

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2008

	As At 30.9.08 (Unaudited) RM'000	As At 31.12.07 (Audited) RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	19,316	23,770
Shareholders' equity	39,316	43,770
Non-current liability		
Borrowings	356	1,022
	39,672	44,792
Non-Current Assets		
Property, plant and equipment	9,606	8,288
Fixed deposits with licensed banks	2,574	5,517
Other assets	164	159
Total non-current assets	12,344	13,964
Current Assets		
Trade receivables	13,734	16,502
Work-in-progress	1,286	1,634
Other receivables	5,270	3,802
Fixed deposits with licensed banks	9,924	13,767
Cash and bank balances	806	1,081
Total current assets	31,020	36,786
Current Liabilities		
Trade payables	912	1,778
Other payables	1,324	1,910
Amount due to Directors	15	108
Borrowings	1,382	2,103
Tax payable	59	59
Total current liabilities	3,692	5,958
Net Current Assets	27,328	30,828
	39,672	44,792

Notes:

The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2007.

The unaudited condensed consolidated results as at 30 September 2008 announced by the Company is in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.08 RM'000	Preceding Year Corresponding Quarter 30.9.07 RM'000	Current Year To Date 30.9.08 RM'000	Preceding Corresponding Period 30.9.07 RM'000
Revenue	4,000	5,475	11,269	19,486
Cost of sales	(2,921)	(3,344)	(7,993)	(10,783)
Gross profit	<u>1,079</u>	<u>2,131</u>	<u>3,276</u>	<u>8,703</u>
Other operating income	137	240	473	941
Administration expenses	(2,639)	(4,449)	(8,014)	(8,263)
Operating (Loss)/Profit	<u>(1,423)</u>	<u>(2,078)</u>	<u>(4,265)</u>	<u>1,381</u>
Finance cost	(34)	(79)	(111)	(217)
(Loss)/Profit before tax	<u>(1,457)</u>	<u>(2,157)</u>	<u>(4,376)</u>	<u>1,164</u>
Income tax expenses	-	-	-	-
(Loss)/Profit for the financial period	<u>(1,457)</u>	<u>(2,157)</u>	<u>(4,376)</u>	<u>1,164</u>
Attributable to:				
Equity holders of the Company	<u>(1,457)</u>	<u>(2,157)</u>	<u>(4,376)</u>	<u>1,164</u>
(Loss)/Profit per share attributable to equity holders of the Company (sen):				
Basic	(0.73)	(1.08)	(2.19)	0.58
Diluted	N/A	N/A	N/A	N/A

Notes:

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2007.

The unaudited condensed consolidated results for the financial period ended 30 September 2008 announced by the Company is in compliance with Bursa Securities requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

	Non Distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profit RM'000		
At 1 January 2008	20,000	18,160	75	5,535		43,770
Currency translation differences arising in the period	-	-	(78)	-		(78)
Loss for the financial period:	-	-	-	(4,376)		(4,376)
At 30 September 2008	20,000	18,160	(3)	1,159		39,316
At 1 January 2007	20,000	18,182	(92)	18,260		56,350
Listing expenses	-	(22)	-	-		(22)
Currency translation differences arising in the period	-	-	(86)	-		(86)
Final tax exempt dividend of 12.5%	-	-	-	(2,500)		(2,500)
Profit for the financial period	-	-	-	1,164		1,164
At 30 September 2007	20,000	18,160	(178)	16,924		54,906

Notes:

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2007.

The unaudited condensed consolidated results for the financial period ended 30 September 2008 announced by the Company is in compliance with Bursa Securities requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

	Current Year To Date 30.9.08 RM'000	Preceding Year To Date 30.9.07 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	14,036	14,300
Cash payments to suppliers	(1,449)	(6,563)
Cash payments to employees and for administrative expenses	(16,075)	(13,404)
Cash used in operations	(3,488)	(5,667)
Other income received	262	373
Interest received	213	554
Dividend paid	-	(2,500)
Tax paid	-	(62)
Interest paid	(160)	(303)
Withdrawal of fixed deposits	2,943	1,030
Net cash used in operating activities	(230)	(6,575)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,414)	(2,461)
Proceeds from disposal of property, plant and equipment	6	231
(Payment to)/Advance from Directors	(93)	60
Net cash used in investing activities	(2,501)	(2,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase liabilities	(123)	(291)
Repayment of term loan	(1,264)	(1,902)
Net cash used in financing activities	(1,387)	(2,193)
Net decrease in cash and cash equivalents	(4,118)	(10,938)
Cash and cash equivalents brought forward	14,848	28,360
Cash and cash equivalents carried forward	10,730	17,422
CASH AND CASH EQUIVALENTS		
Cash and bank balances	806	649
Fixed deposits with licensed banks	9,924	16,773
	10,730	17,422

Notes:

The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Notes to Interim Financial Reports and the audited Financial Statements of the Company for the financial year ended 31 December 2007.

The unaudited condensed consolidated results for the financial period ended 30 September 2008 announced by the Company is in compliance with Bursa Securities requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008**

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

A1 Basis Of Preparation

This interim financial report of the Group is unaudited and has been prepared in accordance with FRS 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board ("MASB") and Rule 9.22 and Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

The accounting policies, method of computation and basis of consolidation adopted by the Group in this interim financial report are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2007.

A2 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2007 was not subject to any audit qualification.

A3 Seasonal Or Cyclical Factors

The Group's core business is in Information Technology, where the revenue streams are mainly project driven, subject to the numbers of projects secured. The Group has initiated a strategic move to increase its recurring income which begins to show results.

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

During the current financial quarter under review, there were no items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence.

A5 Material Changes In Estimates

There were no changes in estimates of amounts which may have a material effect in the current financial quarter under review.

A6 Debts And Equity Securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

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

A7 Dividends

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

A8 Segmental Information

	Current financial quarter RM'000	Financial period to date RM'000
<u>Segment revenue</u>		
Malaysia	3,411	9,738
Overseas	589	1,531
	<u>4,000</u>	<u>11,269</u>
<u>Segment (loss)/profit before tax</u>		
Malaysia	(1,565)	(4,535)
Overseas	108	159
	<u>(1,457)</u>	<u>(4,376)</u>

A9 Valuation Of Property, Plant And Equipment

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

A10 Material Events Subsequent To the Financial Quarter

Subsequent to the financial quarter, on 17 November 2008, the Company had accepted the Letter of Acceptance ("LOA") for Tender for "MAMPU/PERKHIDMATAN/8/2008: PERKHIDMATAN SOKONGAN KESELAMATAN RANGKAIAN ICT SEKTOR AWAM DAN PERKHIDMATAN MENYENGGARA PERKAKASAN, PERISIAN, APLIKASI SERTA SISTEM RANGKAIAN PRISMA SECARA KOMPREHENSIF" (the "Project") dated 11 November 2008 from the "UNIT PEMODENAN TADBIRAN DAN PERANCANGAN PENGURUSAN MALAYSIA" ("MAMPU") for the implementation of the Project. The total contract value is approximately RM15 million which is expected to commence on 1 December 2008 and complete on 30 November 2010 for a duration of two years.

Except for the above, there were no other material events between 30 September 2008 and the date of this report that have not been reflected in the interim financial statements for the financial quarter under review.

A11 Changes In The Composition Of The Group

There were no changes in the composition of the Group during the financial quarter under review.

A12 Contingent Liability

The Group does not have any contingent liability as at the date of the announcement.

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

A13 Significant Related Party Transactions

There were no significant related party transactions during the financial quarter under review.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

B1 Review Of Performance

For the current financial quarter, the Group recorded a revenue of RM4.00 million. This was mainly generated from ICT Security Consultancy, ICT Security Maintenance & Training and Managed Security Services (MSS) sections which contributed approximately 20%, 23% and 40% respectively of the total revenue for the current financial quarter. MSS which is recurring in nature, has continued to be the major contributor to the Group's revenue.

The Group recorded a loss before taxation amounting to RM1.46 million in the current financial quarter, a decrease in losses of RM699,843 as compared to the preceding year's corresponding quarter. The decrease is due to the lower indirect cost in the current financial quarter.

For the 9 months period ended 30th September 2008, the Group recorded a revenue of RM11.27 million represented a decrease of 42% as compared to the corresponding period in the preceding year. The Group recorded a loss before taxation amounting to RM4.38 million for the 9 months period ended 30th September 2008, as compared to a profit before taxation of RM1.16 million in the preceding year's corresponding period. The lower revenue generated during the 9 months period ended 30th September 2008 was mainly due to the delay in the awarding of targeted projects and hence resulting in the loss before taxation of the Group.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM4.00 million in the current financial quarter under review. This represents an increase of RM724,873 or approximately 22% from the revenue of RM3.27 million recorded in the preceding financial quarter. The increase is contributed by the higher recognition of ICT Security Consultancy, ICT Security System Development and ICT Security System Integration projects in the current quarter which is approximately 20% as compared to 18% in previous quarter.

The Group recorded a loss before taxation amounting to RM1.46 million in the current financial quarter, a decrease in losses of RM385,406 as compared to the preceding financial quarter. The decrease is due to the third quarters' improvement in revenue and slightly lower direct and indirect costs incurred.

B3 Business Prospects

Delay in the awarding of major projects has a negative impact to the Group, not only in the current quarter, but may likely impact our next quarter result. However, the Group is continuously bidding for various ICT Security projects both locally and overseas. Barring any unforeseen circumstances, the Group expects to secure more contracts in the future.

B4 Variance Of Actual Profit From Forecast Profit

This note is not applicable for the current financial quarter.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET (CONT'D)**B5 Taxation**

There was no taxation on operating income during the financial quarter under review due to tax exempt income of the Company pursuant to its pioneer status granted under the Promotion of Investments Act, 1986 (Amendments) pursuant to its MSC status entitlement under the MSC Bill of Guarantees for five years commencing 24 December 2002. The status has been extended for another five(5) years from the date of expiry of the first five(5) years period.

B6 Sale of Properties and Unquoted Investments

There were no purchases or disposals of unquoted investments and properties during the current financial quarter under review.

B7 Purchase Or Disposal Of Quoted Securities

There were no acquisitions or disposals of quoted securities during the financial quarter under review.

B8 Corporate Proposals

There is no material corporate proposal announced and not completed as at the date of this report.

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

	<u>Total amount of proceeds</u>	<u>Amount Utilised</u>		<u>Amount unutilised Total to date</u>	<u>Time frame for utilisation (After listing)</u>
		<u>Current quarter</u>	<u>Total to date</u>		
	RM'000	RM'000	RM'000	RM'000	
Development expenditure	13,000	(446)	(4,459)	8,541	3 years
Overseas projects implementation	3,500	-	(3,500)	-	2 years
Overseas expansion	5,000	(485)	(4,659)	341	3 years
Working capital	3,970	-	(3,970)	-	Within 12 months
Listing expenses	1,875	-	(1,875)*	-	Upon listing
Total	27,345	(931)	(18,463)	8,882	

* The actual listing expenses amounted to RM2,040,488. The additional amount of RM165,488 was paid from internally generated funds.

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

B9 Group Borrowings And Debt Securifies

	<u>Secured</u> RM'000
<u>Current</u>	
Term Loan	1244
Hire purchase	138
	<u>1,382</u>
<u>Non-current</u>	
Term loan	-
Hire purchase	356
	<u>356</u>
Total	<u>1,738</u>

B10 Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this announcement.

B11 Material Litigations

There were no material litigations or pending material litigations involving the Group as at the date of this announcement.

B12 Dividends

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

B13 Loss Per Share

	<u>Current financial</u> <u>quarter</u>	<u>Financial period</u> <u>To date</u>
Loss attributable to ordinary shareholders (RM'000)	<u>(1,457)</u>	<u>(4,376)</u>
Number of ordinary shares of RM0.10 issued ('000)	200,000	200,000
Weighted average numbers of ordinary shares of RM0.10 issued ('000)	200,000	200,000
Basic loss per share (sen)	(0.73)	(2.19)
Diluted loss per share (sen)	<u>(0.73)</u>	<u>(2.19)</u>

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

B13 Loss Per Share (cont'd)

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders for the financial quarter under review divided by the weighted average number of ordinary shares of RM0.10 issued.

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

B14 Update on the status of the Memorandum of Understanding pursuant to Rule 9.30 of the Listing Requirements of Bursa Securities for the MESDAQ Market

On 21 May 2008, the Company has signed a Memorandum of Understanding (MOU) with AHNLAB Inc for technology collaboration.

On 9th September 2008, the Company has entered into a Technology Collaboration Agreement with AHNLAB Inc to jointly develop and enhance the Unified Threat Management System (UTMS) and eventually manufacture the enhanced technology.