

SCAN ASSOCIATES BERHAD (52669-P)
(A Member of SCAN Group of Companies)

Level 8, Menara Atlan (formerly known as Menara Naluri), 161 – B, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

Tel : +603-2166 0020 Fax : +603-2166 1020

Subsidiary:

**PT SCAN Nusantara,
Indonesia**

Tel : +622 1719 2811
Fax : +622 1719 2812

Partner:

**Network Information
Technology, U.A.E.**

Tel : +971 282 2522
Fax : +971 282 7080

Joint-Venture Company:

**SCAN Riyadh,
Saudi Arabia**

Tel : +966 1 2755 999
Fax : +966 1 2933 313

Partner:

**iNet,
Syria**

Tel : +963 11 374 3190
Fax : +963 11 374 3191



VISION

SCAN aims to become a global, world-class and trusted ICT Security Solutions Service Provider.

corporate vision & mission

MISSION

As a dedicated team of professionals, we shall add value to our clients in responsibly securing their ICT infrastructure by using the best technology, processes and innovative solutions and delivering world-class expertise, in accordance with international standard.



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corporate information

BOARD OF DIRECTORS

Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus

Chairman/Independent Non-Executive Director

Prof. Dato' Dr. Norbik Bashah bin Idris

Chief Executive Officer/Executive Director

Shaharil bin Abdul Malek

Chief Technology Officer/Executive Director

Dato' Nasri bin Nasrun

Independent Non-Executive Director

Francis Collin Lazaroo

Non-Independent Non-Executive Director

Andrew Su Meng Kit

Non-Independent Non-Executive Director

Muhammad Azraini bin Abdul Hamid

Alternate Director to Francis Collin Lazaroo

AUDIT COMMITTEE

Dato' Nasri bin Nasrun

Chairman/Independent Non-Executive Director

Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus

Member/Independent Non-Executive Director

Francis Collin Lazaroo

Member/Non-Independent Non-Executive Director

COMPANY SECRETARIES

Lim Ming Toong

(MAICSA No. 7000281)

Masharum binti Abdul Wahab

(MAICSA No. 7041619)

Siti Sarah binti Abd Rahman

(MAICSA No. 7059191)

REGISTERED OFFICE

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250, Kuala Lumpur
Tel : 03-2382 4288
Fax : 03-2382 4170

HEAD/MANAGEMENT OFFICE

Level 8, Menara Atlan
161-B, Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2166 0020
Fax : 03-2166 1020
Website : www.scan-associates.net

RESEARCH & DEVELOPMENT CENTRE

Lot 7.10, Level 7
Bandar Utama Technology Park
Bandar Utama
47800, Petaling Jaya
Selangor Darul Ehsan

SHARE REGISTRARS

Symphony Share Registrars
Sdn Bhd (378993-D)
Level 6 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03 7841 8000
Fax : 03 7841 8151

AUDITORS

Khairuddin Hasyudeen & Razi
(AF 1161)
B-5-7, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-2710 7717
Fax : 03-2710 7727

PRINCIPAL BANKER

Malayan Banking Berhad (3813-K)
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : 03-2070 8833
Fax : 03-2070 2611

STOCK EXCHANGE LISTING

ACE MARKET OF BURSA
MALAYSIA SECURITIES BERHAD
Stock Details : SCN

corporate structure



analysis of shareholdings

As at 30 April 2010

Authorised Share Capital	:	RM25,000,000.00 divided into 250,000,000 ordinary shares of RM0.10 each
Issued and Paid-Up Share Capital	:	RM20,000,000.00 divided into 200,000,000 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One vote per shareholder on show of hands or one vote per ordinary share on a poll
Number of shareholders	:	699

Analysis by Size of Shareholdings – As at 30 April 2010

Category	No. of Holders	%	No. of Shares	%
Less than 100	6	0.86	247	0.00
100 - 1,000	100	14.31	79,100	0.04
1,001 - 10,000	261	37.34	1,386,000	0.69
10,001 - 100,000	233	33.33	9,156,800	4.58
100,001 – 9,999,999 (less than 5% of issued shares)	94	13.44	102,168,659	51.09
10,000,000 (5% of issued shares) and above	5	0.72	87,209,194	43.60
Total	699	100.00	200,000,000	100.00

Substantial Shareholders' Shareholdings – As at 30 April 2010

Substantial Shareholders	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%
Aminuddin Baki@Sabtu bin Esa	31,361,700	15.68	-	-
Norbik Bashah Bin Idris	22,959,400	11.48	⁽¹⁾ 331,411	0.17
Commerce Asset Ventures Sdn Bhd	17,999,460	9.00	-	-
Koperasi Permodalan Felda Berhad	15,000,000	7.50	-	-
Bumiputra-Commerce Holdings Berhad	0	0	⁽²⁾ 17,999,460	9.00
Khazanah Nasional Berhad	0	0	⁽³⁾ 17,999,460	9.00
Employees Provident Fund Board	0	0	⁽⁴⁾ 17,999,460	9.00

⁽¹⁾ Deemed interested by virtue of his spouse's shareholding.

⁽²⁾ Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of its substantial shareholding in Commerce Asset Ventures Sdn Bhd.

⁽³⁾ Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of its substantial shareholding in Bumiputra-Commerce Holdings Berhad, which in turn has a substantial shareholding in Commerce Asset Ventures Sdn Bhd.

⁽⁴⁾ Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of its substantial shareholding in Bumiputra-Commerce Holdings Berhad, which in turn has a substantial shareholding in Commerce Asset Ventures Sdn Bhd.

analysis of
shareholdings

As at 30 April 2010

Directors' Shareholdings – As at 30 April 2010

Directors	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%
Tan Sri Datuk Dr. Ahmad Zaharudin Bin Idrus	10,000	*0	0	0
Professor Dato' Dr. Norbik Bashah Bin Idris	22,959,400	11.48	⁽¹⁾ 331,411	0.17
Shaharil Bin Abdul Malek	2,516,910	1.26	0	0
Dato' Nasri Bin Nasrun	0	0	0	0
Francis Collin Lazaroo	0	0	0	0
Andrew Su Meng Kit	0	0	0	0
Muhammad Azraini Bin Abdul Hamid (Alternate Director to Francis Collin Lazaroo)	0	0	0	0

⁽¹⁾ Deemed interested by virtue of his spouse's shareholding.

* Negligible

List of Thirty (30) Largest Shareholders – As at 30 April 2010

Name	No. of Shares Held	%
1. Norbik Bashah Bin Idris	22,848,034	11.42
2. Cimsec Nominees (Tempatan) Sdn Bhd - Commerce Asset Ventures Sdn Bhd for Aminuddin Baki @ Sabtu Bin Esa	20,663,700	10.33
3. Commerce Asset Ventures Sdn Bhd	17,999,460	9.00
4. Koperasi Permodalan Felda Berhad	15,000,000	7.50
5. Aminuddin Baki @ Sabtu Bin Esa	10,698,000	5.35
6. Citigroup Nominees (Asing) Sdn Bhd - UBS AG Singapore for Pearl Capital Ventures Inc	9,621,000	4.81
7. MCMC Sdn Bhd	7,780,000	3.89
8. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tey Chern Chern (REM 611)	6,078,000	3.04
9. Citigroup Nominees (Asing) Sdn Bhd - UBS AG Singapore for Ablelink Investment Ltd	5,200,000	2.60
10. Lee Chai Eng - Pledged Securities Account for Ng Chong Yau (SMART)	5,023,000	2.51

analysis of shareholdings

As at 30 April 2010

List of Thirty (30) Largest Shareholders – As at 30 April 2010 (cont'd)

Name	No. of Shares Held	%
11. ECML Nominees (Tempatan) Sdn Bhd - CIMB Bank for Nagendran A/L K. Nadarajah (M52001)	4,800,000	2.40
12. HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Renata Anita De Raj (M10)	4,485,200	2.24
13. AmBank (M) Berhad - Pledged Securities Account for Ng Chong Yau (SMART)	4,465,100	2.23
14. AmBank (M) Berhad - Pledged Securities Account for Soon Fook Kian (SMART)	3,167,000	1.58
15. Chong Sau Wei	2,061,910	1.30
16. Chew Weng Kit	2,560,000	1.28
17. Shaharil bin Abdul Malek	2,516,910	1.26
18. Nor Ramzani bin Abd Rahim	2,388,910	1.19
19. Md Nazri bin Ahmad	2,267,910	1.13
20. Chong Siew Kok	2,100,910	1.05
21. Norzakimi bin Zahari	2,055,910	1.03
22. Khairunnisa Caroline Jinap binti Abdullah	1,840,549	0.92
23. Amsec Nominees (Tempatan) Sdn Bhd - Ambank (M) Berhad for Pook Mun Fee (SMART)	1,682,500	0.85
24. ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sivanathan A/L K Nataraja	1,515,000	0.76
25. Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Rio Venture Sdn Bhd (PB)	1,500,000	0.75
26. Ramli bin Jaafar	1,170,347	0.59
27. Ong Siew Kee	1,000,000	0.50
28. Koh Chye Lee	1,000,000	0.50
29. Zakaria bin Nordin	910,000	0.46
30. Mohd Adam bin Mohd Said	882,900	0.44
	165,822,950	82.91



Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus
Chairman/Independent Non-Executive Director

profile of directors

Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus, a Malaysian, aged 66, was appointed as the Independent Non-Executive Director on 4 February 2009 and Chairman to the Board on 26 November 2009. He is also the Chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee. He commenced his career as an Agriculture Officer and then served as the Director General of the Department of Food Technology with the Ministry of Agriculture in 1974 and as Director of Food Technology at the Malaysian Agriculture Research and Development Institute (MARDI) (upon merger) from 1975 to 1981.

Tan Sri Datuk Dr. Ahmad Zaharudin served as Secretary of the National Council of Scientific Research and Development under the Ministry of Science, Technology and the Environment from 1981 to 1986. Subsequently, he was appointed as Controller of the Standards and Industrial Research Institute of Malaysia (SIRIM) from 1986 to 1989. Tan Sri Datuk Dr. Ahmad Zaharudin was the founder of Petroleum Research Institute Petronas from 1989 to 1992 and Managing Director of Petronas Scientific Services from 1992 to 1994, as well as a board member of Petronas Refineries Sdn. Bhd. from 1989 to 1994.

He served as the Vice-Chancellor of Universiti Teknologi Malaysia from 1994 to 2001, promoted the concept of technology and innovation through the establishment of the Technovation Park and the concept of industry – University Partnership. He was the key player in the establishment of Technology Park Malaysia. He held the position of Science Advisor to the Prime Minister from January 2001 to July 2006 and concurrently served as Joint-Chairman of Malaysian Industry-Government Group for High Technology (MIGHT) and continues as Advisor to MIGHT. He was also the President of the Academy of Sciences Malaysia from April 2001 to April 2007.

Currently, he is the Chairman of Malaysian Biotechnology Corporation Sdn. Bhd., Inno Bio Ventures Sdn. Bhd., Inno Biologics Sdn. Bhd. and F3 Strategies Sdn. Bhd. As well as member of both the advisory panel of the Malaysian Institute of Economic Research and the Panel of Advisors on Science & Technology to the Islamic Development Bank Jeddah, Saudi Arabia. Save for the Company, Tan Sri Datuk Dr. Ahmad Zaharudin does not hold any directorship in other public company.

profile of directors



From left to right:

**Prof. Dato' Dr. Norbik
Bashah bin Idris**
Chief Executive Officer/
Executive Director

Shaharil bin Abdul Malek
Chief Technology Officer/
Executive Director

Professor Dato' Dr. Norbik Bashah bin Idris, a Malaysian, aged 50, is Founder and Executive Director of the Company. He has been a Board member since the inception of the company on 9 September 2000. He is also a member of Remuneration Committee.

Norbik graduated in 1982 from the University of New South Wales in Australia. Later, he obtained a Master Degree from the University of Queensland. In 1995, he received a Doctorate in Computer Security from the University of Wales United Kingdom and a Professional Certificate in Software Engineering from Universite' Thales Paris. As a security professional, Norbik obtained his credentials as early as 1987 from the Computer Systems Security Professional Inc., Rhode Island USA. Later, he added to his list the CISSP (Certification for Information System Security Professional) from ISC2, Florida, USA and more recently the CISM (Certified Information Security Manager) from ISACA, Illinois, USA.

His career started as an academician at Universiti Teknologi Malaysia (UTM) in 1983. In 1996 Norbik helped to establish the Center for Advanced Software Engineering (CASE) in UTM and later became its Director and a Visiting Professor to other universities. It was also CASE which eventually gave birth to the original research team which formed SCAN. More recently, he has been on leave from UTM to focus attention on SCAN.

As a principle founder, he has contributed significantly to the growth and success of the Group. In the formative years of SCAN, Norbik was responsible to strategically engineer the Group to become a brand name in Information Security in Malaysia and the region. This he successfully achieved when in 2007 Norbik received the "Distinguished Senior IT Security Professional Award for Asia-Pacific" from ISC2, and the "Innovative Entrepreneur of the Year" from the Malaysian Malay Chamber of Commerce.

In May 2009, Norbik was appointed the Chief Executive Officer of the Company and was primarily tasked with rebuilding SCAN's image and engineering a turn-around strategy after a hiatus of corporate misadventure.

Save for the Company, Professor Dato' Dr. Norbik Bashah does not hold any directorship in other public company.

Shaharil bin Abdul Malek, a Malaysian, aged 38, was appointed as an alternate director to Professor Dato' Dr. Norbik Bashah bin Idris on 2 June 2006. On 8 July 2008, Shaharil resigned as the Alternate Director to Professor Dato' Dr. Norbik bin Idris and simultaneously he was appointed as the Executive Director of the Company. He was the Company Principal Technology Consultant and on 27 May 2009, he was appointed as Chief Technology Officer of the Company.

He is also a co-founder of the Company. Shaharil graduated with a Bachelor of Science Degree in Computer Science from Universiti Teknologi Malaysia (UTM) in 1995. His career started in 1995 where he worked as an Analyst Programmer at Mobikom Sdn Bhd. In 1996, he joined Telekom Malaysia Berhad as Assistant Manager, responsible for network and systems design and the implementation of a few mega projects. In 1998, as a Network Security Consultant at the Malaysian Computer Emergency Response Team (MyCERT) under MIMOS Berhad, he was in charge of Incident Response Handling for the Malaysian internet domain. Shaharil holds IT security professional certifications such as the Certified Information System Security Professional (CISSP), SANS GIAC Security Essentials Certification (GSEC) and Payment Card Industry Qualified Security Assessor (PCI QSA). He is also a member for SANS Advisory Board.

As the Chief Technology Officer of the Company, he is responsible on day-to-day technical operations of the Group, for the management of the Company's Technical Division, the security of the Company's ICT infrastructure and enforcement of its security policy. Save for the Company, Shaharil does not hold any directorship in other public company.



From left to right:

Dato' Nasri bin Nasrun
Independent Non-Executive Director

Andrew Su Meng Kit
Non-Independent Non-Executive Director

profile of directors

Dato' Nasri bin Nasrun, a Malaysian, aged 41, was appointed to the Board on 9 September 2000. He is a co-founder and Independent Non-Executive Director of the Company. He is currently Chairman of the Audit Committee and a member of the Nomination Committee. Dato' Nasri graduated with an Advanced Diploma in Accountancy from Universiti Teknologi Mara (UiTM) in Shah Alam in 1992. He is a Chartered Accountant by profession and a Member of the Malaysian Institute of Accountants. He started his career at KPMG Desa Megat & Co, Kuala Lumpur in 1992. In 1996, he joined Schlumberger Technical Services Inc, based in Dubai, United Arab Emirates, as a Tax Accountant, responsible for its financial accounting and regional consolidation. He came back to Malaysia in 1997 and ventured into business by setting up Hijrah Solutions Sdn Bhd in 1997 and later co-founded SCAN Associates Berhad in 2000, contributing significantly to the success of the SCAN Group. He is currently the Executive Chairman of Setegap Ventures Corporation Sdn Bhd and its group of companies which are involved in construction, concession and oil and gas services. He is also the Independent Non-Executive Director of MOL Access Portal Berhad.

Andrew Su Meng Kit, a Malaysian, aged 39, was appointed as an Alternate Director to Tan Sri Datuk Dr. Ahmad Zaharuddin Bin Idrus on 8 September 2009. On 26 November 2009, Andrew resigned as the Alternate Director to Tan Sri Datuk Dr. Ahmad Zaharuddin Bin Idrus and simultaneously was appointed as the Non-Independent Non-Executive Director of the Company.

Andrew Su started his career under articleship training in 1990 with an international accounting firm, KPMG, where he qualified as a Certified Public Accountant in 1994 under the Malaysian Association of Certified Public Accountant, MACPA (now known as MICPA). From 1995 to 1997, he worked as a financial controller for a subsidiary of a multinational company listed in Australia. In 1997, he joined a wood-based furniture product manufacturing company where he served as General Manager and Executive Director until 1999. In 2000, he was involved in the internet industry and as a financial/corporate advisor for a company listed on the Second Board of Bursa Malaysia. From 2001 to early 2006, he joined the merchant banking industry, where he last held the position of Director of Corporate Finance. From 2006 to early 2008, he became the Chief Executive Officer of a public listed company in Malaysia. He currently operates a private company as a management consultant and sits on the Board of EG Industries Berhad and Mexter Technology Berhad.

profile of directors



From left to right:

Francis Collin Lazaroo
Non-Independent
Non-Executive Director

**Muhammad Azraini
bin Abdul Hamid**
Alternate Director to
Francis Collin Lazaroo

Francis Collin Lazaroo, a Malaysian, aged 57, was appointed to the Board on 29 April 2009 as a Non-Independent Non-Executive Director. He is also the Chairman of Remuneration Committee and a member of Audit Committee. Francis Collin Lazaroo graduated with a Bachelor of Economics from University of Malaya. He has thirty three (33) years in total, of which twenty nine (29) years in retail banking, specifically twenty two (22) years in information technology industry. His last position was as Chief Executive Officer of iCIMB (Malaysia) Sdn Bhd. He had previous working experience with Malayan Banking Berhad and PERNAS Sime Darby. Save for the Company, Francis Collin Lazaroo does not hold any directorship in other public company.

Muhammad Azraini bin Abdul Hamid, a Malaysian, aged 34, was appointed as an Alternate Director to Francis Collin Lazaroo on 29 April 2009. He obtained his Bachelor of Science in Management from the Golden Gate University, San Francisco, California, United States of America. Prior to joining CAV Private Equity Management Sdn Bhd ("CPEM") in the year 2000, Muhammad Azraini worked for MTDC Capital and Technology Research Sdn Bhd, a subsidiary of Malaysian Technology Development Corporation Sdn Bhd. At the time, he was involved in corporate finance and research. Currently, he is managing venture capital and private equity funds for CPEM.

He sits on the boards of several private companies. Save for the Company, Muhammad Azraini does not hold any directorship in other public company.

Notes to Directors' profile

1. The Directors do not have any family relationship with other directors and/or major shareholders of the Company.
2. None of the Directors has been convicted for any offences within the past 10 years other than traffic offences, if any.
3. The details of the Directors' Securities holdings are set out in the Analysis of Shareholdings as at 30 April 2010.
4. The Directors do not have any conflict of interest with the Company, save for Professor Dato' Dr. Norbik Bashah bin Idris and Shaharil bin Abdul Malek, for certain recurrent related party transactions of revenue or trading nature which are necessary for day to day operations of the Group.

corporate profile

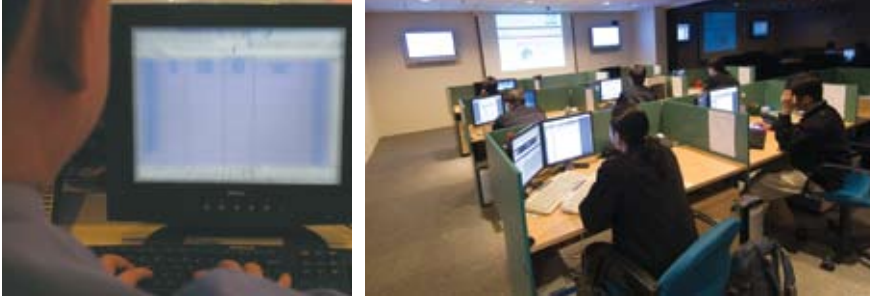


Co – founded by Prof. Dato’ Dr. Norbik Bashah Idris in September 2000, SCAN Associates Berhad (SCAN) is the premier ICT security company in Malaysia. It holds MSC Malaysia status, certifications in ISMS 27001, ISO 9001 and CMMI ML3.

Headquartered in the heart of Kuala Lumpur, SCAN operates not only in Malaysia, but also in four (4) other different countries worldwide namely Indonesia, Saudi Arabia, Syrian Arab Republic and the United Arab Emirates (UAE). Through diverse technologies and highly skilled employees, SCAN propels significant growth in year 2006 which then led to its listing on the MESDAQ Market of Bursa Malaysia (now known as ACE Market). The persistent efforts to improve the company’s success continue to pay off ever since.

Today, SCAN is renowned in providing security solutions and has built a strong client base namely in the Government & private sectors both locally and in overseas. Among our clients are Bank Negara Malaysia, Employee Provident Fund (EPF), Malaysian Administrative Modernisation & Management Planning Unit (MAMPU), University Technology of Mara (UiTM), PT Telkom Indonesia, PT Indosat, Tbk of Indonesia, Communications & Information Technology Commission of Saudi Arabia, Great Eastern Assurance (M) Berhad, Kuwait Finance House Malaysia Berhad and National Commercial Bank of Saudi Arabia.

core business



SCAN is backed by relevant Malaysian Government Agencies, such as the Multimedia Development Corporation and Malaysian Debt Ventures to spearhead ICT security initiatives in Malaysia as well as overseas. In addition, SCAN houses the highest concentration of internationally certified ICT security professionals in Malaysia.

At SCAN we uphold Trust as its fundamental value proposition in providing customer-centric solutions and services to the growing regional and global markets, where we aim to be one of the leading global ICT security solutions providers.

SCAN leverages its highly skilled workforce to become the best ICT Security Solutions Provider in the country and rightly is. Over the years the company has matured and expanded its services to 6 highly-demanded offerings.

ICT Security Application Systems Development:

Through this segment, systems and applications such as Enterprise Security Solution, Identity Service Infrastructure and Mobile Number Management are specially customised and integrated to fulfil our client's variable needs.

ICT Security Application Software Packages:

SCAN's extensive research and skilled manpower has led to development of reliable and efficient security software such as encrypted email, secure data storage and secure email delivery. Products in this segment include TRUSTMatrix™ Fx, a software which was fully-developed in-house and enables enterprise data privacy and protection, MatrixNET Enterprise PKI (Public Key Infrastructure), and the new Shared Security Service (S3).

ICT Security Consultancy:

SCAN's professionally qualified consultants will assist organisations in matters such as Security Policies & Framework Development, Business Continuity Management, Security Posture Assessment, ICT Security Risk Assessment, ICT Security Incident Response, and the preparation for ICT Security Professional Certification for the internationally recognised ISO/IEC 27001:2005 for Information Security Management System.

ICT Security Systems Integration:

Comprises of two sub-components i.e. System Design & Implementation, and integration of third party software and hardware.

Outsourcing Services or Managed Security Services:

Managed Security Services enable organisations to outsource the protection of their ICT infrastructures to SCAN. SCAN will perform the monitoring, detecting, responding, managing and preventing any form of disruptions to the customers.

Maintenance and ICT Security Training:

SCAN will perform/maintain ICT security systems or devices be it software, hardware or systems as well as the provision of periodic patches and updates. Our ICT security training programme provides clients with the most comprehensive, practical and latest ICT security updates and trends. Technical and Management courses are available for all level of personnel be it beginner, intermediate or advance.

leading the way





chairman's statement

DEAR ESTEEMED SHAREHOLDERS,

ASSALAMU'ALAIKUM AND SALAM SEJAHTERA.

On behalf of the Board of Directors, I am honoured to present my yearly review of the performance and operations of SCAN and its subsidiaries ("Group") for the financial year ended 31 December 2009.

FINANCIAL REVIEW

The Group recorded revenue of RM RM28.92 million and loss before tax of RM3.84 million compared to RM15.12 million and RM11.50 million respectively in year 2008. This represents an average growth of 91% in revenue and an improvement of 67% in loss before tax.

BUSINESS REVIEW

SCAN is now focusing on consolidation and rationalization of its operations in managing cost control, and strengthening its financial position. In this context, we actively nurture and invest in the development and growth of our human capital as well as the strengthening of our values and performance driven culture. We believe that above all else, especially in these challenging times, it will be our people's efforts and dedication that will position us in good stead to maintain our excellent record of achieving good results.

PROSPECTS

Moving forward, year 2010 promises to be another challenging year, nonetheless the Group is aiming to move towards a new direction and achieving a solidity company. Leveraging into our past experiences and track record and looking ahead towards new technologies and methods, SCAN has been successful in tapping and acquiring new project opportunities which will materialize within next year.

ACKNOWLEDGEMENT

The Board welcomed and congratulates Mr. Andrew Su Meng Kit on his appointment as Non-Independent Non-Executive Director on the Board of Directors. Once again, I would like to extend my heartfelt appreciation to the management and staff of the Group for their timeless effort and commitment throughout the year. I would also like to convey my sincere gratitude to our esteemed Board of Directors for their invaluable guidance, and to all shareholders, clients, suppliers, bankers, business associates, the investment community and regulatory authorities for their constant support and cooperation.

Thank you

Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus
Chairman



chief executive officer's statement

ASSALAMUALAIKUM AND SALAM SEJAHTERA.

Year 2009 was indeed gruelling and testing for the Group. As we entered the year, reputation needed serious mending while cashflow was extremely tight. Staff morale was low and some staff chose to leave. This was further worsened by the continuous uncertain business environment, both local and abroad.

Yet, against such a background, the Group performed relatively well. Tracing back since the genesis of the company, in 2009 SCAN recorded the second highest revenue figure in its history. The company managed to substantially increase revenue from RM15 million in 2008 to about RM 29 million, an increase of more than 90%. We have further prevented financial performance from worsening and managed to record an improved lesser net loss to a much reduced figure of RM4 million compared to RM11 million in 2008, an improvement of about 65%.

A turnaround plan was conceptualized in June 2009. By year end the plan was on track and started to bear results in terms of cost cut, cost consciousness and efficiencies through the re-structured Strategic Business Units (SBUs). Another important aspect of the turnaround plan was to intensify business. Remaining niche in information security, the Group started to explore collaborative business relationships with other ICT companies which provide services where security is critical.

In terms of core business, Managed Security Services continued to be the top contributor making up more than a third of total revenue. Notably, PT SCAN Nusantara, the subsidiary in Indonesia performed well and started to make profit in 2009. The positive turnaround momentum so far has come during a time of tremendous financial stress and hardship which makes whatever achievements thus far all the more remarkable. If this trajectory is sustained, the Group should be back to making profit in 2010.

Being a technology company, SCAN further strengthened its technology skills and products through professional trainings and research activities including collaboration with local and international partners. Towards the end of 2009, Research & Development efforts funded primarily by the IPO proceeds were almost at full completion. The continuous pursuit in R&D resulted in another launch of our latest product called "S3" in the 1st quarter of 2010. The Group is optimistic that the new product will generate better profit flow to the company as it transformed from the traditional paradigm of encryption components into one of a platform for sharing security services.

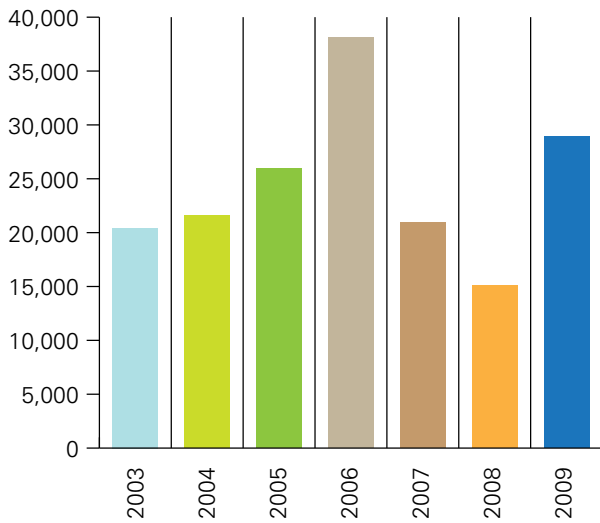
Whatever success achieved has been made possible by the dedication of employees, staffs, shareholders, partners as well as our Board. In this I would like to congratulate Tan Sri Datuk Dr. Ahmad Zaharudin Idrus on his appointment as the new Chairman and Mr. Andrew Su Meng Kit as a member of the Board.

I also would like to extend our deepest sincere gratitude to Lt. Gen. (R) Raja Dato' Abdul Rashid bin Raja Badiozaman for his contributions and services as Chairman during truly challenging times in the history of our company.

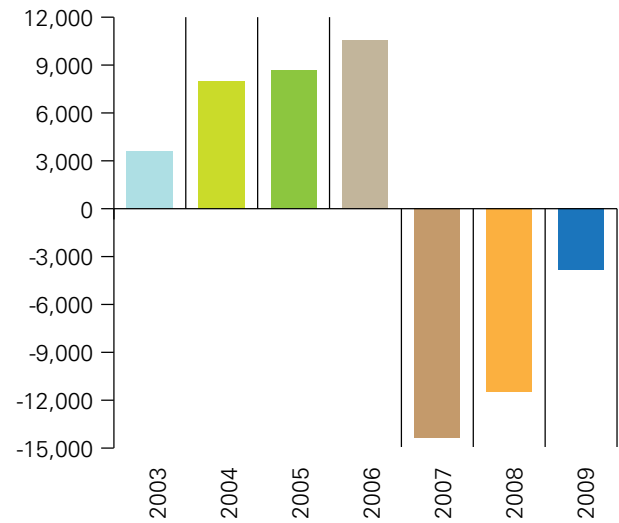
Prof. Dato' Dr. Norbik Bashah Idris
Group Chief Executive Officer

group financial highlights

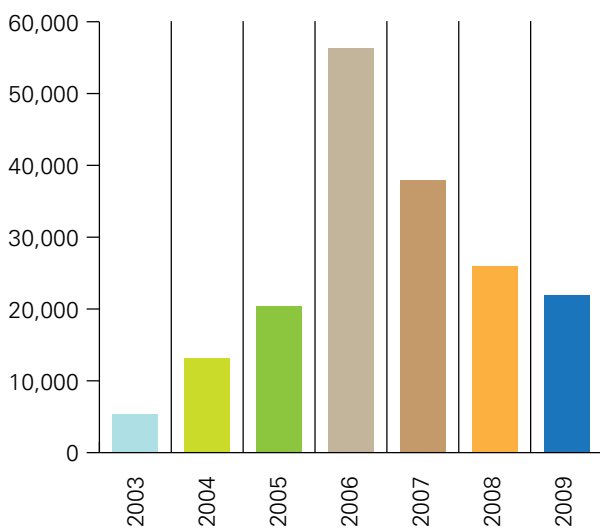
Turnover
(RM'000)



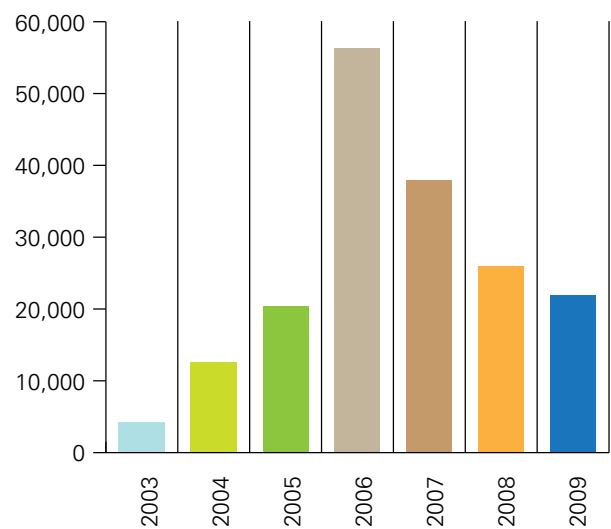
Profit/(Loss) Before Tax
(RM'000)



Shareholder's Equity
(RM'000)



Net Tangible Asset ("NTA")
(RM'000)



awards & achievements



At SCAN, we take humble pride in delivering quality products and value-for-money services to our clients. Rest assured we will continue to do our best to serve you, our cherished clients. Our efforts have not gone disregarded and these awards below also serve as our baseline for our future endeavors.

Recipient of Achievement of Capability Maturity Model Integration V1.2 Level on 3 March 2010.

Recipient of Capability Development Achievement Event 2009 –Software Testing : MDeC SHINE Dinner 2009.

Recipient of Best Security Service Provider of the Year by Cyber Security Malaysia at the inaugural Malaysia Cyber Security Awards 2009.

Recipient of BRONZE AWARD for Industry Excellence in Science & Technology by Malaysia-Canada Business Council Business Excellence 2008.

Awarded 'Managed Security Service Provider of the Year' in Frost & Sullivan Malaysia Telecoms Award for two consecutive years in 2006 and 2007.

Recipient of Key Industry Leader Medal 2007 from PIKOM Awards.

Recipient of Emerging Entrepreneur of the Year Award at the Asia Pacific Entrepreneurship Awards 2007 Malaysia Region.

Recipient of the Honourary Award at the inaugural (ISC)² Asia-Pacific Information Security Leadership Achievements (ISLA) Award Night 2007 under the Senior IT Security Professional Category.

Recipient of the Innovative Entrepreneur Award from Malaysian Malay Chamber of Commerce (DPMM) Award Dinner in 2007.

awards & achievements



Recipient of Multimedia Development Corporation (MDec) Award in 2006.

Recipient of the Company of the Year 2006 Award from Commerce Asset Ventures.

Awarded MasterCard Site Data Protection (SDP) Compliance Certificate in 2005 for the well-known SCAN Security Posture Assessment (SPA) module.

ICT security research findings were acknowledged by Microsoft Inc and US Homeland Security Agency.

Developer and operator of the largest Security Operations Centre in South East Asia, which comprises of the monitoring and surveillance of 600 security devices for 200 organisations.



CERTIFIED TO ISO/IEC 27001:2005
CERT NO.: AR 3872



CERTIFIED TO ISO 9001:2000
CERT NO.: AR 4346



Contributed extensively in the following segments:

Active contributor to the Industry namely:

- Consultant to the development of various Standards and Guidelines for various Governments
- Malaysian Public Sector Management of Information & Communications Technology Security Handbook
- Malaysian Public Sector ICT Risk Assessment Methodology (MyRAM)
- Management of Information & Communications Technology Security Handbook for the Kingdom of Saudi Arabia

Member of various International Standards Development authority's (ISD)

- ISO/IEC 1/SC27 WG1
- ISO/IEC NP 18043 Information Technology – Deployment and operation of Intrusion Detection System
- ISO/IEC NP 24762 – Guidelines for ICT disaster recovery services

Author of various ICT Security whitepapers and advisories

Organiser and sponsor for various ICT Security competitions (i.e. "Capture the Flag" challenge, e-Forensics etc)

- Hack-in-the-Box (HITB) Malaysia – 2007
- Inter-varsity Hacking Competition – 2007

Speakers and Trainers in various international conferences such as HITB, Microsoft, Black hat, Bella etc – 2007.

corporate calendar of events 2009



16 JANUARY 2009

Annual Staff Meeting @ Tulip Room, Menara Atlan.



19 MARCH 2009

EGM @ Tulip Room, Menara Atlan.



MARCH – MAY 2009

SCAN Sports Carnival



18 MAY 2009

Technology Update session with EPF



5 – 7 JUNE 2009

SCAN Family Day @ Corus Port Dickson



25 JUNE 2009

AGM @ Tulip Room



26 JUNE 2009

Visit by Iranian ICT Minister



JULY 2009

Staff Gathering

corporate responsibility



SCAN Associates Berhad (SCAN) has decided to volunteer to donate blood to a blood bank with great spirit in order to support the routine requirement in hospitals. Under the current circumstances, there could be sudden demand from the blood bank as certain chronic diseases require frequent blood transfusions.

SCAN once again organized this corporate social responsibility campaign in July 2009.



Blood Donation

Blood donation is one of the most beneficial acts of charity that an individual can engage in.

statement on corporate governance

The Board acknowledges the importance of practising good corporate governance and is fully committed to the principles of the Malaysian Code on Corporate Governance (“the Code”) as well as the relevant requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Board will ensure that the highest standard of corporate governance is practiced throughout the Group in discharging its responsibilities to protect and enhance shareholders value, protecting the interest of the minority shareholders as well as managing the financial performance of the Group.

This statement sets out the manner in which the Group has applied the Principles and the extent of compliance with the Best Practices in Corporate Governance as set out in Part 1 and Part 2 respectively of the Code, pursuant to Rule 15.25 of the Listing Requirements of Bursa Securities for the ACE Market. The best practices that were not adopted during the financial year are explained in the relevant paragraphs.

PRINCIPLE STATEMENT

The Board is pleased to provide the following statements which set out how the Group will adopt the principle of self-regulation which adheres closely to the Code.

Board of Directors

i. The Board

The Group is led by experienced Board members with high personal integrity, wide mix of knowledge, business acumen, management skills and industry expertise from various backgrounds. The Board takes overall responsibility for the strategic direction by identifying principle risks associated in running the business, and control of the Group by ensuring the implementation of appropriate systems to manage such risks.

ii. Board Composition and Balance

The Board consists of seven (7) Directors, of which two (2) are Executive Directors, two (2) are Independent Non-Executive Directors, two (2) are Non-Independent Non-Executive Director and one (1) Alternate Director.

This is in compliance with Rule 15.02(1) of the ACE Market that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, comprise of Independent Directors.

A brief profile of each Director is presented on pages 7 to 10 of this Annual Report.

The Board exercises full control over the Group and monitors the management. The Executive Directors take overall responsibilities for the day-to-day operations of the Group and the implementation of the Board’s policies and decisions. The presence of Independent Non-Executive Directors adds an element of check and balance, where they also play the central role of incorporating accountability by providing objective and independent views to the decision-making process of the Board.

statement on corporate governance

Board of Directors (cont'd)

ii. Board Composition and Balance (cont'd)

The roles of the Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities to ensure the balance of power and authority to ensure no single individual has absolute power within the Group. The Chairman leads the Board to assure its effectiveness whereas the Chief Executive Officer is responsible for the efficient and effective management of the business and operational matters of the Company.

The Board is of the opinion that the appointment of Senior Independent Non-Executive Director to whom concerns may be conveyed, is not necessary at this stage as the Chairman fully encourages the participation of the Board members in Board meetings.

Board Committees

The Board delegates specific responsibilities to Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee to enhance business, operational and administrative efficiency and effectiveness.

The members of the committees would appoint the Chairman of the various committees. These committees have the authority to examine particular issues and report to the Board with recommendations. The ultimate responsibility for final decision on all matters rests with the Board.

a. Audit Committee

Details of the Audit Committee are set out on pages 28 to 30 of this Annual Report.

b. Nomination Committee

The Nomination Committee is responsible for recommending candidates for appointment as new Directors and Board member. The Committee will also assess the effectiveness of the Board and Board committees.

The Committee members are:

- Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus – Chairman
- Dato' Nasri bin Nasrun

Primary duties, amongst others, are to assess and review the Board composition to ensure suitable skills balance, experience and expertise among the Board members and recommend to the Board, candidate or candidates for directorships and on Board Committees.

The Nomination Committee has met once during the period under review, discussing mainly on candidates for the new appointments of a Director and an Alternate Director by assessing their capabilities, experience and expertise to ensure the effectiveness of the Board by virtue of their appointments.

c. Remuneration Committee

The Remuneration Committee is responsible for developing the remuneration policy for Executive Directors for the Board's approval. The Committee will also recommend remuneration packages and terms of employment of Executive Directors.

statement on corporate governance

The Committee members are:

- Francis Collin Lazaroo – Chairman
- Tan Sri Datuk Dr. Ahmad Zaharuddin bin Idrus
- Professor Dato' Dr. Norbik Bashah bin Idris

The Remuneration Committee will gather comparative information on remuneration and conditions for services of comparable entities and review its directors' fees of their competitiveness.

d. Investment Committee

The Investment Committee is responsible for assessing the merits of Merger and Acquisition investments towards achieving the corporate objectives and thereafter recommending the same for Board approval. As at the date of this Annual Report, the Committee comprises three (3) Board members and one (1) key management member of the Company.

iii. Board Meetings

For the financial year ended 31 December 2009, the Company held twelve (12) Board Meetings. At these meetings, there were financial and business reviews and discussion topics including business performance to-date against the Company's annual budget and financial plans previously approved by the Board.

Details of Directors' attendance are as follows:

Name of Director	Designation	Meetings Attended
Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus	Chairman/Independent Non-Executive Director	8/10
Professor Dato' Dr. Norbik Bashah bin Idris	Chief Executive Officer / Executive Director	12/12
Dato' Nasri bin Nasrun	Independent Non-Executive Director	12/12
Shaharil bin Abdul Malek	Chief Technology Officer / Executive Director	12/12
Francis Collin Lazaroo	Non-Independent Non-Executive Director	6/7
Muhammad Azraini bin Abdul Hamid	Alternate Director	7/7
Andrew Su Meng Kit	Non-Independent Non-Executive Director	3/3

- 1) Dato' Aminuddin Baki @ Sabtu Bin Esa was removed as Non-Independent Non-Executive Director with effect from 19 March 2009. The number of meeting he attended was 1/4.
- 2) Lt.Gen.(R) Raja Dato' Abdul Rashid Bin Raja Badiozaman resigned as Chairman/Independent Non-Executive Director with effect from 29 June 2009. He did not attend any meeting during the year.
- 3) Tan Sri Datuk Dr. Ahmad Zaharudin Bin Idrus appointed as Director with effect from 4 February 2009 and as Chairman to the Board with effect from 26 November 2009.
- 4) Francis Collin Lazaroo appointed as Director with effect from 29 April 2009.
- 5) Muhammad Azraini Bin Abdul Hamid (alternate Director to Francis Collin Lazaroo) appointed with effect from 29 April 2009.
- 6) Andrew Su Meng Kit (Alternate Director to Tan Sri Datuk Dr. Ahmad Zaharudin Bin Idrus) appointed with effect from 8 September 2009 and resigned as Alternate Director with effect from 26 November 2009.
- 7) Andrew Su Meng Kit appointed as Director with effect from 26 November 2009.

statement on corporate governance

Board of Directors (cont'd)

iv. Supply of Information

Directors are provided with sufficient notices for each Board meeting and Board papers are distributed prior to the meetings to enable the Directors to review and consider the agenda items that will be discussed in the Board meetings. Items in the agenda cover areas of strategic, financial, operational and regulatory compliance matters. These issues are then deliberated and discussed thoroughly by the Board before decisions are made.

The Chairman ensures that the Board has unrestricted access to timely and accurate information in carrying out their duties. The Board is always given access to seek advice and services of the Company Secretary for independent professional advice.

v. Appointment to the Board

In order to comply with good practice for the appointment of new directors through a formal and transparent procedure, the Board has set up a Nomination Committee which comprised exclusively of non-executive directors, to evaluate and recommend candidates for directorship to the Board.

vi. Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall be subject to retirement by rotation from office at each Annual General Meeting and that all Directors shall retire once every three (3) years. The Director retiring shall be eligible for re-election by the shareholders.

vii. Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Program as prescribed by Bursa Securities.

During the financial year, respective Directors had presented and/or attended the trainings/courses as follows:

- Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus
 - Mandatory Accreditation Programme for Directors of Public Listed Companies by Bursatra Sdn Bhd, 27 & 28 October 2009
- Professor Dato' Dr. Norbik Bashah bin Idris
 - CIMB Private Banking Investment Conference 2009, 18 March 2009
 - MDeC CDP Leadership Workshop: Best Practices in Restructuring for Growth, 9 June 2009
 - Cybersecurity Secure Asia @ KL, 7 & 8 July 2009
- Dato' Nasri bin Nasrun
 - Private Finance Initiative (PFI) : Insights & Opportunities in Malaysia by Malaysian Institute of Accountants, 20 May 2009
- Shahril bin Abdul Malek
 - Hacker Halted Asia Pacific 2009, 10 & 11 November 2009
 - Critical Information Infrastructure Resiliency, 2 December 2009

statement on corporate governance

Board of Directors (cont'd)

vii. Directors' Training (cont'd)

- Francis Collin Lazaroo
 - Mandatory Accreditation Programme for Directors of Public Listed Companies by Bursatra Sdn Bhd, 23 & 24 June 2009
 - High Level Forum for Directors of Listed Issuers In Enhancing Corporate Governance, 7 September 2009
- Andrew Su Meng Kit
 - Nil due to his busy schedules and frequent travels during the year.
- Muhammad Azraini bin Abdul Hamid
 - High Level Forum for Directors of Listed Issuers In Enhancing Corporate Governance, 7 September 2009

The Directors are mindful that they should continue to attend relevant seminars and courses to stay abreast with the various issues arising from the business environment, regulatory and corporate governance to enhance their skills and knowledge to effectively discharge their duties and obligations.

DIRECTORS' REMUNERATION

The remuneration package are structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully. The remuneration package of the Non-Executive Directors depends on their contribution to the Group in terms of their knowledge and experience.

Details of the aggregate remuneration of Directors for the financial year ended 31 December 2009 are as follows:

	Fees (RM)'000	Salaries & Allowances (RM)'000	Bonuses & Incentives (RM)'000	Employer provident fund (RM)'000	Benefits in kind (RM)'000	Total (RM)
Executive Directors	-	553	-	106	40	699
Independent Non-Executive Directors	58	-	-	-	-	58
Non-Independent Non-Executive Directors	18	-	-	-	-	18
TOTAL	76	553	-	106	40	775

statement on corporate governance

DIRECTORS' REMUNERATION (CONT'D)

Remuneration Bands	Executive Directors	Independent Non-Executive Directors	Non-Independent Non-Executive Directors
Below RM50,000	1	3	3
RM50,001 – RM100,000	-	-	-
RM100,001 – RM150,000	-	-	-
RM150,001 – RM200,000	-	-	-
RM200,001 – RM250,000	1	-	-
RM250,001 – RM300,000	-	-	-
RM300,001 and above	1	-	-

Shareholders

i. Dialogue between companies and investors

The company intended to pursue the dialogue between the investors, however due to the current market trend and current downtrend of market share, the company had planned to attend similar dialogue upon the share market returning to its upward trend.

ii. The AGM

The forthcoming Annual General Meeting ("AGM") provides the opportunity for shareholders to raise any concerns they may have on the Annual Report, Audited Financial Statements and corporate developments in the Group, the resolutions being proposed and/or on the business of the Group. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board and the Auditor of the Company will also be present to answer questions raised at the meeting.

Accountability and Audit

i. Financial Reporting

It is the aim of the Board that the financial reporting presents a balanced and meaningful assessment of the Group's financial position and prospect primarily through its annual financial statements and quarterly financial results to its shareholders.

In the preparation of the financial statements, the Group used appropriate accounting policies that are consistently applied and supported by reasonable judgments and estimates.

ii. Internal Controls

The Directors acknowledge their responsibility for the Group's system of internal controls covers not only financial controls but include operational, compliance controls and risk management.

The Statement on Internal Control furnished on page 32 of the Annual Report provides an overview of the state on internal controls within the Group

iii. Relationship with Auditors

The Company has always maintained a professional relationship with the Company's external auditors towards ensuring compliance with the relevant accounting standards in Malaysia.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report as set out on pages 28 to 30 of this Annual Report.

additional compliance information

STATUS OF UTILISATION OF LISTING PROCEEDS

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

	As approved in SC's letter dated 19.6.2006 RM'000	Revision approved in SC's letter dated 5.4.2010 RM'000	Amount Unutilised as at 31.8.2009 RM'000	Amount Unutilised as at 31.12.2009 RM'000	Timeframe for Utilisation
Development expenditure	13,000	8,000	795	391	5.4.2011
Overseas projects implementation	3,500	3,500	-	-	-
Overseas expansion	5,000	5,000	-	-	-
Working capital	3,970	8,970	5,000	5,000	5.4.2011
Listing expenses	1,875	1,875	-	-	-
Total	27,345	27,345	5,795	5,391	

Share Buyback

During the financial year, the Company did not enter into any share buyback transactions.

Options or Warrants or Convertible Securities

The Group did not issue any options or warrants or convertible securities during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR and GDR programme.

Impositions of Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group for the financial year amounting to RM18,950.

Variation in Results/Profit Estimate, Forecast or Projection

There was no profit estimate, forecast or projection issued by the Group in respect of the financial year.

There was no deviation of 10% or more between the results for the financial year ended 31 December 2009 as per the audited financial statements and the unaudited results previously announced.

Profit Guarantee

The Company did not issue any profit guarantee during the financial year.

Material Contract Involving Directors and Major Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving the directors and major shareholders which were subsisting at the end of the financial year.

Recurrent Related Party Transactions of a Revenue or Trading Nature

Details of Recurrent Related Party Transactions of a Revenue or Trading Nature is disclosed in Note 26 to the Financial Statements on page 71.

Revaluation Policy

The Company does not have any revaluation policy on its property, plant and equipment.

audit committee report

The Audit Committee which consists of three (3) members were appointed by the Board of Directors to fulfill their responsibilities of overseeing and reviewing the adequacy and integrity of the financial reporting process, the system of internal control, the audit process and the Company or Group's process for monitoring compliance with the laws and regulations, code of conduct and best practices in corporate governance.

The present members of the Audit Committee are:

Chairman: **Dato' Nasri bin Nasrun**
(Independent Non-Executive Director) (Appointed as Chairman on 1 July 2009)

Members: **Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus**
(Independent Non-Executive Director) (Appointed on 4 February 2009)

Francis Collin Lazaroo
(Non-Independent Non-Executive Director) (Appointed on 20 August 2009)

The composition of the Committee complies with Rules 15.09 and 15.10 of the ACE LR of Bursa Securities.

AUDIT COMMITTEE MEETINGS AND ATTENDANCE

For the financial year ended 31 December 2009, six (6) Audit Committee Meetings were held with the following attendance:

Audit Committee Members	Total meetings attended
Dato' Nasri bin Nasrun	6/6
Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus	6/6
Francis Collin Lazaroo	1/1

Lt. Gen.(R) Raja Dato' Abdul Rashid Bin Raja Badiozaman resigned as Committee member with effect from 29 June 2009. He did not attend any meeting during the year.

TERMS OF REFERENCE

1. Composition

The Committee shall consist of at least three (3) members and not more than six (6) members from the Board. At least one member shall be well-versed and familiar in the financial field and preferably be a member of the Malaysian Institute of Accountants.

2. Chairman

The Chairman shall be nominated by the Committee members.

3. Secretary

The Secretariat of the Audit Committee is the Company Secretary and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of the Committee and circulating them to the Committee members.

audit committee report

4. Meetings

The Committee will meet at least four (4) times in a year, with authority to convene additional meetings, as circumstances require. The quorum for a meeting shall be two (2) members, provided that the majority of the members present at the meeting shall be independent.

The Committee can invite members of management, auditors or other related parties to the meetings to provide pertinent information, as necessary.

5. Rights and Authority

The Committee has the authority to carry out or authorize investigations into any matters within its scope of responsibilities. It is empowered to:

- i. Appoint, compensate, retain and oversee the work of any registered public accountant firm engaged by the Company or Group.
- ii. Resolve any disagreement between management and auditors regarding financial reporting.
- iii. Pre-approved all auditing and non-auditing activities to be carried out by the Internal Audit.
- iv. Appoint independent counsel, accountants or others to advise or assist the Committee in the course of investigation.
- v. Seek any information required from external parties or employees/management.
- vi. Meet with Company officers, external auditors, or outside counsels, as and when necessary.

6. Duties and Responsibilities

The duties and responsibilities of the Committee shall be:

- i. Review the financial statements to ensure that the financial statements are prepared in accordance with the generally accepted accounting practices.
- ii. Review the quarterly interim results, half yearly and the annual financials prior to filing with the regulators.
- iii. Consider the effectiveness of the internal control systems.
- iv. Propose system of risk management for safeguarding of Company's assets.
- v. Review the internal audit program and results from the internal audit process.
- vi. Review the external auditors' proposed audit scope of works, including coordination of works with internal auditor.
- vii. Review the effectiveness of the system of monitoring compliance with laws and regulations.

audit committee report

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2009, the activities of the Audit Committee to accomplish its functions and duties were as follows:

1. Reviewed the quarterly financial results announcements of the Group prior to the Board of Directors' approval and releasing of the same to Bursa Malaysia Securities Berhad ("Bursa Securities").
2. Reviewed the audited financial results for the financial year ended 31 December 2009 prior to Board of Directors' approval and releasing the same to Bursa Securities.
3. Reviewed the related party transactions entered into by SCAN.
4. Reviewed the process improvement audit findings and action plan.
5. Approved the Internal Audit Charter and Terms of Reference.
6. Discussed and approved the internal audit plan for the financial year ended 31 December 2009.

INTERNAL AUDIT FUNCTION

The Company outsourced its internal audit function which will liaise with the Compliance Department in conducting the internal audit activities. The roles of the internal auditors are to perform regular and systematic review of the internal control systems and to provide the Audit Committee with independent reviews in accordance with the internal audit program that has been approved by the Audit Committee.

During the financial year, the audit activity conducted was on the 'Payroll System' and was completed in April 2009. The cost incurred for the internal audit function in respect of financial year ended 31 December 2009 was RM3,666. Audit findings and recommendations highlighted in the audit reports were presented and discussed during the Audit Committee meetings.

PROCESS IMPROVEMENT AUDIT

As ISO27001:2005 certified organization which strives towards Information Security Management Systems (ISMS), the audit function is undertaken by the Compliance Department to ensure that the controls and objectives of the standards are adhered to, maintained and followed. The audit findings and areas of improvement were highlighted in the audit reports and discussed during the Management Review meeting and the Audit Committee meetings. By being certified towards ISO9001:2008, Quality Management Systems (QMS) the organization was able to handle project management in a professional and structured way resulting in customers' confidence.

statement on directors' responsibility

The Directors are responsible for ensuring that the financial statements of the Group and of the Company are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at the financial year end and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2009, the Directors have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensure adoption of applicable approved accounting standards; and
- Prepared the financial statements on a going concern basis, as the Board has reasonable expectations that the Group and Company have adequate resources to continue in operational existence for foreseeable future.

The Directors are responsible for ensuring that the Group and Company maintain proper accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and which enables them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors also have the general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 28 April 2010.

statement on internal control

The Board of Directors of SCAN Associates Berhad understands the importance of Malaysian Code of Corporate Governance and its responsibility to make disclosures on the state of internal control in accordance with Listing Requirements of Bursa Malaysia Securities Berhad.

Accordingly, the board is pleased to present this Statement on Internal Control of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2009.

BOARD RESPONSIBILITY

The Board is responsible for the Group's system of internal control which include the establishment of an appropriate control environment and framework and for reviewing its adequacy and integrity. The Board ensures that the Management maintains a sound system of internal controls and effective risk management policies to safeguard shareholders' investments and the Group's assets.

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated to the Audit Committee. The Committee obtains the assurance of the adequacy and integrity of the internal control system through independent reviews conducted by the internal audit function, external auditors and Management.

The Board believes because of the inherent limitation in any system of internal control, it is not possible to eliminate entirely the risk that may prevent the Group from achieving its business objectives but rather manage the risk within the Group acceptable risk limit. The system, by its nature, can only give reasonable but not absolute assurance against any material misstatement or loss due to material errors, poor decision-making judgement, human errors, losses, fraud or other irregularities.

The key elements of the Group Internal Control are:

- Clearly defined delegation of responsibilities of the Board, Committee and Management of the Group including level of authorisation;
- Clearly documented internal procedures for some identified critical processes;
- Detailed budgeting process whereby subsidiary companies prepares annual budgets which are approved by their respective Board and endorsed by the Board of SCAN;
- Regular and comprehensive information provided to Board of Directors and Management, covering operational and financial performance, including monitoring of actual results against budget. If any, significant variances are investigated and followed up, and if necessary, management actions are taken;
- Regular monitoring by the Compliance Department to ensure adherence to the Standard Operations Polices and Procedure and ISO 27001:2005 and ISO 9001:2008 standards; and
- Ongoing efforts on for process improvement with aim for achieving the Company's Mission Statement.

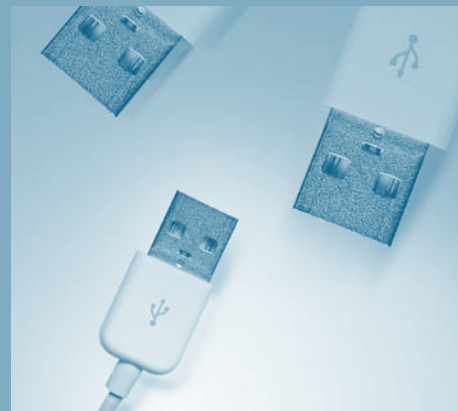
The Board recognises the importance of risk management towards the achievement of the Group's corporate objectives. As such, the Board is in the process of establishing a risk management approach to identify key risk areas, the likelihood of such occurrence, the consequences and the action plan required to mitigate those risks. The risk management process would be an ongoing practice and is subject to regular review by the Board.

CONCLUSION

The Board is of the view that there is no significant weakness in the system of internal control of the Group for the financial year ended 31 December 2009. The Board is committed in ensuring that the Group continuously reviews the effectiveness of its internal control system.

financial statements

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directors' report

for the financial year ended 31 December 2009

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are providing information and communication technology (ICT) security solutions. The principal activities of the subsidiary companies are described in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	(4,174,621)	(5,088,899)
Attributable to: Equity holders of the Company	(4,174,621)	(5,088,899)

DIVIDENDS

There were no dividends paid and proposed since the end of previous financial year.

RESERVES AND PROVISION

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued during the financial year.

directors' report

for the financial year ended 31 December 2009

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Datuk Dr. Ahmad Zaharudin bin Idrus	(Appointed on 4 February 2009)
Prof. Dato' Dr. Norbik Bashah bin Idris	
Shaharil bin Abdul Malek	
Dato' Nasri bin Nasrun	
Francis Collin Lazaroo	(Appointed on 29 April 2009)
Andrew Su Meng Kit	(Appointed on 26 November 2009)
Muhammad Azraini bin Abdul Hamid	
(Alternate Director to Francis Collin Lazaroo)	(Appointed on 29 April 2009)
Lt. Gen (R) Raja Dato' Abdul Rashid bin Raja Badiozaman	(Resigned on 29 June 2009)

DIRECTORS' INTEREST

In accordance with Article 88 of the Company's Articles of Association, Prof. Dato' Dr. Norbik Bashah bin Idris and Shaharil bin Abdul Malek retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to Article 81 of the Company's Articles of Association, Andrew Su Meng Kit retires at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

According to the Register of Directors' Shareholdings, the beneficial interests of those who were directors at the end of financial year in the shares of the Company were as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as at 1.1.2009	Bought	Sold	Balance as at 31.12.2009
Direct Interest				
Prof. Dato' Dr. Norbik Bashah bin Idris	22,959,400	-	-	22,959,400
Shaharil bin Abdul Malek	2,516,910	-	-	2,516,910

No other directors at the end of the financial year held interest in shares of the Company and its related corporations during the financial year.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in Note 29 to the financial statements) by reason of a contract made by the Company or a related corporation with the director is a member, or with a company in which the director has a substantial financial interest.

directors' report

for the financial year ended 31 December 2009

OTHER STATUTORY INFORMATION

Before the income statements and the balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors of the Group and of the Company are not aware of any circumstances which would render:

- i) the amount written off for bad debts, or the amount of the provision for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- ii) the value attributed to the current assets of the Group and of the Company misleading;

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statement misleading.

As at the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

- (i) no contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

directors' report

for the financial year ended 31 December 2009

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the directors:

- (i) the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report, and
- (ii) the financial statements set out on pages 41 to 77, are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the results, the changes in equity and the cash flows of the Group and of the Company for the financial year ended on that date.

AUDITORS

The auditors, Messrs. Khairuddin, Hasyudeen & Razi, have indicated that they do not wish to seek reappointment.

Signed on behalf of the Board in accordance with a resolution of the directors, dated 28 April 2010.

PROF. DATO' DR. NORBIK BASHAH BIN IDRIS

Director

SHAHARIL BIN ABDUL MALEK

Director

Kuala Lumpur

statement by directors

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We PROF. DATO' DR. NORBIK BASHAH BIN IDRIS and SHAHARIL BIN ABDUL MALEK, being two of the directors of SCAN ASSOCIATES BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 41 to 77 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the results, the changes in equity and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2010.

PROF. DATO' DR. NORBIK BASHAH BIN IDRIS
Director

SHAHARIL BIN ABDUL MALEK
Director

statutory declaration

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, PROF. DATO' DR. NORBIK BASHAH BIN IDRIS, being the director primarily responsible for the financial management of SCAN ASSOCIATES BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 41 to 77 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
PROF. DATO' DR. NORBIK BASHAH BIN IDRIS)
at Kuala Lumpur in the)
Federal Territory on 28 April 2010)

PROF. DATO' DR. NORBIK BASHAH BIN IDRIS

Before me,

Commissioner of Oath

independent auditors' report

TO THE MEMBERS OF SCAN ASSOCIATES BERHAD

Report on the Financial Statements

We have audited the financial statements of SCAN ASSOCIATES BERHAD, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 77.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

independent auditors' report

TO THE MEMBERS OF SCAN ASSOCIATES BERHAD

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Khairuddin Hasyudeen & Razi

AF 1161
Chartered Accountants

Kuala Lumpur
Dated: 28 April 2010

Ahmad Shahrul Hj Mohamed

2138/04/11 (J)
Partner of the Firm

consolidated balance sheet

As at 31 December 2009

	NOTE	2009 RM	2008 RM
FINANCED BY:			
SHAREHOLDERS' EQUITY			
Share capital	7	20,000,000	20,000,000
Share premium		18,159,512	18,159,512
Foreign exchange reserves		(235,534)	(301,531)
Accumulated losses		(16,006,242)	(11,831,621)
		21,917,736	26,026,360
LONG TERM LIABILITY			
Borrowings	8	190,418	320,880
		22,108,154	26,347,240
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,685,279	2,560,011
Development expenditure	10	8,503,474	6,221,555
Fixed deposits with licensed banks	12	1,789,693	2,810,867
Other assets		-	133,822
Total non-current assets		11,978,446	11,726,255
CURRENT ASSETS			
Trade receivables	13	4,598,897	3,714,320
Work-in-progress		72,030	340,254
Other receivables	14	3,035,672	3,266,091
Fixed deposits with licensed banks	12	512,962	10,256,530
Cash and bank balances	12	5,360,478	1,098,470
Total current assets		13,580,039	18,675,665
CURRENT LIABILITIES			
Trade payables		143,689	1,417,977
Other payables	16	2,351,560	1,655,013
Amount due to directors	17	-	8,006
Borrowings	8	713,556	914,880
Tax payable		241,526	58,804
Total current liabilities		3,450,331	4,054,680
NET CURRENT ASSETS			
		10,129,708	14,620,985
		22,108,154	26,347,240
NET ASSETS PER SHARE			
		0.11	0.13

The accompanying notes form an integral part of the financial statements.

consolidated income statement

For the financial year ended 31 December 2009

	NOTE	2009 RM	2008 RM
Revenue	18	28,917,281	15,116,795
Cost of sales	19	(18,106,276)	(11,747,270)
Gross profit		10,811,005	3,369,525
Other income	20	1,435,321	702,410
Administrative expenses		(14,225,557)	(11,106,558)
Other operating expenses	21	(1,699,728)	(4,331,663)
Loss from operations		(3,678,959)	(11,366,286)
Finance costs	22	(159,550)	(134,851)
Loss before taxation	23	(3,838,509)	(11,501,137)
Taxation	24	(336,112)	(9,559)
Loss for the financial year		(4,174,621)	(11,510,696)
Attributable to:			
Equity holders of the Company		(4,174,621)	(11,510,696)
Minority interest		-	-
		(4,174,621)	(11,510,696)
Loss per share attributable to equity holders of the Company (sen):			
Basic, for loss for the financial year	25	(2.09)	(5.76)

The accompanying notes form an integral part of the financial statements.

consolidated statement of changes in equity

For the financial year ended 31 December 2009

		Non-Distributable		Distributable	
	Share capital RM	Share premium RM	Foreign exchange reserve RM	Accumulated losses RM	Total equity RM
Balance as at 1 January 2008	20,000,000	18,159,512	74,409	(320,925)	37,912,996
Foreign currency translation	-	-	(375,940)	-	(375,940)
Loss for the financial year	-	-	-	(11,510,696)	(11,510,696)
Balance as at 31 December 2008	20,000,000	18,159,512	(301,531)	(11,831,621)	26,026,360
Foreign currency translation	-	-	65,997	-	65,997
Loss for the financial year	-	-	-	(4,174,621)	(4,174,621)
Balance as at 31 December 2009	20,000,000	18,159,512	(235,534)	(16,006,242)	21,917,736

The accompanying notes form an integral part of the financial statements.

consolidated cash flow statement

For the financial year ended 31 December 2009

	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	27,581,175	19,663,610
Cash payments to suppliers	(14,731,139)	(2,887,736)
Cash payments to employees and for administrative expenses	(16,211,456)	(17,929,658)
Cash used in operations	(3,361,420)	(1,153,784)
Tax paid	(146,382)	-
Interest received	183,170	318,476
Interest paid	(153,392)	(185,369)
Net cash used in operating activities	(3,478,024)	(1,020,677)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note 9)	(318,962)	(850,434)
Additions of development expenditure	(2,374,112)	(2,337,434)
Proceeds from disposal of property, plant and equipment	-	6,949
Proceeds from insurance claims	3,954	-
Repayment to directors	-	(107,832)
Uplift of fixed deposits	1,021,174	2,705,889
Net cash used in investing activities	(1,667,946)	(582,862)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to hire purchase liabilities	(131,694)	(157,924)
Drawdown of term loan	2,400,000	-
Repayment of term loans	(2,603,896)	(1,731,468)
Net cash used in financing activities	(335,590)	(1,889,392)
Net decrease in cash and cash equivalents	(5,481,560)	(3,492,931)
Cash and cash equivalents brought forward	11,355,000	14,847,931
Cash and cash equivalents carried forward (Note 12)	5,873,440	11,355,000

balance sheet

As at 31 December 2009

	NOTE	2009 RM	2008 RM
FINANCED BY: SHAREHOLDERS' EQUITY			
Share capital	7	20,000,000	20,000,000
Share premium		18,159,512	18,159,512
Accumulated losses		(14,969,793)	(9,880,894)
		23,189,719	28,278,618
LONG TERM LIABILITY			
Borrowings	8	189,366	320,880
		23,379,085	28,599,498
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,651,310	2,520,843
Development expenditure	10	8,034,774	5,676,354
Investment in subsidiaries	11	376,202	376,202
Fixed deposits with licensed banks	12	1,398,735	2,732,917
Total non-current assets		11,461,021	11,306,316
CURRENT ASSETS			
Trade receivables	13	3,256,580	2,709,526
Work-in-progress		72,030	340,254
Other receivables	14	2,459,511	2,288,753
Amount due from subsidiaries	15	4,361,532	3,778,394
Fixed deposits with licensed banks	12	512,962	10,256,531
Cash and bank balances	12	4,322,804	1,095,727
Total current assets		14,985,419	20,469,185
CURRENT LIABILITIES			
Trade payables		143,689	854,397
Other payables	16	2,212,682	1,559,982
Amount due to directors	17	-	8,006
Borrowings	8	710,984	694,814
Tax payable		-	58,804
Total current liabilities		3,067,355	3,176,003
NET CURRENT ASSETS		11,918,064	17,293,182
		23,379,085	28,599,498

The accompanying notes form an integral part of the financial statements.

income statement

For the financial year ended 31 December 2009

	NOTE	2009 RM	2008 RM
Revenue	18	15,435,779	13,832,370
Cost of sales	19	(7,352,189)	(10,781,584)
Gross profit		8,083,590	3,050,786
Other income	20	1,276,855	419,497
Administrative expenses		(12,687,813)	(9,844,559)
Other operating expenses	21	(1,699,728)	(4,331,663)
Loss from operations		(5,027,096)	(10,705,939)
Finance costs	22	(120,607)	(45,010)
Loss before taxation	23	(5,147,703)	(10,750,949)
Taxation	24	58,804	-
Loss for the financial year		(5,088,899)	(10,750,949)

The accompanying notes form an integral part of the financial statements.

statement of changes in equity

For the financial year ended 31 December 2009

	— Non-Distributable —		Distributable	Total RM
	Share capital RM	Share premium RM	Retained earnings/ (Accumulated losses) RM	
Balance as at 1 January 2008	20,000,000	18,159,512	870,055	39,029,567
Loss for the financial year	-	-	(10,750,949)	(10,750,949)
Balance as at 31 December 2008	20,000,000	18,159,512	(9,880,894)	28,278,618
Loss for the financial year	-	-	(5,088,899)	(5,088,899)
Balance as at 31 December 2009	20,000,000	18,159,512	(14,969,793)	23,189,719

The accompanying notes form an integral part of the financial statements.

cash flow statement

For the financial year ended 31 December 2009

	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	14,303,757	16,796,067
Cash payments to suppliers	(14,164,158)	(2,792,291)
Cash payments to employees and for administrative expenses	(4,630,316)	(15,606,574)
Cash used in operations	(4,490,717)	(1,602,798)
Interest received	158,141	301,923
Interest paid	(146,382)	(97,393)
Net cash (used in)/generated from operating activities	(4,478,958)	(1,398,268)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note 9)	(295,070)	(690,550)
Additions of development expenditure	(2,374,112)	(2,337,434)
Proceeds from disposal of property, plant and equipment	-	6,949
Proceeds from insurance claims	3,954	-
Payment to directors	(8,006)	(107,832)
Uplift of fixed deposits	1,334,18	2,783,839
Net cash used in investing activities	(1,339,052)	(345,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to hire purchase liabilities	(131,514)	(157,924)
Drawdown of term loan	2,400,000	-
Repayment of term loans	(2,383,830)	(733,382)
Advances to subsidiary companies	(583,138)	(788,466)
Net cash used in financing activities	(698,482)	(1,679,772)
Net decrease in cash and cash equivalents	(6,516,492)	(3,423,068)
Cash and cash equivalents brought forward	11,352,258	14,775,326
Cash and cash equivalents carried forward (Note 12)	4,835,766	11,352,258

notes to the financial statements

– 31 December 2009

1. CORPORATE INFORMATION

- (a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad (Bursa Securities). The registered office of the Company is located at 10th Floor Menara Hap Seng, No. 1 & 3 Jalan P Ramlee, 50250 Kuala Lumpur.
- (b) The principal activities of the Company are providing information and communication technology (ICT) security solutions. The principal activities of the subsidiary companies are described in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

3. DATE AUTHORISATION OF ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on .

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's guidelines are to minimise the exposure of overseas operating activities to transaction risk by matching local currency income against local currency costs.

(b) Interest rate risk

The Group's guideline is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

(c) Credit risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted if the credit risk is material.

notes to the financial statements

– 31 December 2009

4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Market risk

The Group does not have any quoted investments and hence is not exposed to market risks.

(e) Liquidity and cash flow risks

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets of the Group and a flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowings needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.

5. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS")

The following applicable FRSs have been adopted by the Group and the Company effective for financial period beginning on or after 1 January 2009:

(a) FRSs and amendment that are mandatory for the financial periods beginning on or after 1 January 2009:

- i) FRS 6: Exploration for and Evaluation of Mineral Resources.
FRS 6 is not relevant to the Group's operation.
- ii) Amendment to FRS 119₂₀₀₄: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures.
Amendment to FRS 119₂₀₀₄ is not relevant to the Group's operation.

(b) As of the date of issuing financial statements, the following new/revised FRS and IC Interpretations have been issued but not yet effective:

FRS 4	Insurance Contracts**
FRS 7	Financial Instruments: Disclosures**
FRS 8	Operating Segments*
FRS 139	Financial Instruments: Recognition and Measurement**
IC Interpretation 9	Reassessment of Embedded Derivatives**
IC Interpretation 10	Interim Financial Report and Impairment**

* Effective for accounting periods beginning on or after 1 July 2009.

** Effective for accounting periods beginning on or after 1 January 2010.

The Directors anticipate that the adoption of these FRSs and IC Interpretations in future periods will have no material financial impact on the financial statements of the Group and of the Company.

notes to the financial statements

– 31 December 2009

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Basis of preparation

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia. The financial statements are prepared under the historical cost convention, unless otherwise indicated in the other significant accounting policies. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2009 as described fully in Note 5.

6.2 Summary of significant accounting policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra-group balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

notes to the financial statements

– 31 December 2009

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Summary of significant accounting policies (cont'd)

(b) Development expenditure

Development expenditure is charged to the income statement in the financial year in which it is incurred, except in so far as it relates to a clearly defined project which the benefit there from can be reasonably regarded as assured. The development expenditure is amortised in the income statement upon commencement of commercial production over a period of 5 years.

The development expenditure of a project is only recognised as an asset when all of the following criterias are met:

- (i) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
- (ii) the technical feasibility of the product or process can be demonstrated;
- (iii) the enterprise intends to produce and market, or use, the product or process;
- (iv) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
- (v) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 6.2(d).

Research and development equipments in progress are not depreciated. The residual value and useful lives of property, plant and equipment are reviewed and adjusted in appropriate at each balance sheet date. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following rates:

Computer equipment	33 1/3%
Computer software	33 1/3%
Office equipment	20%
Furniture and fittings	20% - 25%
Office renovation	20%
Development assets	33 1/3%
Air-conditioner	20%
Motor vehicles	20%
Security operation centre	20%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

notes to the financial statements

– 31 December 2009

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Summary of significant accounting policies (cont'd)

(d) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount.

(e) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash in hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts. Deposits held as pledged securities for term loans are not included as cash and cash equivalents.

(ii) Trade and other receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Trade and other payables

Trade and other payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

notes to the financial statements

– 31 December 2009

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iv) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(vi) Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements.

(f) Assets acquired under hire-purchase

The cost of property, plant and equipment acquired under hire purchase arrangements which transfer substantially the risks and rewards of ownership to the Group are capitalised. The depreciation policy for these assets is similar to that of the Group's property, plant and equipment depreciation policy.

Outstanding obligation due under hire purchase arrangements after deducting finance expenses is included as liabilities in the financial statements. Finance charges on hire purchase arrangements are allocated to income statement over the period of the respective agreements.

(g) Borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment, construction contracts and property development are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for their intended use.

All other borrowing costs are recognised as expense in the income statement in the period in which they are incurred.

notes to the financial statements

– 31 December 2009

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Summary of significant accounting policies (cont'd)

(h) Income taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(i) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(j) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

notes to the financial statements

– 31 December 2009

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Summary of significant accounting policies (cont'd)

(j) Employee benefits (cont'd)

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the financial year to which they relate. Once the contributions have been paid, the Company has no future obligations.

(iii) Termination Benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

(k) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statements for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement of the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

notes to the financial statements

– 31 December 2009

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Summary of significant accounting policies (cont'd)

(k) Foreign Currencies (cont'd)

(ii) Foreign Currency Transactions (cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

The principal closing rates used in translation of foreign currency amounts is as follows:

	Company	
	2009 RM	2008 RM
US Dollars	3.5133	3.4675
Saudi Riya	10.9014	0.9242
Indonesia Rupiah (100)	0.0365	0.0318

(l) Revenue recognition

Revenue from contract work/sale of solutions development is recognised on the percentage of completion method determined on the proportion of cost incurred to date against total estimated cost in cases where the outcome of the contract can be reliably estimated. In cases where the outcome of the contract cannot be reliably estimated, the revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. In all cases, anticipated losses are provided in full.

notes to the financial statements

– 31 December 2009

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.3 Significant accounting estimates and judgements

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of property, plant and equipment and development expenditure

Determining whether the property, plant and equipment and development expenditure are impaired requires an estimation of value-in-use of the property, plant and equipment and development expenditure. The value-in-use calculation requires the management to estimate the future cash flows and an appropriate discount rate in order to calculate the present value of future cash flows. The management has evaluated such estimates and is confident that no provision for impairment is necessary.

(ii) Estimated residual values and useful lives of property, plant and equipment

The Group's and the Company's businesses are fairly capital intensive. The depreciation charges form a significant component of the total costs of income statement. The Group and the Company review the residual values and useful lives of property, plant and equipment at each balance sheet date in accordance with the accounting policy. The review is based on the factors such as expected level of usage, business plans and strategies and future regulatory changes. The estimation of the residual values and useful lives involves significant judgment.

(iii) Provision for bad and doubtful debts

The Group and the Company assess at each balance sheet date whether there are objective evidence that trade and other receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

(iv) Provisions

The Group and the Company recognise provisions when they have present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Group's and the Company's current best estimate.

notes to the financial statements

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7. SHARE CAPITAL

	Group and Company 2009 RM	2008 RM
Authorised: 250,000,000 Ordinary shares of RM0.10 each As at beginning and end of the financial year	25,000,000	25,000,000
Issued and paid-up: 200,000,000 Ordinary shares of RM0.10 each As at beginning and end of the financial year	20,000,000	20,000,000

8. BORROWINGS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<u>Current secured:</u>				
Term loans	572,936	776,832	572,936	556,766
Hire purchase	140,620	138,048	138,048	138,048
	713,556	914,880	710,984	694,814
<u>Non-current secured:</u>				
Term loans	-	-	-	-
Hire purchase	190,418	320,880	189,366	320,880
	190,418	320,880	189,366	320,880
	903,974	1,235,760	900,350	1,015,694
<u>Hire purchase liabilities</u>				
minimum hire purchase payments				
- not later than 1 year	154,517	151,152	151,152	151,152
- later than 1 year and not later than 2 years	152,274	151,152	151,151	151,152
- later than 2 years and not later than 5 years	55,417	200,034	55,417	200,034
Future finance charges on hire purchase	362,208 (31,170)	502,338 (43,410)	357,720 (30,306)	502,338 (43,410)
Present value of hire purchase	331,038	458,928	327,414	458,928

notes to the financial statements

– 31 December 2009

8. BORROWINGS (CONT'D)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<u>Present value of hire purchase liabilities</u>				
minimum hire purchase payments				
- not later than 1 year	140,619	138,048	138,048	138,048
- later than 1 year and not later than 2 years	139,100	138,048	138,048	138,048
- later than 2 years and not later than 5 years	51,319	182,832	51,318	182,832
	331,038	458,928	327,414	458,928

The term loans are secured by the followings:

- (i) fixed deposits amounting to RM Nil (2008: RM618,577);
- (ii) guarantee by ESCROW account amounting to 70% from credit facility;
- (iii) standby letter of credit amounting to 30% of credit facility;
- (iv) debenture creating a first and floating charge over the Company's assets, present and future;
- (v) deed of assignment on the proceeds from a contract between a third party and the Company;
- (vi) irrevocable letter of instruction and undertaking;
- (vii) facility agreement; and
- (viii) joint and several guarantees by several directors of the Company.

The term loan bears interest within the range of 7.00% to 13.25% (2008: 7.00% to 13.25%) per annum.

Interest rate on the hire purchase for the financial year ranges from 4% to 17.9% (2008: 4% to 7%) per annum.

notes to the financial statements

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9. PROPERTY, PLANT AND EQUIPMENT

Group

	COST				Balance as at 31.12.2009 RM
	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	Exchange difference RM	
Computerequipment	2,064,735	194,800	-	-	2,259,535
Computer software	825,557	32,000	-	-	857,557
Office equipment	625,441	3,600	-	-	629,041
Furniture and fittings	2,049,611	28,847	-	30,145	2,108,603
Office renovation	619,192	64,000	-	-	683,192
Development asset	s17,200	-	-	-	17,200
Air-conditioner	344,886	-	-	-	344,886
Motor vehicles	1,044,800	-	-	-	1,044,800
Security operation centre	566,226	-	-	-	566,226
	8,157,648	323,247	-	30,145	8,511,040

	ACCUMULATED DEPRECIATION				Balance as at 31.12.2009 RM
	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	Exchange difference RM	
Computer equipment	1,801,396	236,629	-	-	2,038,025
Computer software	765,694	80,328	-	-	846,022
Office equipment	430,480	81,046	-	-	511,526
Furniture and fittings	1,256,849	344,025	-	24,418	1,625,292
Office renovation	315,445	131,609	-	-	447,054
Development assets	17,198	-	-	-	17,198
Air-conditioner	175,668	58,338	-	-	234,006
Motor vehicles	296,397	208,960	-	-	505,357
Security operation centre	493,831	62,771	-	-	556,602
	5,552,958	1,203,706	-	24,418	6,781,082
Impairment: Motor vehicles	44,679	-	-	-	44,679
	5,597,637	1,203,706	-	24,418	6,825,761

notes to the financial statements

– 31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd)

	— CARRYING VALUE —		Depreciation 2008 RM
	2009 RM	2008 RM	
Computer equipment	221,510	263,339	280,993
Computer software	11,535	59,863	80,370
Office equipment	117,515	194,961	95,028
Furniture and fittings	483,311	792,762	363,124
Office renovation	236,138	303,747	121,159
Development assets	2	2	-
Air-conditioner	110,880	169,218	58,505
Motor vehicles	494,764	703,724	208,961
Security operation centre	9,624	72,395	107,203
	1,685,279	2,560,011	1,315,343

Company

	COST			Balance as at 31.12.2009 RM
	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	
Computer equipment	2,064,735	194,800	-	2,259,535
Computer software	825,557	32,000	-	857,557
Office equipment	625,441	3,600	-	629,041
Furniture and fittings	1,843,478	670	-	1,844,148
Office renovation	619,192	64,000	-	683,192
Development assets	17,200	-	-	17,200
Air-conditioner	344,886	-	-	344,886
Motor vehicles	1,044,800	-	-	1,044,800
Security operation centre	566,226	-	-	566,226
	7,951,515	295,070	-	8,246,585

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9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company (cont'd)

	ACCUMULATED DEPRECIATION			Balance as at 31.12.2009 RM
	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	
Computer equipment	1,801,396	236,629	-	2,038,025
Computer software	765,694	80,328	-	846,022
Office equipment	430,480	81,046	-	511,526
Furniture and fittings	1,089,884	304,922	-	1,394,806
Office renovation	315,445	131,609	-	447,054
Development assets	17,198	-	-	17,198
Air-conditioner	175,668	58,338	-	234,006
Motor vehicles	296,397	208,960	-	505,357
Security operation centre	493,831	62,771	-	556,602
	5,385,993	1,164,603	-	6,550,596
Impairment: Motor vehicles	44,679	-	-	44,679
	5,430,672	1,164,603	-	6,595,275

	— CARRYING VALUE —		Depreciation 2008 RM
	2009 RM	2008 RM	
Computer equipment	221,510	263,339	280,993
Computer software	11,535	59,863	80,369
Office equipment	117,515	194,961	95,028
Furniture and fittings	449,342	753,594	312,568
Office renovation	236,138	303,747	121,159
Development assets	2	2	-
Air-conditioner	110,880	169,218	58,505
Motor vehicles	494,764	703,724	208,961
Security operation centre	9,624	72,395	107,203
	1,651,310	2,520,843	1,264,786

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM323,247 (2008: RM850,434) and RM295,070 (2008: RM690,550) respectively of which RM4,285 (2008: Nil) were acquired by means of hire purchase arrangements.

Included in the property, plant and equipment of the Group and of the Company are motor vehicles with a fair value of RM477,902 (2008: RM549,000) and RM473,733 (2008: RM549,000) which were acquired under hire purchase arrangements.

notes to the financial statements

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10. DEVELOPMENT EXPENDITURE

Group

	COST/VALUATION			Balance as at 31.12.2009 RM
	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	
Development expenditure	6,518,706	2,374,112	79,733	8,972,551

	ACCUMULATED AMORTISATION			Balance as at 31.12.2009 RM
	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	
Development expenditure	297,151	171,926	-	469,077

	— CARRYING VALUE —		Amortisation 2008 RM
	2009 RM	2008 RM	
Development expenditure	8,503,474	6,221,555	75,133

Company

	COST/VALUATION			Balance as at 31.12.2009 RM
	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	
Development expenditure	5,973,505	2,374,112		8,347,617

	ACCUMULATED AMORTISATION			Balance as at 31.12.2009 RM
	Balance as at 1.1.2009 RM	Additions RM	Disposals RM	
Development expenditure	297,151	15,692		312,843

	— CARRYING VALUE —		Amortisation 2008 RM
	2009 RM	2008 RM	
Development expenditure	8,034,774	5,676,354	75,133

notes to the financial statements

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11. INVESTMENT IN SUBSIDIARIES

	Company	
	2009 RM	2008 RM
Unquoted shares, at cost	376,202	376,202

Name of company	Group's effective interest (%)		Principal activities	Incorporated in
	2009	2008		
Scan Crypto-Tech Sdn. Bhd.	100	100	The intended principal activity of the Company is the provision of crypto solution and secure mobile communications products and services. The company has yet to commence its operation since the date of incorporation.	Malaysia
*PT Scan Nusantara	99	99	The principal activity of the Company is the provision of ICT Solutions.	Indonesia

* This subsidiary company is audited by other firm of chartered accountants.

12. CASH AND CASH EQUIVALENT

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash in hand and at banks	5,360,478	1,098,470	4,322,804	1,095,727
Fixed deposits with licensed bank	2,302,655	13,067,397	1,911,697	12,989,448
	7,663,133	14,165,867	6,234,501	14,085,175
Less: Fixed deposits pledge	(1,789,693)	(2,810,867)	(1,398,735)	(2,732,917)
	5,873,440	11,355,000	4,835,766	11,352,258

Fixed deposits amounted to RM1,789,693 (2008: RM2,810,867) of the Group and RM1,398,735 (2008: RM2,732,917) of the Company are pledged on lien to a bank as security for its banking facilities and contract received.

Fixed deposits amounting to RM271,268 (2008: RM2,796,560) of the Company are held in trust under the name of several directors.

notes to the financial statements

– 31 December 2009

13. TRADE RECEIVABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade receivables	16,798,821	17,093,376	15,456,504	16,088,582
Provision for bad and doubtful debts	(12,199,924)	(13,379,056)	(12,199,924)	(13,379,056)
	4,598,897	3,714,320	3,256,580	2,709,526

14. OTHER RECEIVABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Deposits and prepayments	1,611,489	1,190,300	1,131,388	860,138
Non-trade receivables	2,322,210	2,973,818	2,226,150	2,326,642
	3,933,699	4,164,118	3,357,538	3,186,780
Provision for bad and doubtful debts	(898,027)	(898,027)	(898,027)	(898,027)
	3,035,672	3,266,091	2,459,511	2,288,753

15. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2009 RM	2008 RM
Scan Crypto-Tech Sdn. Bhd.	11,930	10,140
PT Scan Nusantara	4,349,602	3,768,254
	4,361,532	3,778,394

The amount is unsecured, interest free and has no specific terms of repayment.

notes to the financial statements

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16. OTHER PAYABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Other payables and accruals	2,351,560	1,665,013	2,212,682	1,559,982
	2,351,560	1,665,013	2,212,682	1,559,982

17. AMOUNT DUE TO DIRECTORS

The amount is unsecured, interest free and has no specific terms of repayment.

18. REVENUE

Revenue represents the value of contract income recognised from the projects and the invoiced value of fees received from services rendered.

19. COST OF SALES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cost of services rendered	18,106,276	11,747,270	7,352,189	10,781,584

Included in the cost of sales of the Group and of the Company are hire purchase and term loan interests with the amount of RM Nil (2008: RM708) and RM49,098 (2008: RM81,822) respectively.

20. OTHER INCOME

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposits interest	56,822	114,089	35,167	98,269
Gain on foreign exchange	-	145,115	-	119,189
Gain/(Loss) on disposal of property, plant and equipment	3,954	(1,615)	3,954	(1,615)
Other interest income	126,346	204,386	122,974	203,654
Others	133,439	240,435	-	-
Reversal of provision for and bad and doubtful debts	1,114,760	-	1,114,760	-
	1,435,321	702,410	1,276,855	419,497

notes to the financial statements

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21. OTHER OPERATING EXPENSES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Bad debts written off	210,941	-	210,941	-
Provision for bad and doubtful debts	1,488,787	4,331,663	1,488,787	4,331,663
	1,699,728	4,331,663	1,699,728	4,331,663

22. FINANCE COSTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Bank charges	30,499	24,675	21,822	22,810
Hire purchase interest	24,682	14,834	24,582	14,834
Loss on foreign exchange	31,167	-	5,427	-
Other interest	2,900	7,366	926	7,366
Term loan interest	70,302	87,976	67,850	-
	159,550	134,851	120,607	45,010

23. LOSS BEFORE TAXATION

Loss before taxation is determined after charging/(crediting) amongst other items the following:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Auditors' remuneration	37,441	31,045	25,000	20,000
Amortisation of development expenditure	171,926	75,133	15,692	75,133
Bad debt written off	210,941	-	210,941	-
Depreciation	1,203,706	1,315,343	1,164,603	1,264,786
Impairment on property, plant and equipment	-	44,679	-	44,679
Interest expenses				
- hire purchase (Note 19 and 22)	24,682	15,542	24,582	15,542
- term loan (Note 19 and 22)	119,400	169,798	116,948	81,822
- loss on foreign exchange	31,167	-	5,427	-
Loss on disposal of property, plant and equipment	-	1,615	-	1,615

notes to the financial statements

– 31 December 2009

23. LOSS BEFORE TAXATION (CONT'D)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Office rental	1,647,710	1,320,246	1,527,360	1,224,000
Property, plant and equipment written off	-	8,564	-	8,564
Provision for bad and doubtful debts	1,488,787	4,331,663	1,488,787	4,331,663
and crediting:				
Interest income	183,170	318,475	158,141	301,923
Gain on disposal of property, plant and equipment	3,954	-	3,954	-
Gain on foreign exchange	-	145,115	-	119,189
Reversal of provision for and bad and doubtful debts	1,114,760	-	1,114,760	-

24. TAXATION

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Current year's provision	241,524	-	-	-
Reversal of deferred tax assets	153,392	9,559	-	-
Overprovision of taxation in prior year	(58,804)	-	(58,804)	-
	336,112	9,559	(58,804)	-

The Company has been awarded the Multimedia Super Corridor status. This entitles the Company to tax exemption for five years commencing from 24 December 2002. The status has been extended for another 5 years from the date of expiry of the first five years period.

Subject to agreement with the Inland Revenue Board, the Company has unabsorbed business losses and unutilised capital allowances of RM7,491,019 (2008: RM19,228,715) and RM3,593,022 (2008: RM3,973,290) respectively. These amounts are available to be utilised upon cessation of the tax exempt period.

notes to the financial statements

– 31 December 2009

24. TAXATION (CONT'D)

The numerical reconciliation between the average effective tax rate and statutory tax rate are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Loss before taxation	(3,838,509)	(11,501,137)	(5,147,703)	(10,750,949)
Tax at the current income tax rate of 25% (2008: 26%)	(959,627)	(2,990,296)	(1,286,926)	(2,795,247)
Tax effect in respect of:				
Expenses not deductible for tax purposes	828,274	480,342	327,045	294,852
Utilisation of prior year deferred tax assets	(983,828)	-	(396,624)	-
Deferred tax asset not recognised	-	204,039	-	204,039
Tax loss under pioneer status	1,356,505	2,305,915	1,356,505	2,296,356
Reversal of deferred tax assets	153,592	9,559	-	-
Overprovision of taxation in prior year	(58,804)	-	(58,804)	-
	336,112	9,559	(58,804)	-

25. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated by dividing the Group's loss attributable to shareholders by the weighted average number of ordinary shares issued during the financial year.

	Group	
	2009 RM	2008 RM
Loss attributable to shareholders (RM)	(4,174,621)	(11,510,696)
Weighted average number of ordinary shares in issue	200,000,000	200,000,000
Basic loss per share (sen)	(2.09)	(5.76)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares.

notes to the financial statements

– 31 December 2009

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no related party transactions for the Group and Company for the financial year ended.

27. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other key management during the year are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Fees	74,000	70,000	74,000	70,000
Salaries, allowances and bonuses, EPF and SOCSO contributions	900,710	2,017,984	900,710	2,017,984
Benefits-in-kind	39,917	47,900	39,917	47,900
	1,014,627	2,135,884	1,014,627	2,135,884

28. STAFF COSTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Salaries, allowances and bonus	9,853,193	8,771,025	9,228,668	8,463,412
EPF contributions	1,274,135	1,225,479	1,258,003	1,215,164
SOCSO contributions	90,872	56,792	90,872	56,792
Other staff related expenses	795,131	223,380	743,458	163,622
	12,013,331	10,276,676	11,321,001	9,898,990

The above is made up of direct and indirect staff costs which were classified as cost of services and administrative expenses respectively.

The number of employees in the Group and the Company at the end of the financial year were 185 (2008: 202) and 149 (2008: 184) respectively.

notes to the financial statements

– 31 December 2009

29. DIRECTORS' REMUNERATION

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Executive directors' remuneration:				
- fees	-	-	-	-
- other emoluments	553,179	1,033,971	553,179	1,033,971
	553,179	1,033,971	553,179	1,033,971
Non-executive directors' remuneration:				
- fees	74,000	70,000	74,000	70,000
	74,000	70,000	74,000	70,000
Total Directors' remuneration	627,179	1,099,971	627,179	1,099,971
Estimated money value of benefits in kind	39,917	47,900	39,917	47,900
Total directors' remuneration including benefits-in-kind	667,096	1,147,871	667,096	1,147,871

The number of directors of the Company whose total remuneration including (benefit-in-kind) during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2009	2008
Executive directors:		
Less than RM100,000	1	-
RM100,001 - RM200,000	-	1
RM200,001 – RM300,000	1	2
RM300,001-RM400,000	1	-
Non-executive directors:		
Less than RM100,000	6	4

notes to the financial statements

– 31 December 2009

30. SEGMENTAL REPORTING

	MALAYSIA		OVERSEAS		ELIMINATIONS		CONSOLIDATED	
	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM
CONTINUING OPERATIONS								
REVENUE								
External sales	13,684,025	12,266,866	15,233,256	2,849,929	-	-	28,917,281	15,116,795
TOTAL REVENUE	13,684,025	12,266,866	15,233,256	2,849,929	-	-	28,917,281	15,116,795
RESULTS								
Segment results	8,080,817	3,125,005	4,165,509	946,930	-	-	12,246,326	4,071,935
Expenses	(14,389,331)	(9,846,349)	(1,535,954)	(5,591,872)	-	-	(15,925,285)	(15,438,221)
OPERATING LOSS							(3,678,959)	(11,366,286)
Finance costs	(120,607)	(71,342)	(38,943)	(63,509)	-	-	(159,550)	(134,851)
Income tax	58,804	-	(394,916)	(9,559)	-	-	(336,112)	(9,559)
LOSS FOR THE FINANCIAL YEAR							(4,174,621)	(11,510,696)
OTHER INFORMATION								
Segment assets	26,446,444	33,232,920	3,849,775	1,323,596	(4,737,734)	(4,154,596)	25,558,485	30,401,920
CONSOLIDATED TOTAL ASSETS							25,558,485	30,401,920
Segment liabilities	3,270,443	3,508,525	4,601,599	4,236,360	(4,231,293)	(3,369,325)	3,640,749	4,375,560
CONSOLIDATED TOTAL LIABILITIES							3,640,749	4,375,560
CAPITAL EXPENDITURE	-	-	-	-	-	-	-	-
DEPRECIATION/AMORTISATION	1,180,295	1,339,919	195,337	50,557	-	-	1,375,632	1,390,476
IMPAIRMENT LOSS	-	44,679	-	-	-	-	-	44,679

notes to the financial statements

– 31 December 2009

31. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:-

GROUP

2009

	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM	Total RM	Effective interest rate during the financial year %
Financial assets						
Fixed deposits with licensed banks	512,962	1,789,693	-	-	2,302,655	2.00 - 8.00
Financial liabilities						
Term loans	572,936	-	-	-	572,936	7.00 - 13.25
Hire purchase	140,619	139,100	51,319	-	331,038	4.00 - 17.90

2008

Financial assets

Fixed deposits with
licensed banks 10,256,530 2,810,867 - - 13,067,397 2.00-3.35

Financial liabilities

Term loans 776,832 - - - 776,832 7.00 - 13.25
Hire purchase 138,048 138,048 182,832 - 458,928 4.00 - 7.24

notes to the financial statements

– 31 December 2009

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Interest rate risk (cont'd)

COMPANY

2009

	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM	Total RM	Effective interest rate during the financial year %
Financial assets						
Fixed deposits with licensed banks	512,962	1,398,735	-	-	1,911,697	2.00 - 3.35
Financial liabilities						
Term loans	572,936	-	-	-	572,936	7.00 - 12.95
Hire purchase	138,048	138,048	51,318	-	327,414	4.00 - 7.24

2008

Financial assets

Fixed deposits with licensed banks	10,256,531	2,732,917	-	-	12,989,448	2.00 - 3.35
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Financial liabilities

Term loans	556,766	-	-	-	556,766	7.00 - 12.75
Hire purchase	138,048	138,048	182,832	-	458,928	4.00 - 7.24

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

notes to the financial statements

– 31 December 2009

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values

The carrying amount for financial assets and liabilities with maturity of less than one year are assumed to approximate their fair values.

The carrying amount of financial assets and liabilities with maturity of more than one year at the balance sheet date is set out below:

	Group and Company Carrying Amount RM	Fair Values RM
Borrowing		
- Hire Purchase	190,419	158,691

In estimating the fair values of non-current trade creditors, borrowings and loan to a subsidiary, the discounted cash flow method was applied using current market interest rates available to the Group.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 8 October 2009, the Group announced and proposed to Bursa Malaysia Securities Berhad ("Bursa") to undertake the following proposals:
- (i) 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");
 - (ii) proposed transfer of the listing status of SCAN to Newco ("Proposed Transfer");
 - (iii) 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
 - (iv) 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").

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").

The above proposals are still pending the approvals from the relevant authorities and shareholders.

notes to the financial statements

– 31 December 2009

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (b) The Securities Commission (“SC”) had, vide its letter dated 5 April 2010 approved (i) the variation on part of the remaining unutilised IPO Proceeds of RM5.00 million which was originally allocated for development expenditure to working capital, and (ii) the extension of time for the utilisation of the IPO Proceeds to by 5 April 2011.

33. CAPITAL COMMITMENT

	Group and Company	
	2009	2008
	RM	RM
Authorised but not contracted for:		
Intended joint venture company	-	1,712,543
<hr/>		
	2009	2008
	RM	RM
Authorised and contracted for:		
Purchase of a unit of shop-office as R&D Centre cum Corporate Office	4,320,000	-

34. COMPARATIVE FIGURES

The presentation and classification of items in the current financial statements have been consistent with the previous financial statements except for the following:

	Group		Company	
	As stated	As	As stated	As
	RM	previously	RM	previously
		reported		reported
		RM		RM
Balance SheetProperty, plant and equipment	2,560,011	8,781,566	2,520,843	8,197,197
Development expenditure	6,221,555	-	5,676,354	-

notice of annual general meeting



NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of SCAN ASSOCIATES BERHAD (525669-P) ("Company") will be held at Tulip Room, Ground Floor, Menara Atlan, 161-B, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 24 June 2010 at 2.30 p.m. for the following purposes:

A G E N D A

Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and the Auditors thereon.
2. Directors' fees
 - i) To approve the payment of Directors' fees of RM76,000 for the financial year ended 31 December 2009.
Ordinary Resolution 1
 - ii) To approve the increase in Directors' fees by an amount of not more than RM 56,000 in aggregate with effect from 1 January 2010.
Ordinary Resolution 2
3. To re-elect the following Directors, who are retiring pursuant under Article 88 of the Articles of Association of the Company, and being eligible, offering themselves for re-election:
 - 3.1 Prof. Dato' Dr. Norbik Bashah Bin Idris
Ordinary Resolution 3
 - 3.2 Shaharil bin Abdul Malek
Ordinary Resolution 4
4. To re-elect Andrew Su Meng Kit, who is retiring pursuant under Article 81 of the Articles of Association of the Company being eligible, offering himself for re-election.
Ordinary Resolution 5
5. To appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company in place of the retiring Auditors, Messrs Khairuddin Hasyudeen & Razi, to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix the auditors' remuneration. The notice of nomination pursuant to Section 172 (11) of the Companies Act, 1965 in respect of the nomination of Messrs Baker Tilly Monteiro Heng for appointment as Auditors of the Company in place of the retiring Auditors, Messrs Khairuddin Hasyudeen & Razi, has been received by the Company, a copy of which is marked as "Annexure A" in the Annual Report.
Ordinary Resolution 6

notice of annual general meeting

Special Business

To consider and if thought fit, pass the following resolutions:

Ordinary Resolution

6. Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act"), the Directors be and are hereby empowered to allot and issue shares in the Company, at any time, at such price, until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares does not exceed ten per centum (10%) of the issued share capital of the Company at the time of issue and THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant bodies where such approval is necessary."

Ordinary Resolution 7

Ordinary Resolution

7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

"THAT subject to the Listing Requirements of Bursa Securities for the ACE Market ("ACE LR"), approval be and is hereby given to the Company and/or its subsidiaries to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with such Directors and/or major shareholders of the Company and/or its subsidiaries, as set out in Section 2 of the Circular to Shareholders dated 2 June 2010, which are necessary for day-to-day operations of the Company and/or its subsidiaries ("Shareholders' Mandate"), provided that:

- (i) the transactions are in the ordinary course of business and are on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (ii) the Shareholders' Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of the transactions conducted pursuant to the Shareholders' Mandate during the financial year; and

THAT the authority conferred by such Shareholders' Mandate shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following this Ninth AGM, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

notice of annual general meeting

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the Shareholders' Mandate contemplated and/or authorised by this Ordinary Resolution."

Ordinary Resolution 8

BY ORDER OF THE BOARD

LIM MING TOONG (MAICSA 7000281)

MASHARUM BINTI ABDUL WAHAB (MAICSA 7041619)

SITI SARAH BINTI ABD RAHMAN (MAICSA 7059191)

COMPANY SECRETARIES

2 June 2010
Kuala Lumpur

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, he/she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or if such appointor is a corporation under its common seal or the hands of its attorney.
3. The instrument appointing a proxy must be deposited at the Company Secretary's office at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the AGM or any adjournment thereof.

notice of annual general meeting

Explanatory Note on the Special Business

Ordinary Resolution 7

Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting, to issue shares (other than bonus or rights issue) of the Company up to and not exceeding in total 10% of the issued share capital of the Company at the time of issue for such purpose as they considered would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 June 2009 and which will lapse at the conclusion of the Annual General Meeting.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisition.

Ordinary Resolution 8

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature

The proposed Ordinary Resolution 8, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

statement accompanying notice of annual general meeting

Directors who are standing for re-election at the Ninth AGM of the Company to be held at Tulip Room, Ground Floor, Menara Atlan, 161-B, Jalan Ampang, 50450, Kuala Lumpur on Thursday, 24 June 2010 at 2.30 p.m. are as follows:

- (i) Prof. Dato' Dr. Norbik Bashah Bin Idris
- (ii) Shaharil bin Abdul Malek
- (iii) Andrew Su Meng Kit

Details of Directors standing for re-election are set out in the Directors profile appearing on pages 7 to 10 of the Annual Report.

Professor Dato' Dr. Norbik Bashah Bin Idris
No. 2 Jalan Setiawangsa 22
Taman Setiawangsa
54200 Kuala Lumpur

Date : 25 May 2010

The Board of Directors
SCAN Associates Berhad
Level 8, Menara Atlan
161-B Jalan Ampang
50450 Kuala Lumpur

Dear Sirs

NOTICE OF NOMINATION OF MESSRS BAKER TILLY MONTEIRO HENG AS AUDITORS

I am the registered shareholder of 22,959,400 ordinary shares of RM0.10 each, representing 11.48% of the issued and paid-up capital of SCAN Associates Berhad.

I hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Baker Tilly Monteiro Heng as Auditors of the Company in place of the retiring auditors, Messrs Khairuddin Hasyudeen & Razi and of my intention to propose the following resolution as an ordinary resolution at the forthcoming Annual General Meeting of the Company:

“THAT Messrs Baker Tilly Monteiro Heng of No 22, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur Malaysia be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Khairuddin Hasyudeen & Razi, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.”

Yours faithfully



Professor Dato' Dr. Norbik Bashah Bin Idris
Shareholder

Copy to : The Company Secretary

form of proxy

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

CDS Account No. ⁽ⁱ⁾

No. of Shares held

*I/We NRIC No./Company No

(FULL NAME IN BLOCK CAPITALS)

of
(FULL ADDRESS)

being a member/members of SCAN ASSOCIATES BERHAD (525669-P), hereby appoint

(FULL NAME IN BLOCK CAPITALS)

NRIC No. of

(FULL ADDRESS)

or failing *him/her,

(FULL NAME IN BLOCK CAPITALS)

NRIC No. of

(FULL ADDRESS)

or failing *him/her, *the Chairman of the Meeting as *my/our proxy to attend and vote on *my/our behalf at the Ninth Annual General Meeting of the Company to be held at Tulip Room, Ground Floor, Menara Atlan, 161-B, Jln. Ampang, 50450, Kuala Lumpur on Thursday, 24 June 2010 at 2.30 p.m. and at any adjournment thereof.

	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		

(Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.)

(i) Applicable to shares held through a nominee account.

* Delete where applicable

Signed this day of 2010

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

.....
Signature/Common Seal of Member

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, he/she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or if such appointor is a corporation under its common seal or the hands of its attorney.
3. The instrument appointing a proxy must be deposited at the Company Secretary's office at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the AGM or any adjournment thereof.

FOLD THIS LINE FOR SEALING

THEN FOLD HERE

AFFIX STAMP

The Company Secretary

SCAN ASSOCIATES BERHAD (525669-P)

10th Floor, Menara Hap Seng

No. 1 & 3, Jalan P. Ramlee

50250 Kuala Lumpur

1st FOLD HERE