

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

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008**

	<b>As At 31.12.08 (Unaudited) RM'000</b>	<b>As At 31.12.07 (Restated)* RM'000</b>
<b>Financed by :-</b>		
Share capital	20,000	20,000
Reserves	6,090	17,913
Shareholders' equity	<u>26,090</u>	<u>37,913</u>
<b>Non-current liability</b>		
Borrowings	321	1,022
	<u>26,411</u>	<u>38,935</u>
<b>Non-Current Assets</b>		
Property, plant and equipment	8,833	7,088
Fixed deposits with licensed banks	2,811	5,517
Other assets	143	159
Total non-current assets	<u>11,787</u>	<u>12,764</u>
<b>Current Assets</b>		
Trade receivables	3,716	12,352
Work-in-progress	341	1,634
Other receivables	3,267	3,303
Fixed deposits with licensed banks	10,256	13,767
Cash and bank balances	1,098	1,081
Total current assets	<u>18,678</u>	<u>32,137</u>
<b>Current Liabilities</b>		
Trade payables	1,417	1,778
Other payables	1,655	1,910
Amount due to Directors	8	116
Borrowings	915	2,103
Tax payable	59	59
Total current liabilities	<u>4,054</u>	<u>5,966</u>
<b>Net Current Assets</b>	<u>14,624</u>	<u>26,171</u>
	<u><u>26,411</u></u>	<u><u>38,935</u></u>

**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 Audited Consolidated Balance Sheet as at 31 December 2007 has been restated to reflect the findings of the report from the Forensic Auditor as announced on 18 March 2009. However, these figures are pending finalisation of the annual audit for the financial year ended 31 December 2008.

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2008**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 31.12.08  RM'000</b>	Preceding Year Corresponding Quarter 31.12.07 (Restated)* RM'000	<b>Current Year To Date 31.12.08  RM'000</b>	Preceding Corresponding Year To Date 31.12.07 (Restated)* RM'000
Revenue	3,851	1,470	15,120	20,956
Cost of sales	<b>(3,755)</b>	(3,325)	<b>(11,748)</b>	(14,108)
<b>Gross profit</b>	<b>96</b>	(1,855)	<b>3,372</b>	6,848
Other operating income	<b>84</b>	452	<b>557</b>	1,393
Administration expenses	<b>(3,056)</b>	(2,557)	<b>(11,070)</b>	(10,820)
Other operating expenses	<b>(4,332)</b>	(11,460)	<b>(4,332)</b>	(11,460)
<b>Operating loss</b>	<b>(7,208)</b>	(15,420)	<b>(11,473)</b>	(14,039)
Finance cost	<b>136</b>	(110)	<b>25</b>	(327)
<b>Loss before tax</b>	<b>(7,072)</b>	(15,530)	<b>(11,448)</b>	(14,366)
Income tax expenses	-	(164)	-	(164)
<b>Loss for the financial period/year</b>	<b>(7,072)</b>	(15,694)	<b>(11,448)</b>	(14,530)
<b>Attributable to: Equity holders of the Company</b>	<b>(7,072)</b>	(15,694)	<b>(11,448)</b>	(14,530)
<b>Loss per share attributable to equity holders of the Company (sen):</b>				
Basic	<b>(3.54)</b>	(7.85)	<b>(5.72)</b>	(7.27)
Diluted	<b>N/A</b>	N/A	<b>N/A</b>	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 Audited Consolidated Income Statement for the quarter ended 31 December 2007 and twelve (12)-months ended 31 December 2007 have been restated to reflect the findings of the report from the Forensic Auditor as announced on 18 March 2009. However, the figures are pending finalisation of the annual audit for the financial year ended 31 December 2008.

SCAN ASSOCIATES BERHAD (525669-P)  
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2008

	Non Distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000		
At 1 January 2008	20,000	18,160	75	(322)		37,913
Currency translation differences arising in the year	-	-	(375)	-		(375)
Loss for the financial year	-	-	-	(11,448)		(11,448)
At 31 December 2008	20,000	18,160	(300)	(11,770)		26,090
At 1 January 2007	20,000	18,182	(92)	18,260		56,350
As previously stated	-	-	-	(1,552)		(1,552)
- Amounts incorrectly recognised in the income statement As restated at 1 January 2007*	20,000	18,182	(92)	16,708		54,798
Listing expenses	-	(22)	-	-		(22)
Currency translation differences arising in the year	-	-	167	-		167
Final tax exempt dividend of 12.5%	-	-	-	(2,500)		(2,500)
Loss for the financial year	-	-	-	(14,530)		(14,530)
At 31 December 2007	20,000	18,160	75	(322)		37,913

**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 Consolidated Retained Earnings as at 1 January 2007 have been restated to reflect the findings of the report from the Forensic Auditor as announced on 18 March 2009. However, the figures are pending finalisation of the annual audit for the financial year ended 31 December 2008.

**SCAN ASSOCIATES BERHAD (525669-P)**  
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<b>UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT</b> <b>FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008</b>
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	<b>Current Year To Date  31.12.08 RM'000</b>	Preceding Year To Date (Restated)* 31.12.07 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	20,321	19,868
Cash payments to suppliers	(1,691)	(4,929)
Cash payments to employees and for administrative expenses	(20,024)	(20,513)
Cash used in operations	(1,394)	(5,574)
Other income received	240	1
Interest received	318	813
Dividend paid	-	(2,500)
Tax paid	-	(62)
Interest paid	(185)	(314)
Withdrawal of fixed deposits	2,706	749
Net cash from/(used in) operating activities	1,685	(6,887)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,188)	(4,440)
Proceeds from disposal of property, plant and equipment	6	284
(Payment to)/Advance from Directors	(108)	74
Net cash used in investing activities	(3,290)	(4,082)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of hire purchase liabilities	(158)	(359)
Repayment of term loan	(1,731)	(2,184)
Net cash used in financing activities	(1,889)	(2,543)
<b>Net decrease in cash and cash equivalents</b>	(3,494)	(13,512)
<b>Cash and cash equivalents brought forward</b>	14,848	28,360
<b>Cash and cash equivalents carried forward</b>	11,354	14,848
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	1,098	1,081
Fixed deposits with licensed banks	10,256	13,767
	11,354	14,848

**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 Consolidated Cash Flow Statement for the financial year ended 31 December 2007 has been restated to reflect the findings of the report from the Forensic Auditor as announced on 18 March 2009. However, the figures are pending finalisation of the annual audit for the financial year ended 31 December 2008.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

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

**A1 Basis Of Preparation**

This interim financial statements 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 and adjustments that may be required in accordance with FRS 108- Accounting Policies, Changes in Accounting Estimates and Errors.

The interim financial statements 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 statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

The accounting policies, method of computation and basis of consolidation adopted by the Group in this interim financial statements 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 secured projects. The Group has initiated a strategic move to increase its recurring income.

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

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

On 22 January 2009, the Company had appointed a Forensic Auditor ("FA") mainly to conduct an Investigative Audit ("IA") relating to the possible financial impact of the misappropriation of funds to the Group. Pursuant to announcement dated 18 March 2009, the findings of the IA's report have been reflected in the preceding year corresponding quarter and year to date where the consolidated balance sheet, income statement, statement of changes in equity and cash flow statement have been restated.

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

**A5 Material Changes In Estimates**

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

**A6 Debts And Equity Securities**

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

**A7 Dividends**

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

**A8 Segmental Information**

	<b>Current financial quarter RM'000</b>	<b>Financial year to date RM'000</b>
<b><u>Segment revenue</u></b>		
Malaysia	2,532	12,270
Overseas	1,319	2,850
	<u>3,851</u>	<u>15,120</u>
<b><u>Segment loss before tax</u></b>		
Malaysia	(4,549)	(9,084)
Overseas	(2,523)	(2,364)
	<u>(7,072)</u>	<u>(11,448)</u>

**A9 Valuation Of Property, Plant And Equipment**

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

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

**A10 Material Events Subsequent To the Financial Quarter**

- (a) The Board of Directors of the Company ("Board") had vide its Board of Directors' Meeting resolved to dismiss its Chief Executive Officer, Dato' Aminuddin Baki @ Sabtu Bin Esa with effect from 9 January 2009.

Further to the above announcement, the Board had on 10 January 2009 lodged a police report in view of the reported Misappropriation of Company's monies amounting to RM 1.7 million as established by the Independent Panel of Domestic Inquiry.

In relation to the above, on 22 January 2009, the Company had appointed a FA to conduct an IA on the possible financial impact of the misappropriation of funds to the Group. As a result of that, on 18 March 2009, the Board announced that the FA had completed the IA and that the Board had received a report from the FA dated 2 March 2009 which the Board thereafter deliberated. The following is a summary of the critical findings of the report:-

- i) There was a manipulation of earnings to show a growth in revenue by issuing an invoice (for projects which had not been implemented) to a partner company in Saudi Arabia amounting to approximately RM 2.5 million in the financial year ended 2005 and taking the amount as revenue for that year;
- ii) A subsequent manipulation of earnings to show a growth in revenue recorded in the year 2007 where SCAN issued invoices to a partner in Syria amounting to approximately RM 4.3 million for the purportedly Consultancy Services for the ICT Security Handbook of Syrian Arab Republic;
- iii) A business transaction with a supplier which did not involve the delivery of items but a payment of approximately RM 1.7 million was made to the said supplier; and
- iv) There were manipulated records of settlement of its trade receivable namely, the partner in Saudi Arabia as mentioned in (a) above, for an amount of approximately RM 1.7 million whereby the settlement of the original invoice which was made through deduction of the commission earned by the partner in Saudi Arabia and by cash received from third party and the then Chief Executive Officer of the Company.

In addition to the above, the Board had on, 18 March 2009 lodged a police report pursuant to the formal report by the FA that the former CEO, Dato' Aminuddin Baki @ Sabtu Bin Esa was involved in manipulating revenue figures amounting to approximately RM6.8 million in 2005 and 2007 to mislead and defraud the Board and shareholders about the Company's underlying performance.

- (b) On 10 March 2009, the Company accepted a financing facility, namely "Bai Al-Inah" Project Financing amounting to approximately RM 6.25 million, granted by Malaysian Debt Ventures Berhad ("MDV").
- (c) Pursuant to the Extraordinary General Meeting ("EGM") held on 19 March 2009, the ordinary resolution to remove Dato' Aminuddin Baki @ Sabtu Bin Esa as set out in the Notice of EGM dated 4 March 2009 was duly passed by the shareholders of the Company.

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

**A10 Material Events Subsequent To the Financial Quarter (cont'd)**

Save as abovementioned, there were no other material events between 31 December 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.

**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 RM3.85 million. This was mainly generated from ICT Security Consultancy, ICT Security System Integration and Managed Security Services (MSS) sections which contributed approximately 23%, 21% and 30% 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 RM7.07 million in the current financial quarter, a decrease in losses of RM8.46 million as compared to the preceding year's corresponding financial quarter. The decrease are mainly due to lower allowance for doubtful debts provided in the current financial quarter and prior year adjustment through cancellation of revenue in the preceding year's corresponding financial quarter resulting from the findings of the IA.

For the financial year ended 31 December 2008, the Group recorded a revenue of RM15.12 million which represented a decrease of 28% as compared to the preceding year. The Group recorded a loss before taxation amounting to RM11.45 million for the current financial year as compared to a loss before taxation of RM14.37 million recorded in the preceding financial year. The lower revenue secured during the current financial year was mainly due to the delay in the award of targeted projects by third parties that the Group had bid for previously. In addition, allowance for doubtful debts amounted to approximately RM4.33 million had also contributed to the loss before taxation of the Group for the financial year ended 31 December 2008 which was lower than the allowance made in the previous year of RM9.95 million. The cancellation of revenue in the financial year ended 31 December 2007 as a result of the findings as mentioned in Note A10 had also resulted in the loss recorded in the financial year ended 31 December 2007 to be higher than the financial year ended 31 December 2008.



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

**B2 Comparison With Immediate Preceding Quarter**

The Group generated revenue of RM3.85 million in the current financial quarter under review. This represents a decrease of RM0.15 million or approximately 4% from the revenue of RM4.00 million recorded in the preceding financial quarter. The decrease is contributed by the lower recognition of ICT Security Maintenance projects in the current quarter which is only 17% as compared to 23% in the previous quarter.

The Group recorded a loss before taxation amounting to RM7.07 million in the current financial quarter, an increase in losses of RM5.61 million as compared to the preceding financial quarter. The increase in losses is mainly due to the decrease in revenue and increase in hardware costs which resulted in lower gross profit. In addition to that, the allowance for doubtful debts amounting to approximately RM4.33 million had resulted in the loss before taxation of the Group for the current financial quarter under review.

**B3 Business Prospects**

Delay in the award of major projects by third parties has a negative impact to the Group, not only in the current financial quarter, but may likely impact our next financial quarter result. However, the Group is continuously tendering for various ICT Security projects both locally and overseas. Barring any unforeseen circumstances, the Group expects and has actively positioned ourselves strategically, 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.

**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.

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

**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	(766)	(5,225)	7,775	3 years
Overseas projects implementation	3,500	-	(3,500)	-	2 years
Overseas expansion	5,000	(341)	(5,000)	-	3 years
Working capital	3,970	-	(3,970)	-	Within 12 months
Listing expenses	1,875	-	(1,875)*	-	Upon listing
<b>Total</b>	<b>27,345</b>	<b>(1,107)</b>	<b>(19,570)</b>	<b>7,775</b>	

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

**B9 Group Borrowings And Debt Securities**

	<u>Secured</u> RM'000
<u>Current</u>	
Term Loan	777
Hire purchase	138
	<u>915</u>
<u>Non-current</u>	
Term loan	-
Hire purchase	321
	<u>321</u>
<b>Total</b>	<u><u>1,236</u></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.

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

**B12 Dividends**

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

**B13 Loss Per Share**

	<u>Current financial quarter</u>	<u>Financial year to date</u>
Loss attributable to ordinary shareholders (RM'000)	(7,072)	(11,448)
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)	(3.54)	(5.72)
Diluted loss per share (sen)	N/A	N/A

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 signed a Memorandum of Understanding (MOU) with AHNLAB of Korea for a technology collaboration. On 9 September 2008, the Company entered into a Technology Collaboration Agreement ("Collaboration") to jointly develop and enhance the Unified Threat Management System ("UTMS") and to eventually manufacture the enhanced technology.

As at the date of this report, the development of the abovementioned is still ongoing.