agreement.

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3. RISK FACTORS

In evaluating an investment in the Public Issue Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations: -

(a) Business Risks

The Group is involved as a solution development centric organisation that is subject to certain risks inherent to the ICT Industry. These may include shortage in skilled workforce, increase in cost of workforce and operating cost, changes in general economic, business and credit conditions as well as changes in government policies.

The Group has taken steps to mitigate the risks through continuous effort in mixing its products and services offering and to look for quality skilled security experts. The Group also embraces new technology, methodology and processes to continuously improve its products and services to meet customers' demand and expectations. Further, the Group provides outsourcing security services and training to customers.

(b) Dependence on Protection of Intellectual Property

The Group is to an extent dependent on the protection of its intellectual properties particularly for all its in-house developed software in the form of patches, tools, products, packages, systems and solutions. There is a risk that the software may be copied, replicated or stolen in part or in full, and be used to compete against SCAN Group or sold as pirated copies or posted as freeware on some website on the Internet.

In mitigation, SCAN Group holds the copyright to its in-house developed software. SCAN Group would pursue legal action and redress for any infringement of its intellectual properties. In addition, SCAN Group normally provides all its customers with machine executable codes and not the source codes for its software. Without the source code, it is virtually impossible for competitors to use illegally obtained software to their advantage. The only thing that they can do is to copy or replicate the software and use it as is, which is usually only beneficial to the consumer sector. SCAN Group currently does not service the consumer sector. The business sector would require the source code and significant technical expertise to customise and integrate with its existing system to be effective.

A further precaution undertaken by SCAN Group is that almost all its software is developed in-house by its own employees. As such, intellectual property rights reside with SCAN Group and are not accrued to any employee. In addition, any third party or contractor that is engaged to develop software signs an agreement where the intellectual properties of all works undertaken for SCAN Group remains with SCAN Group.

Notwithstanding the efforts of SCAN Group to protect its intellectual properties, there is no assurance that the business of SCAN Group may not be adversely affected by any infringement of its intellectual property rights. Details of the intellectual property rights of the Group are disclosed in sections 4.2.4 of this Prospectus.

(c) Product and Services Performance

The Group's products and services are subject to risks inherent in the ICT security industry. There can be no assurance that the Group's products and services will satisfactorily perform the functions for which they are designed, or that unanticipated technical or other problems will not occur which would result in breach of data security or successful hacking. For the installed products and/or services to perform effectively, it would also require strict adherence to the policy, guidelines and processes by the users as imposed by SCAN Associates. There can be no assurance that the users will comply with all of the policy, guidelines and processes imposed.

3. RISK FACTORS (Cont'd)

Furthermore, software products as complex as those developed by the Group may possibly contain errors or failures when installed, updated or enhanced. There can be no assurance that, despite testing by the Group and by current potential end users, errors will not be found in new or enhanced products after the delivery by the Group, resulting in a failure of the same. Details of the products and services as well as the technology used are disclosed in sections 4.2.1 and 4.2.2 of this Prospectus respectively.

The development and sale of the Group's products and services expose it to the risk of products and services liability (including warranty) claims in the event that such products and services failed to perform in accordance to their specifications. In the event of wide spread products failure, the Group may have to provide patches for the products in particular, its software may contain errors or defects that require rectifications. Errors or defects in its products and services could result in delays in installation and project cost overruns, disputes with customers and additional costs incurred in rectification works, and would adversely affect the Group's revenues, profitability and application.

The Group does not maintain any product liability insurance, nor has it taken out any third party liability insurance. However the Group ensures that its product liability is limited to a percentage of the contract sum. As at to-date, there has been no product claims by customers due to product failure. Other mitigating factors are the experience of the Directors and key management, who are able to develop products that are of good quality and reliable, and the Group's quality assurance and operating process as mentioned in Section 4.2.6 of this Prospectus.

(d) Rapid Technological Changes in ICT Industry

The ICT Industry is characterised by rapid technological changes that make obsolescence, both in terms of the technology deployed in products as well as in the skills and knowledge of the application designers and developers deploying it, a much bigger inherent risk than it was many years ago. SCAN Group is deriving, and expects to continue to derive, a substantial portion of its profits from security consultancy services and ICT solutions that are based on today's leading technologies. Its success in the years ahead thus depends on its ability to offer products based on commercially viable software solutions and services that keep pace with these technological and platform changes, and changes in the skill sets of the designers and developers that bring the solutions and services into the market for the Group.

The Group intends to overcome the challenges by: -

- a. continuously upgrade the technical skills, knowledge and professional profiling on its ICT security consultants to ensure credibility of its consulting services;
- b. establishing itself among the world leading contributor in ICT vulnerability and threats research by including articles contributions as one of Key Performance Indicators for employees;
- c. keeping close monitor of the latest development in technology and platform;
- d. maintaining continuous and good relationship with universities;
- e. keeping its product designers and developers in constant update of these core technology and platform developments;
- f. keeping close monitor of the market's changing needs;
- g. relating the observed technological and platform developments with the changes in customers' and industry's requirements; and
- h. continuously enhancing its products and services based on the latest cost and operationally accepted technological platform changes to fulfill the requirements in a timely and most cost effective manner.

3. RISK FACTORS (Cont'd)

(e) Delays in Product Development

Developing new products, inherently, might not be able to meet the target deadlines due to a variety of reasons such as changes to design specifications, quality related fixes, human resource constraints, new technology announcements, extended test time requirements, additional feature and function requirements, changing customer needs, unanticipated operational impact which necessitates software changes, new hardware announcements which require changes in software, and a variety of other causes. Such delays are not uncommon, and the bigger the development project, the longer the potential delay.

The Group intends to minimise such delays by having stringent control over the entire product development life cycle of each and every product it develops and supports, by focusing on regular training of its development management and staff, by having focus groups with key users who will act as the domain experts to help ensure that the product specifications meet customer needs, by insisting on regular milestone checkpoint reviews, and by clear and precise documentation to enable effective project resumption in case of human resource interruptions. Other efforts include adopting product development methodology, relying on R&D prototype and using software tools.

(f) Technology Used

The Group's usage of technology is evident in its ability to continuously innovate and design new and improved versions of products on its own accord or upon customer's request. Although the Group's is well equipped and able to meet its current requirements, the Group believes in searching for an innovative process and continues to explore areas of technological improvements. Generally, the risk relating to technology used is high as the Group is facing high investment cost, incompatible systems and technology obsolescence. The risks could be mitigated through R&D and continuous staff training. Details of the technology used in the Group's operations are set out in Section 4.2.2 of this Prospectus.

The Group uses Open Source in some of its products and tools, which are free and does not require notification to the licensor of the software. Generally, the licensor disclaims all liabilities over any damages incurred from the usage of such application software. In order to mitigate this risk, the Group issues performance bond to its clients to assure its products performance. The Group is also considering further mitigation such as subscribing to professional indemnity insurance.

Some open source software licenses restrict the users' ability to commercialise the software. The Group manages these restrictions by developing and applying Plug-ins solution between the restricted software and the application developed by the Group. The solution enables the Group to distinguish and make known such restriction to the end users and licensees.

(g) Freeware and Open Source Technologies

In relatively recent times, freeware and open source technologies, i.e. software that are available for free or at minimal cost, have been made available through the Internet. This poses a strong competitive pressure to software owners like SCAN Group that charge commercial prices and use proprietary software.

In mitigation, freeware and open source software are focused on shrink-wrapped type software, tools and patches, whereas the SCAN Group focuses on ICT Security requiring significant consultancy, system design, customisation, development and integration to meet the needs of organisations. In larger organisations, freeware and open source technologies would at best meet a very small percentage of their overall ICT Security needs. As such, freeware and open source technologies would not pose a significant competition to SCAN Group.

3. RISK FACTORS (Cont'd)

Notwithstanding the above, there is no assurance that the business of SCAN Group may not be adversely affected by freeware and open source technologies.

(h) Intensity of Competition

The ICT Industry is subject to competition and rapid technological changes, and there is every indication that this competition and rapid changes will intensify even further in future. SCAN Group will be subject to this level of competition. While it has successfully overcome current competition, there is no guarantee that it will continue to overcome such competition in the future. There is no assurance that SCAN Group will be able to compete successfully against current or future competitors, or against entrenched competitors in new markets. Increased competition may result in reduced revenue and margins that could adversely affect the Group's business and operating results. Details of the players and competition are set out in Section 4.4.5 of this Prospectus.

Competitors from overseas with their own software solutions and the new synergistic businesses that the Group intends to venture into are among the risks associated with the competitive market for ICT in the security industry. Given the competition and the dynamics of the industry wherein technology changes rapidly, the Group's places emphasis on R&D, promoting staff training, and its focus on building a strong sales force will help to ensure that risks from competition is minimised.

Nonetheless, the Group's focus on R&D is to deliver a broad range of innovative, affordable and adaptable solutions to meet the needs of its customers in both the public and the private sectors, and its focus on building a strong and intensely passionate sales force will help ensure that risks from competition is minimised. The Group also intends to leverage on growing reputation of being a contributors in an international publications in the areas of security vulnerability research from its industry insights to stay ahead of its competitors. In addition, to set apart from its competitors, the Group provides enterprise-wide ICT security services and solutions including consultancy, e-forensic, encryption applications and ICT outsourcing services.

(i) Market Acceptance of New Products

The markets for the Group's products and services are characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications, and frequent new product introductions and enhancements. The Group's future prospects depend substantially on its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging hardware, software, database and networking platforms.

The timely development of new or enhanced products and services is a complex and uncertain process. Although the Group believes that it will have the funding to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends, or to successfully manage long development cycles. The Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of its products and services, as well as new products and services and enhancements. The Group may also be required to collaborate with third parties to develop products and services and may not be able to do so on a timely and cost-effective basis, or at all.

If the Group is not able to develop new products and services or enhancements to its existing products and services on a timely and cost-effective basis, or if the Group's new products and services or enhancements fail to achieve market acceptance, or if one or more of the Group's competitors introduce products and services that better address customer needs or for any reason gain market share, the Group's business, operating results and financial condition may be affected.

3. RISK FACTORS (Cont'd)

However, with the continuous emphasis placed by the Group on R&D activities with the proceeds from the IPO which have been allocated for the same, the Company is confident to mitigate the abovementioned risk factors.

(i) Brand Awareness

The SCAN brand, with its distinct bold navy blue "scan" logo, has become a brand among government bodies and financial institutions. The Group plans to increase marketing and public relations activities that commenced in the middle of 2005, and will be continuously focused on in the years ahead. While all these efforts may help the brand building effort in Malaysia, it still remains a challenge for the SCAN brand to remain just as prominent if not more so in the years ahead in Malaysia, or to increase brand awareness in the overseas markets and in the new synergistic businesses that the Group plans to penetrate. If initial efforts are not successful, these activities may not contribute to any increase in revenue and profitability and may not even offset the additional marketing investments that the Group intends to make.

To minimise the risk of such downside impact, the Group intends to implement the marketing, public relations and promotional activities as planned, to continuously monitor the success of these efforts, and take corrective actions as early as possible. In line with this, the Group has engaged services of a public relations firm to help strategise the Group's corporate communication activities.

(k) Dependency on Key Customers

There is a risk that SCAN Group is over dependent on its top few customers. For the financial year ended 31 December 2005 and six (6) months financial period ended 30 June 2006, SCAN group's top customer, MAMPU accounted for 74% and 47% respectively of SCAN Group's total turnover.

MAMPU serves as a central body under the Prime Minister's office for the development of ICT and office automation in the public sector. One of the strategic developments of ICT undertaken by MAMPU is the Managed Security Services (MSS) awarded to SCAN Group via a four-year contract in 2002 for 170 government agencies involving 500 units of ICT security devices. As at end of May 2005 under MAMPU, SCAN Group had rolled out the services of MSS to several government agencies and bodies. This provides SCAN Group with a very large user base of its products and services.

However, since SCAN Group was responsible for setting-up from scratch the MSS Centre for MAMPU, and has since been operating it, it is highly likely that MAMPU would renew the contract for the provision of MSS when the contract expires. In addition, SCAN Group sells a range of its products and services to MAMPU, which would provide it with continuity and create some dependency on SCAN Group.

In mitigating over dependency on its top customer MAMPU which the Group has been dealing since the first year of incorporation, SCAN Group has an established business relationship with 26 other customers which includes the Ministry of the Government, Affin Bank Berhad and Malaysia National Insurance Berhad. The list of the Group's other major customers are as set out in Section 4.5 of this Prospectus.

Notwithstanding the above mitigating factors, there is no assurance that SCAN Group's top customers will continue to be with SCAN Group and that their departure will not materially affect the business of SCAN Group.

For the six months financial period ended 30 June 2006, the public sector (inclusive of statutory bodies and government agencies) made up 53% of the year's revenue. The number of direct government client is 11 agencies including a centralised contract under MAMPU. In a report on assessment of the ICT security industry prepared by Vital Factor Consulting Sdn Bhd, the top four industry sectors in terms of ICT spending in 2005 were manufacturing, consumer, finance and business services and government.

3. RISK FACTORS (Cont'd)

The government sector makes up 7% of total ICT expenditure in 2005. The government market segment is thus crucial and cannot be ignore. IT spending in the public sector was set to revive with 9th Malaysian Plan, which was allocated RM13 billion against RM7.9 billion under the 8th Malaysian Plan.

However, so as not to be overly dependent on the public sectors, SCAN has embarked in other initiatives to diversify its sources of revenue. Amongst these initiatives are overseas expansion into Middle East, North Africa and South East Asia, broadening of product range and embarking into other new technology-related activities such as Broadband Power Line Communication and Secured Mobile Payment. Efforts and hard works to penetrate overseas markets started to show impressive results when inroads were successfully made in Saudi Arabia and Indonesia earlier than what the management anticipated.

(l) Dependence on Contractors/ Suppliers

As mentioned in Section 4.6 of this Prospectus, the Group is not solely dependent on any major suppliers, as the Group has established a wide network of suppliers. Such network is established through long-term relationships with most of its suppliers.

The Group adopts various measures to minimize risk of dependency on certain suppliers as follows: -

- The Group selects suppliers by getting their quotations after due consideration of their experience, track record and qualification;
- The Group ensures that suppliers are not awarded with orders more than they are capable of undertaking. Under such circumstances, the Group continuously reviews and evaluates the work in progress and performance quality of each of the orders awarded to ensure prompt completion and reasonable quality attained; and
- Other mitigating measures taken by the Group includes rotation of its suppliers.

(m) Dependence on Key Personnel

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and key management. The Group will strive to continue attracting and retaining skilled personnel to support its business operation and has made efforts to train its staff. As a result, the Group has enjoyed the support of the Directors as evidenced by their long-term service.

The Group is managed by an experienced and dedicated management team. The Group's Directors have been in the industry for a combined industry experience total of more than 40 years. They are trained and possess relevant knowledge and experience for the right business opportunities, which can provide synergy and growth to the Group.

The success of the Group's business was achieved through the deliberate and careful planning of the Directors with the support of the Group's key management team. The Group recognises the need to ensure continuity of its management in order to maintain the Group's competitive edge over its competitors. The Board believes that the continued success of the Group depends, amongst others, on the support and dedication of its management personnel.

The loss of any key personnel of the Group may adversely affect the Group's performance. In view thereof, the Group has made efforts to motivate and retain its staff through performance-based incentives, and to enhance their skills and competencies by continuously providing training.

3. RISK FACTORS (Cont'd)

In this regard, the Group continuously trains its employees by providing its employees with on-the-job training and conducting in-house training in order for them to acquire and enhance their skills and competencies (both functional and development) in line with the Group's business objectives. The on-the-job training will also assist in the transfer of knowledge from the senior employees to the new or junior employees.

This investment not only increases the technical competency of its existing employees but also serves to groom the lower and middle management staff to progressively assume the responsibilities of the senior management. The Group has signed service agreements with some of the key personnel and the co-founders. As an added incentive, the Group also has a long service scheme for its employees.

(n) Investment Activities Risks

The Company may from time to time invest in new ventures that are relatively new to the Malaysian and overseas markets. There is a potential risk that these investments may have longer than expected gestation period or may not be entirely successful. In this event, the Company may take time to recover or be unable to recover its initial investments.

If appropriate opportunities present themselves, the Group intends to establish marketing offices that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business. Acquisitions and joint ventures may cause the Group to seek additional capital, which may or may not be available on satisfactory terms.

The Company plans to mitigate this risk, together with other possible ventures risks in the future by exercising due care in the evaluation of such ventures. Nevertheless, there can be no assurance that such ventures, if any, will yield positive returns to the Company.

(o) New Geographical Market

A significant growth strategy of the Group is to expand into new geographical markets. If this is unsuccessful, it may affect the Group's revenue growth plan. Thus it is anticipated that significant resources must be placed on introducing the Group's products into these new markets, and to grow its market share there.

Such expansion into new territories comes with new risks, such as local regulatory requirements or unexpected changes in regulatory requirements, the costs and risks of customising software solutions for foreign markets, currency rate fluctuations or capital controls, difficulty in staffing and managing overseas operations, import or export regulations and restrictions, rule of law challenges, intellectual capital protection, software piracy or reverse-engineering challenges, collection of debts, and effective management of business partners overseas to name just a few.

In general, the Company mitigates this risk by exercising due care such as partnering with relevant government agencies and yearly activation of a unique code. The former takes form in coordinated efforts between the Group and the relevant agencies in penetrating the new geographical market. The latter is a unique code provided and activated to customers on a yearly basis. This will also help to mitigate risk of copyright infringements or software piracy. However, this code is not hacker-proof and hence there is no assurance that if this code is hacked, there will be no negative impact on the Group's software security, leading to a revenue and profit shortfall.

3. RISK FACTORS (Cont'd)

(p) Foreign Exchange Risks

The Group plans to further expand in overseas markets, with the export of software and services to these markets being nominated in the US dollar or in foreign currencies. This exposes the Group to foreign currency risks.

Any fluctuation in these currencies against the Ringgit due to timing differences of these settlements could have material effect on the Group's financial results. As a mitigation, the Group will consider having a foreign exchange facility to hedge its exposure from the risk of fluctuations in foreign currency in the future.

(q) Security and Systems Disruptions

The Group's office sites are reasonably secured. There is always a risk of system disruption due to among others, blackouts, natural disasters and war. The management of the Group has taken all necessary precautions including scheduled maintenance, backups and offsite storage, updates and checks to ensure minimal interruption to its operations.

The Group has not experienced any major system disruption to its operations and the Group will continue to ensure the viability of these services by taking the necessary preventive measures as mentioned above.

(r) Breakout of Fire, Energy Crisis and Other Emergencies

The Group's operations are dependent on regular and consistent supply of electricity from Tenaga Nasional Berhad. In addition, the Group also regularly trains its employees to manage and impede any fire breakout. Save as explained above, the management believes that the Group's operations are not prone to other critical emergencies.

Although the Group has not experienced any breakout of fire, energy crisis and/or other emergencies, no assurance can be given that happening of any of these events will not have an adverse impact on the Group's business. The Group has installed an UPS unit located within its premise and is also relying on generator provided by the building manager, Naluri Property Management, to ensure continuity of services in the case of power failure. This is critical to support the 24 hours monitoring services provided by the Group to its clients.

(s) Insurance Coverage on Assets

The Group is aware of adverse consequences arising from inadequate insurance coverage that could affect its business operation. In ensuring that such risks are kept to a minimum, the Group reviews on a continuous basis to ensure adequate coverage for its assets and development projects. The delivery of the products overseas or locally is insured either by the Group or the customers.

For the Group's operations, all assets such as buildings, machineries, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies.

(t) Control by Promoters/ Some Shareholders

After the Public Issue, the Promoters, as set out in Section 5.1 of this Prospectus will collectively control 74.75% of SCAN Associates' enlarged issued and paid-up capital. As a result, these Promoters will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

3. RISK FACTORS (Cont'd)

The appointment of independent directors as Chairman and Deputy Chairman of the Group's board of directors and the establishment of the Audit Committee will help to ensure that there are effective controls as well as check and balances in the management of the Group. The independent directors are long-standing corporate figures who bring with them sound business acumen and professional objectivity.

(u) Government Control or Regulation Considerations

Any business operations are subject to the jurisdiction of numerous governmental agencies or ministries. Adverse developments in political, economic, regulatory and environment conditions in Malaysia and other countries where the Group currently or may operate could materially and adversely affect the financial prospects of the Group. As disclosed in Section 4.2.3 of this Prospectus, the Group's business is subjected to certain rules and regulations.

(v) Litigation Risks

As at 31 July 2006, being the latest practicable date to the issuance of the Prospectus, the Group is not engaged either as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence or civil suits involving claims in relation to product and service liabilities which has a material effect on the financial position of the Group.

As the Group has not purchased any product liability insurance, there is a risk that the Group's interests may not be adequately protected in the event of litigation. However, the Group's liability is limited by the terms and conditions of the agreements between the Group and its customers.

(w) Change in or Loss of MSC Pioneer Status

SCAN Associates was granted MSC status on 24 December 2002 by MDeC, a body responsible for assessing and monitoring all MSC status companies. With this status SCAN Associates was awarded a tax exemption for five years under the MSC Pioneer Status (100% exemption on the taxable statutory income) under Section 4A of the Promotion of Incentive (Amendment) Act 1997. As an MSC status company, SCAN Associates enjoys certain financial and non-financial incentives, which are guaranteed under the Malaysian Government's Bill of Guarantees for MSC status companies.

The financial incentives include: -

- A five (5) year exemption from Malaysian income tax (only on income derived from MSC related activities) commencing from the date the company starts generating income, renewable to ten (10) years – renewal will depend on the Group's performance in transferring technology or knowledge to Malaysia, or 100% investment tax allowance on new investments made in the MSC cybercities, commencing from the date on which the first qualifying capital expenditure is incurred;
- Duty free importation of multimedia equipment, provided that the equipment is used by the company in the operation of its business, and not for direct sale and trading or use as components in manufactured items; and
- Research and development grants for MSC small and medium enterprises that are at least 51% Malaysian owned.

The non-financial incentives include: -

- Unrestricted employment of foreign knowledge workers;
- Freedom of ownership; and

3. RISK FACTORS (Cont'd)

- Freedom to source capital for MSC infrastructure globally and the right to borrow funds globally. All MSC status companies will be given exemptions by the Controller of Foreign Exchange from exchange control requirements, which will allow them to execute transactions in any currency in Malaysia or elsewhere, borrow any amount from financial institutions, associate companies or non-residents, hedge foreign exchange exposure, remit funds globally and open foreign currency accounts in Malaysia or abroad with no limits on balances.

MDeC is the body responsible for monitoring all MSC designated companies. MDeC has the right to take back any company's MSC status at any time. There can be no assurance that the Company will continue to retain its MSC status or that it will continue to enjoy or not experience delays in enjoying the MSC incentives outlined above, all of which could materially and adversely affect the Group's business, operating results and financial condition. In mitigating this risk, the key management of SCAN Group has been maintaining a good working relationship with MDeC.

(x) Related Party Transactions/ Conflict of Interest

As disclosed in Section 7 of this Prospectus, there are certain related-party transactions involving the Directors and substantial shareholders and/or persons connected with the Directors or substantial shareholders of SCAN Associates. The Directors and substantial shareholders of SCAN Associates have given an undertaking that all business transactions between the Group and the Directors and substantial shareholders and their related persons, shall be based on arms length basis and on commercial terms that shall not be disadvantageous to the Group.

As disclosed in Section 7 of this Prospectus, some of the Promoters, Directors and/or substantial shareholders of SCAN Associates have interests in a company carrying on similar businesses as the Group. To mitigate any potential conflict of interest, the Promoters, Directors, substantial shareholders and key management have provided written undertakings not to be involved in any new business in the future, which will give, rise to competition/ conflict with the current business of the Group.

SCAN Consulting is solely involved in ICT Security Consultancy, which is one of the services provided by SCAN Associates. Notwithstanding this, SCAN Consulting is not considered as a competitor to SCAN Associates. Instead, SCAN Consulting's operation is viewed as complementary and beneficial to the SCAN Group in view of the following:

- The collaboration with SCAN Consulting enables SCAN Associates to participate in the consulting work for the public/ government sector which SCAN Associates is not entitled in view of the Ministry of Finance's license requirement.
- Dato' Dr Norbik Bashah bin Idris is the Promoter, Executive Director and substantial shareholder of SCAN Associates. Shaharil bin Abdul Malek is the Promoter, Alternate Director and key management of SCAN Associates. Therefore, the continuing collaboration between SCAN Consulting and SCAN Group is expected to benefit the SCAN Group and all transactions will not be to the disadvantages of the SCAN Group.

In order to mitigate the conflict of interest between SCAN Consulting and SCAN Group, Dato' Dr Norbik Bashah bin Idris and Shaharil bin Abdul Malek, the shareholders of SCAN Consulting, have signed an arm's length collaboration agreement not to compete with the SCAN Group. The collaboration between SCAN Associates and SCAN Consulting commenced from 2 December 2002.

3. RISK FACTORS (Cont'd)**(y) Financial Performance****Restrictive Covenants**

Pursuant to credit facility agreements entered into by SCAN Associates with banks or financiers, it is bound by certain positive and negative covenants which may limit SCAN Associates' operating and financial flexibility. The aforesaid covenants are of a nature, which is commonly contained in credit facility agreements in Malaysia. Any act by SCAN Associates falling within the ambit or scope of such covenants will require the consent of the relevant bank/ financier. Breach of such covenants may give rise to a right by the bank/ financier to terminate the relevant credit facility and/ or enforce any security granted in relation to that credit facility. The Board of Directors is aware of such covenants and shall take all precautions necessary to prevent any such breach.

Capital Commitment

Save as disclosed in Section 9.5 of this Prospectus, the Group does not have any material commitment, which may have a substantial impact on the result or the financial position of the Group.

Indebtedness

As disclosed in Section 9.3(iii) of this Prospectus, the Group's level of gearing is 0.15 times, which is within the manageable level and would not have an adverse financial impact on the Group.

Some of the Group's working capital requirements are met partially by borrowings and internally generated funds. Given that the Group has borrowings and the payment of the loan interest is dependent on interest rate, future fluctuations of the interest rate could have material effects on the Group's interest and principal repayment.

(z) Uncertainties in the 3-Year Business Development Plan

The success of SCAN Associates' 3-Year Business Plan will depend upon:-

- (i) the acceptability of the Group's products by the market;
- (ii) its marketing strategies;
- (iii) its R & D activities;
- (iv) the ability to further develop and commercialise new products; and
- (v) the ability to hire and retained skilled management as well as financial, technical, marketing and other personnel.

There can be no assurance that SCAN Associates will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which could result in material delays in its implementation or even deviation from its original plan. In addition, the actual results may deviate from the business plan due to rapid technological changes, market as well as competitive pressures. The Executive Summary of the 3-year Business Development Plan is set out in Section 12 of this Prospectus.

(aa) Disclosure Regarding Forward-Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance of achievements express or implied in such forward-looking statements.

3. RISK FACTORS (Cont'd)

Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of the Company or its adviser that the plans and objectives of the Group will be achieved.

(bb) No Prior Market for SCAN Associates' Shares

Prior to this Public Issue, there has been no public market for SCAN Associates' shares. There can be no assurance that an active market for SCAN Associates' shares will develop and continue to develop upon or subsequent to its listing on the MESDAQ Market of Bursa Securities or, if developed, such a market will be sustained. The Issue Price of RM0.50 for the Public Issue shares has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and condition, its prospects and the prospects of the industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing market. There can be no assurance that the Issue Price will correspond to the price at which SCAN Associates' shares will trade on the MESDAQ Market of Bursa Securities upon or subsequent to its listing.

(cc) Failure/ Delay in The Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occur:

- (i) The eligible directors, employees as well as business associates of the Group fail to subscribe for the Public Issue Shares allocated to them;
- (ii) The underwriters of the Public Issue fail to honour their obligations under the underwriting agreements; and
- (iii) SCAN Associates is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of SCAN Associates must be held by a minimum of 1,000 public shareholders holding no less than 100 ordinary shares in SCAN Associates each including employees of the Group at the time of Listing.

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