

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2009

	As At 30.9.09 (Unaudited) RM'000	As At 31.12.08 (Audited) RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	4,496	6,026
Shareholders' equity	<u>24,496</u>	<u>26,026</u>
Non-current liability		
Borrowings	226	321
	<u>24,722</u>	<u>26,347</u>
Non-Current Assets		
Property, plant and equipment	10,497	8,781
Fixed deposits with licensed banks	2,507	2,811
Other assets	151	134
Total non-current assets	<u>13,155</u>	<u>11,726</u>
Current Assets		
Trade receivables	7,117	3,714
Work-in-progress	1,220	341
Other receivables	4,198	3,266
Fixed deposits with licensed banks	3,595	10,256
Cash and bank balances	1,881	1,098
Total current assets	<u>18,011</u>	<u>18,675</u>
Current Liabilities		
Trade payables	3,646	1,417
Other payables	2,069	1,655
Amount due to Directors	-	8
Borrowings	670	915
Tax payable	59	59
Total current liabilities	<u>6,444</u>	<u>4,054</u>
Net Current Assets	<u>11,567</u>	<u>14,621</u>
	<u>24,722</u>	<u>26,347</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 2008.

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009
--

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.09 RM'000	Preceding Year Corresponding Quarter 30.9.08 RM'000	Current Year To Date 30.9.09 RM'000	Preceding Corresponding Year To Date 30.9.08 RM'000
Revenue	6,439	4,000	18,150	11,269
Cost of sales	(3,412)	(2,921)	(11,169)	(7,993)
Gross profit	<u>3,027</u>	<u>1,079</u>	<u>6,981</u>	<u>3,276</u>
Other operating income	44	137	1,345	473
Administration expenses	(3,724)	(2,639)	(9,801)	(8,014)
Operating loss	<u>(653)</u>	<u>(1,423)</u>	<u>(1,475)</u>	<u>(4,265)</u>
Finance cost	(45)	(34)	(71)	(111)
Loss before tax	<u>(698)</u>	<u>(1,457)</u>	<u>(1,546)</u>	<u>(4,376)</u>
Income tax expenses	-	-	-	-
Loss for the financial period	<u><u>(698)</u></u>	<u><u>(1,457)</u></u>	<u><u>(1,546)</u></u>	<u><u>(4,376)</u></u>
Attributable to: Equity holders of the Company	<u><u>(698)</u></u>	<u><u>(1,457)</u></u>	<u><u>(1,546)</u></u>	<u><u>(4,376)</u></u>
Loss per share attributable to equity holders of the Company (sen):				
Basic	<u>(0.35)</u>	(0.73)	<u>(0.77)</u>	(2.19)
Diluted	<u>N/A</u>	N/A	<u>N/A</u>	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)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009

	← Non Distributable →			← Distributable →	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000	
At 1 January 2009	20,000	18,160	(302)	(11,832)	26,026
Currency translation differences arising in the year	-	-	16	-	16
Loss for the financial period	-	-	-	(1,546)	(1,546)
At 30 September 2009	<u>20,000</u>	<u>18,160</u>	<u>(286)</u>	<u>(13,378)</u>	<u>24,496</u>
At 1 January 2008	20,000	18,160	75	5,535	43,770
Currency translation differences arising in the year	-	-	(78)	-	(78)
Loss for the financial period	-	-	-	(4,376)	(4,376)
At 30 September 2008	<u>20,000</u>	<u>18,160</u>	<u>(3)</u>	<u>1,159</u>	<u>39,316</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)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009

	Current Period To Date 30.9.09 RM'000	Preceding Period To Date 30.9.08 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	15,993	14,036
Cash payments to suppliers	(5,916)	(1,449)
Cash payments to employees and for administrative expenses	(13,108)	(16,075)
Cash used in operations	(3,031)	(3,488)
Other income received	-	262
Interest received	95	213
Interest paid	(100)	(160)
Withdrawal of fixed deposits	304	2,943
Net cash used in operating activities	(2,732)	(230)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,811)	(2,414)
Proceeds from disposal of property, plant and equipment	4	6
Payment to Directors	-	(93)
Net cash used in investing activities	(2,807)	(2,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	2,807	-
Repayment of hire purchase liabilities	(95)	(123)
Repayment of term loan	(3,052)	(1,264)
Net cash used in financing activities	(340)	(1,387)
Net decrease in cash and cash equivalents	(5,879)	(4,118)
Cash and cash equivalents brought forward	11,355	14,848
Cash and cash equivalents carried forward	5,476	10,730
CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,881	806
Fixed deposits with licensed banks	3,595	9,924
	5,476	10,730

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)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009

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 Securities").

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

	Current financial quarter RM'000	Financial period to date RM'000
<u>Segment revenue</u>		
Malaysia	5,135	10,840
Overseas	1,304	7,310
	6,439	18,150
<u>Segment loss before tax</u>		
Malaysia	(800)	(2,697)
Overseas	102	1,151
	(698)	(1,546)

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

Except for the Corporate Proposals disclosed in Note B8, there were no other material events between 30 September 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 RM6.44 million. This was mainly generated from ICT Security Maintenance and ICT Security System Integration sections which contributed approximately 32% and 33% respectively of the total revenue for the current financial quarter.

The Group recorded a loss before taxation amounting to RM0.70 million in the current financial quarter, a decrease in losses of RM0.76 million as compared to the preceding year's corresponding financial quarter. The decrease was mainly due to the higher gross profit margin of 47% recorded in the current financial quarter as compared to 27% recorded in the preceding year's corresponding quarter. The higher gross profit margin was resulted by the larger contribution of revenue from both ICT Security Maintenance and Managed Security Services.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM6.44 million in the current financial quarter under review. This represents a decrease of approximately RM1.97 million or 23% from the revenue of RM8.41 million recorded in the preceding financial quarter. The decrease was mainly due to the reduction of revenue contribution of ICT Security Maintenance.

The Group recorded a loss before taxation amounting to RM0.70 million in the current financial quarter, an increase in losses by RM0.16 million as compared to the loss before taxation of RM0.54 million recorded in preceding financial quarter. Although the gross profit margin in the current financial quarter has increased from 32% to 47%, there was an increase in administration expenses by approximately RM0.44 million due to one-off cost in staff rationalisation expenses.

B3 Business Prospects

The Group has been continuously tendering for various ICT Security projects both locally and overseas. As part of the reasons of the Corporate Proposals and internal rationalization plan 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.

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

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

1) On 8 October 2009, MIMB Investment Bank Berhad ("MIMB"), on behalf of the Board of Directors of Scan Associates Berhad ("SCAN"), announced that SCAN proposes to undertake the following proposals:-

(a) proposed share exchange on the basis of one (1) existing ordinary share of RM0.10 each in 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 ;

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

(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.

On 6 November 2009, MIMB on behalf of the Board of Directors of SCAN announced that SCAN wishes 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>
		<u>Current quarter</u>	<u>Total to Date</u>		
	RM'000	RM'000	RM'000	RM'000	
Development expenditure	13,000	(0.423)	(7,343)	5,656	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
Total	27,345	(0.423)	(21,688)	5,656	

* 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
<u>Current</u>	
Term Loan	532
Hire purchase	138
	<u>670</u>
<u>Non-current</u>	
Term loan	-
Hire purchase	226
	<u>226</u>
Total	<u>896</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

	<u>Current financial quarter</u>	<u>Financial period to date</u>
Loss attributable to ordinary shareholders (RM'000)	(698)	(1,546)
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)	(0.35)	(0.77)
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 9.29 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.