

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

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009**

	As At 31.12.09 (Unaudited) RM'000	As At 31.12.08 (Audited) RM'000
<b>Financed by :-</b>		
Share capital	20,000	20,000
Reserves	2,152	6,026
Shareholders' equity	22,152	26,026
<b>Non-current liability</b>		
Borrowings	190	321
	22,342	26,347
<b>Non-Current Assets</b>		
Property, plant and equipment	10,361	8,781
Fixed deposits with licensed banks	1,790	2,811
Other assets	-	134
Total non-current assets	12,151	11,726
<b>Current Assets</b>		
Trade receivables	4,599	3,714
Work-in-progress	72	341
Other receivables	3,108	3,266
Fixed deposits with licensed banks	513	10,256
Cash and bank balances	5,360	1,098
Total current assets	13,652	18,675
<b>Current Liabilities</b>		
Trade payables	144	1,417
Other payables	2,316	1,655
Amount due to Directors	-	8
Borrowings	714	915
Tax payable	287	59
Total current liabilities	3,461	4,054
<b>Net Current Assets</b>		
	10,191	14,621
	22,342	26,347

**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 2008.

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2009**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 31.12.09</b>	Preceding Year Corresponding Quarter 31.12.08	<b>Current Year To Date 31.12.09</b>	Preceding Corresponding Year To Date 31.12.08 (Audited)
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue	10,767	3,848	28,917	15,117
Cost of sales	<b>(6,738)</b>	(3,754)	<b>(17,907)</b>	(11,748)
<b>Gross profit</b>	<b>4,029</b>	94	<b>11,010</b>	3,369
Other operating income	90	229	1,435	702
Administration expenses	<b>(4,363)</b>	(3,092)	<b>(14,145)</b>	(11,106)
Other operating expenses	<b>(1,700)</b>	(4,332)	<b>(1,700)</b>	(4,332)
<b>Operating loss</b>	<b>(1,944)</b>	(7,101)	<b>(3,400)</b>	(11,366)
Finance cost	<b>(69)</b>	(24)	<b>(159)</b>	(135)
<b>Loss before tax</b>	<b>(2,013)</b>	(7,125)	<b>(3,559)</b>	(11,501)
Income tax expenses	<b>(381)</b>	(10)	<b>(381)</b>	(10)
<b>Loss for the financial period</b>	<b>(2,394)</b>	(7,135)	<b>(3,940)</b>	(11,511)
<b>Attributable to: Equity holders of the Company</b>	<b>(2,394)</b>	(7,135)	<b>(3,940)</b>	(11,511)
<b>Loss per share attributable to equity holders of the Company (sen):</b>				
Basic	<b>(1.20)</b>	(3.57)	<b>(1.97)</b>	(5.76)
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 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 2009**

	← Non Distributable →			← Distributable →	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserves RM'000	(Accumulated Losses) RM'000	
At 1 January 2009	20,000	18,160	(302)	(11,832)	26,026
Currency translation differences arising in the year	-	-	66	-	66
Loss for the financial year	-	-	-	(3,940)	(3,940)
At 31 December 2009	<u>20,000</u>	<u>18,160</u>	<u>(236)</u>	<u>(15,772)</u>	<u>22,152</u>
At 1 January 2008	20,000	18,160	75	(321)	37,914
Currency translation differences arising in the year	-	-	(377)	-	(377)
Loss for the financial year	-	-	-	(11,511)	(11,511)
At 31 December 2008	<u>20,000</u>	<u>18,160</u>	<u>(302)</u>	<u>(11,832)</u>	<u>26,026</u>

**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 2008.

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

<b>UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT</b> <b>FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2009</b>
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	<b>Current Year To Date 31.12.09  RM'000</b>	Preceding Year To Date 31.12.08 (Audited) RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	27,581	19,664
Cash payments to suppliers	(14,733)	(2,888)
Cash payments to employees and for administrative expenses	(15,754)	(17,930)
	(2,906)	(1,154)
Cash used in operations	-	-
Other income received	183	318
Interest received	(146)	(185)
Interest paid	(153)	-
Tax paid	1,021	2,706
Withdrawal of fixed deposits	(2,001)	1,685
Net cash used in operating activities	(2,001)	1,685
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,149)	(3,188)
Proceeds from disposal of property, plant and equipment	4	7
Payment to Directors	-	(108)
Net cash used in investing activities	(3,145)	(3,289)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of term loan	2,400	-
Repayment of hire purchase liabilities	(132)	(158)
Repayment of term loan	(2,604)	(1,731)
Net cash used in financing activities	(336)	(1,889)
<b>Net decrease in cash and cash equivalents</b>	(5,482)	(3,493)
<b>Cash and cash equivalents brought forward</b>	11,355	14,848
<b>Cash and cash equivalents carried forward</b>	5,873	11,355
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	5,360	1,098
Fixed deposits with licensed banks	513	10,257
	5,873	11,355

**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 2008.

**SCAN ASSOCIATES BERHAD (525669-P)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

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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 ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008. 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 2008.

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 2008.

**A2 Auditors' Report On Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2008 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 and aggressively embarking into cost rationalization initiatives.

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

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

**A5 Material Changes In Estimates**

During the current financial quarter under review, there was 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**

	<b>Current financial quarter RM'000</b>	<b>Financial period to date RM'000</b>
<b><u>Segment revenue</u></b>		
Malaysia	4,453	15,293
Overseas	6,314	13,624
	<u>10,767</u>	<u>28,917</u>
<b><u>Segment loss before tax</u></b>		
Malaysia	(2,379)	(5,073)
Overseas	366	1,514
	<u>(2,013)</u>	<u>(3,559)</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**

There were no material events between 31 December 2009 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**

Subject to the approvals of the Corporate Proposals disclosed in Note B8, there would be 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 ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Review Of Performance**

For the current financial quarter, the Group recorded a revenue of RM10.77 million. This was mainly generated from ICT Security Maintenance and ICT Security System Integration sections which contributed approximately 46% and 22% respectively of the total revenue for the current financial quarter.

The Group recorded a loss before taxation amounting to RM2.01 million in the current financial quarter, a decrease in losses of RM5.12 million as compared to the preceding year's corresponding financial quarter. The decrease is mainly due to the higher gross profit margin of 37% recorded in the current financial quarter as compared to 2% recorded in the preceding year's corresponding quarter.

**B2 Comparison With Immediate Preceding Quarter**

The Group generated revenue of RM10.77 million in the current financial quarter under review. This represents an increase of approximately RM4.33 million or 67% from the revenue of RM6.44 million recorded in the preceding financial quarter. This was attributed by ICT Security Maintenance and ICT Security Systems Development which have increased by approximately RM2.84 million or 137% and RM0.97 or 100% respectively, as compared to preceding financial quarter.

The Group recorded a loss before taxation amounting to RM2.01 million in the current financial quarter, an increase in losses by RM1.31 million comparing with the loss before taxation recorded in preceding financial quarter. Although the revenue has increased by 67% as compared to the preceding quarter, the gross profit margin in the current financial quarter has decreased from 47% to 37%, attributed by the higher site operational expenses incurred for the maintenance project of one of the subsidiary companies.

**B3 Business Prospects**

The Group has continuously been tendering for various ICT Security projects both locally and overseas. As part of the reasons of the Corporate Proposals disclosed in Note B8, 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.

The amount of taxation incurred was contributed by one of the subsidiary companies.

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

### **B6 Sale of Properties and Unquoted Investments**

On 28 December 2009, the Company has entered into a conditional Sale and Purchase Agreement with Amity Corporation Sdn Bhd to acquire a unit of shop-office identified as Unit 36 (D-Wing), Type A, 6 storey corner lot, Fraser Park Shop-Office, Off Jalan Loke Yew, Kuala Lumpur for a total purchase consideration of RM4.80 million. The purchase shall be satisfied by way of cash from internally generated funds and bank borrowings of approximately 80-90% financing. A deposit sum of RM480,000 had been paid and the balance shall be paid within three months from the date the Purchaser's solicitors receive the valid and registrable instrument of transfer.

There were no other 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**

1) On 8 October 2009, the Group announced and proposed to Bursa to undertake the following proposals:-

(a) proposed share exchange on the basis of one (1) existing ordinary share of RM0.10 each in Scan Associates Berhad ("SCAN") for one (1) new ordinary share of RM0.10 each in a newly incorporated company ("Newco") at an issue price to be determined later pursuant to a scheme of arrangement under Section 176 of the Companies Act, 1965 ("Proposed Share Exchange");

(b) proposed transfer of the listing status of SCAN to Newco ("Proposed Transfer");

(c) proposed establishment of an employees' share option scheme involving up to 30% of the issued and paid-up share capital of the Company/Newco at any one time ("Proposed ESOS"); and

(d) proposed share buy-back of up to a maximum of 10% of the issued and paid-up share capital of the Company/Newco ("Proposed Share Buy-Back").

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

Save for the Proposed Revised ESOS, all other salient terms and details relating to the Previous Proposed ESOS as contained in the announcement dated 8 October 2009 remain unchanged.

The above proposals are expected to be completed in the first half of 2010.



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

**B8 Corporate Proposals (Cont'd)**

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

	<u>Total amount of proceeds</u>	<u>Amount Utilized</u>		<u>Amount unutilized</u>	<u>Time frame for utilisation</u>
	RM'000	<u>Current quarter</u>	<u>Total to Date</u>	<u>Total to date</u>	<u>(After listing)</u>
Development expenditure	13,000	(266)	(7,609)	5,391	3 years
Overseas projects implementation	3,500	-	(3,500)	-	2 years
Overseas expansion	5,000	-	(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>(266)</b>	<b>(21,954)</b>	<b>5,391</b>	

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

Except for corporate proposals disclosed above, there is no other material corporate proposal announced and not completed as at the date of this report.

**B9 Group Borrowings And Debt Securities**

	<u>Secured</u> RM'000
<b><u>Current</u></b>	
Term Loan	573
Hire purchase	141
	<u>714</u>
<b><u>Non-current</u></b>	
Term loan	-
Hire purchase	190
	<u>190</u>
<b>Total</b>	<u>904</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 ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**B12 Dividends**

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

**B13 Loss Per Share**

	<b>Current financial quarter</b>	<b>Financial period to date</b>
Loss attributable to ordinary shareholders (RM'000)	<u>(2,394)</u>	<u>(3,940)</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)	(1.20)	(1.97)
Diluted loss per share (sen)	<u>N/A</u>	<u>N/A</u>

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 9.29 of the ACE Market Listing Requirements of Bursa Securities**

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 with the Korean company.

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