

9. FINANCIAL INFORMATION**9.1 HISTORICAL FINANCIAL INFORMATION**

The following table sets out a summary of the proforma consolidated results of the Group for the past three (3) financial years ended 31 December 2003 to 2005 and six (6) months financial period ended 30 June 2006, prepared on the assumption that the Group has been in existence throughout the period under review.

Save for the unaudited 6 months financial period ended 30 June 2005, this proforma consolidated results has been extracted from the Accountants' Report set out in Section 10 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

Financial year ended 31 December	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	30 June 2005 (Unaudited) (RM'000)	30 June 2006 (RM'000)
Revenue	20,436	21,575	25,980	13,297	19,312
Gross Profit	6,627	12,376	16,823	7,449	8,149
Profit before amortisation, depreciation, interest and taxation	6,388	10,185	10,569	4,891	4,971
Amortisation	(600)	(600)	(500)	(300)	-
Depreciation	(563)	(672)	(1,263)	(564)	(816)
Interest expense	(1,610)	(941)	(132)	(336)	(161)
Profit before taxation but after amortisation, depreciation and interest	3,615	7,972	8,674	3,691	3,994
Taxation	(111)	(112)	207	(7)	163
Profit after taxation before minority interest	3,504	7,860	8,881	3,684	4,157
MI	-	1	2	-	-
Profit after taxation	3,504	7,861	8,883	3,684	4,157
No. of ordinary shares assumed in issue ('000) #	149,500	149,500	149,500	149,500	149,500
Enlarged no. of shares assumed in issue ('000) *	200,000	200,000	200,000	200,000	200,000
Gross EPS #	2.42	5.33	5.80	4.94**	5.34^
Net EPS #	2.34	5.26	5.94	4.93**	5.56^
Gross EPS *	1.81	3.99	4.34	3.69**	3.99^
Net EPS *	1.75	3.93	4.44	3.68**	4.16^

Notes: -

- # The assumed issued and paid-up capital of 149,500,000 ordinary shares of RM0.10 each is based on the issued and paid-up capital of SCAN Associates after the Bonus Issue, Rights Issue and Sub-division but prior to the Public Issue.
- * The enlarged issued and paid-up capital of 200,000,000 ordinary shares of RM0.10 each is based on the issued and paid-up capital of SCAN Associates after the Bonus Issue, Rights Issue, Sub-division and Public Issue.
- ^ Annualised
- ** The proforma consolidated results for financial period ended 30 June 2005 have not been audited and are presented for comparison purposes only
- (1) The Proforma Group Income Statement has been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited Financial Statements.
- (2) There were no extraordinary or exceptional items in all the financial years under review.
- (3) SCAN Group's results have been restated through appropriate consolidation adjustment to eliminate inter-company transaction.

9. FINANCIAL INFORMATION (Cont'd)

- (4) In FYE 2003, SCAN Associates' revenue increased to RM20.44 million (FYE 2002: RM7.11 million). This was mainly contributed by projects from the Government for ICT Security Application Systems Development, ICT Security Systems Integration and ICT Security Consultancy amounting to RM6.9 million, RM6.82 million and RM5.52 million respectively.
- (5) Gross profit margin showed an increase of 32% in FYE 2003 (FYE 2002: 26%) as a result of better efficiency of manpower in implementing consultancy services coupled with the benefit from economies of scale in operation.
- (6) For FYE 2003, pre-tax profit margin of the Company had increased to 18% compared to FYE 2002 due to the significant increase in revenue and improvement in gross profit margin as well as interest earned of RM0.4million.
- (7) In FYE 2004, SCAN Associates' revenue increased to RM21.57 million (FYE 2003: RM20.44 million). Most of the revenue for FYE 2004 was generated from long term projects secured earlier. These projects will end in December 2004 and FYE 2006 respectively. The increase in revenue was also contributed by a new Government project which commenced in April 2004. The main contributors for revenue were from ICT Security Consultancy, ICT Security Application Systems Development and ICT Security Application Software Packages which were 31%, 30% and 16% respectively, of total revenue in FYE 2004.
- (8) Gross profit margin had improved to 57% in FYE 2004 (FYE 2003: 32%) due to the substantial cost saving by the Company from one of its long term projects. In addition, revenue generated from ICT Security Systems Integration which carried lower gross profit margin was reduced.
- (9) SCAN Associates reported a pre-tax profit of RM7.97 million in the FYE 2004, an increase of RM4.36 million or 121% as compared to FYE 2003. The improvement was mainly attributed by the higher gross profit achieved.
- (10) In FYE 2005, SCAN's revenue increased to RM25,980,496 (FYE 2004: RM21,574,831). Most of the revenue for FYE 2005 was generated from long term projects secured earlier. SCAN managed to secure its first overseas revenue of providing ICT Security Application Software Packages to a company in Saudi Arabia. The revenue generated was RM2.5 million representing 9.62% of total revenue. The main contributors for revenue were from ICT security consultancy, ICT security application systems development and managed security services which contributed 30%, 23% and 20% respectively, of total revenue in FYE 2005.
- (11) Gross profit margin had improved to 65% in FYE 2005 (FYE 2004: 57%) due to change in product mix composition. Major components of the product mix were products and services which have higher profit contribution rates.
- (12) SCAN recorded a pre-tax profit of RM8,673,491 in the FYE 2005 (FYE 2004: RM7,972,359).
- (13) For FPE 30 June 2006, SCAN recorded RM19.31 million of revenue (FYE 2005: RM25.98 million). The revenue for FPE 30 June 2006 was generated from long term projects, new project secured and higher overseas sales secured during the period. The main contributors for revenue were from ICT Security Systems Integration, ICT Security Consultancy and Managed Security Services which contributed 36%, 29% and 22% respectively.
- (14) The new projects secured during the period are mostly from ICT Security Systems Integration which has a lower profit margin. This has affected the overall Gross Profit margin to a slightly lower margin of 42%. (FYE 2005: 65%)
- (15) SCAN recorded a pre-tax profit of RM3.99 million in the FPE 30 June 2006 (FYE 2005: RM8.67 million).

The financial statements of the Group for the years under review and the six (6) months ended 30 June 2006 were not subject to any audit qualification.

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9. FINANCIAL INFORMATION (Cont'd)**9.2 ANALYSIS OF HISTORICAL FINANCIAL INFORMATION****9.2.1 Segmental Analysis of Revenue and Operating Profit****Analysis of Revenue by Corporations: -**

Financial year ended 31 December	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	30 June 2005 (Unaudited) (RM'000)	30 June 2006 (RM'000)
SCAN Associates	20,436	21,575	25,980	13,297	16,618
SCAN Crypto-Tech	-	-	-	-	-
PT SCAN Nusantara	-	-	-	-	2,694
Consolidated adjustments	-	-	-	-	-
Proforma Consolidated Revenue	20,436	21,575	25,980	13,297	19,312

Analysis of Revenue by Services: -

Financial year ended 31 December	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	30 June 2005 (Unaudited) (RM'000)	30 June 2006 (RM'000)
ICT Security Application Systems Development	6,903	6,470	6,068	3,893	-
ICT Security Application Software Packages	-	3,490	2,628	10	4
ICT Security Consultancy	6,361	6,855	7,731	4,431	5,595
Maintenance & Training	328	894	1,882	1,011	2,466
ICT Security Systems Integration	6,815	2,061	2,355	1,498	6,944
Managed Security Services	29	1,805	5,316	2,454	4,303
Consolidated adjustments	-	-	-	-	-
Proforma Consolidated Revenue	20,436	21,575	25,980	13,297	19,312

Analysis of Revenue by Markets / Geographical Location: -

Financial year ended 31 December	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	30 June 2005 (Unaudited) (RM'000)	30 June 2006 (RM'000)
Malaysia	20,436	21,575	23,478	13,297	14,999
Overseas	-	-	2,502	-	4,313
Consolidated adjustments	-	-	-	-	-
Proforma Consolidated Revenue	20,436	21,575	25,980	13,297	19,312

Analysis of Operating Profits (before amortisation, depreciation, interest and taxation) by Corporations: -

Financial year ended 31 December	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	30 June 2005 (Unaudited) (RM'000)	30 June 2006 (RM'000)
SCAN Associates	6,389	10,331	11,654	5,317	5,069
SCAN Crypto-Tech	(1)	(4)	(1)	-	-
PT SCAN Nusantara	-	(141)	(971)	(426)	(98)
Consolidated adjustments	-	-	(113)	-	-
Proforma Consolidated Operating Profits	6,388	10,186	10,569	4,891	4,971

9. FINANCIAL INFORMATION (Cont'd)**Analysis of Operating Profits (before amortisation, depreciation, interest and taxation) by Markets/ Geographical Location: -**

Financial year ended 31 December	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	30 June 2005 (Unaudited) (RM'000)	30 June 2006 (RM'000)
Malaysia	6,388	10,327	9,507	5,317	4,393
Overseas	-	(141)	1,175	(426)	578
Consolidated adjustments	-	-	(113)	-	-
Proforma Consolidated Operating Profits	6,388	10,186	10,569	4,891	4,971

9.2.2 Overview of Revenue and Operating Profit

In 2003, after being in operations for three financial years with two years of continuous losses, SCAN Group finally made a net profit after tax of RM3.5 million in its third financial year. As the projects secured gained momentum, revenue increased by 187.6% to RM20.44 million with gross profit margin of 32.4%. This higher gross profit margin as compared to previous year as a result of better efficiency of manpower in implementing consultancy services coupled with the benefit from economies of scale in operations. With experiences gained from long term projects secured earlier, SCAN Group then moves out to offer its services to other clients. With the completion of the Security Operation Centre, SCAN Group has added new product offering to its range of services i.e. Managed Security Services. This made reliance on MAMPU lesser and open new opportunities to new clients. SCAN Group was awarded a contract from a major government agency for Managed Security Services. SCAN Group was also engaged to do security audit for MINDEF. In total, contribution from other clients increased to 13.5% compared to 10.2% in the previous year.

In 2004, two more new contracts were secured, i.e. from Malaysia National Insurance Berhad and Affin Bank Berhad. With these two contracts, solution development and security consultancy works increases and help the gross profit improved further to 57.4%, the highest rate over the four financial years in operation. The other reason was due to the substantial cost saving by the Company from one of its long term projects. The revenue from other customer again increases to 26.8%. Net profit after tax for the year was RM7.97 million over total revenue of RM21.57 million. Managed Security Services contributed 8.4% of the total revenue.

Most of the revenue for financial year ended 31 December 2005 was generated from long term projects secured in earlier years. The main contributors for revenue were from ICT Security Consultancy, ICT Security Application Systems Development and Managed Security Services which were 30%, 23% and 20% respectively, of total revenue in financial year ended 2005. SCAN Associates managed to secure its first overseas revenue of providing ICT Security Application Software Packages to a company in Saudi Arabia. The revenue generated was RM2.5 million representing 9.62% of total revenue. Gross profit margin had improved to 65% in financial year ended 2005 (FYE 2004:57%) due to change in product mix composition. Major components of the product mix were products and services which have higher profit contribution rates. SCAN Associates recorded a pre-tax profit of RM8.67 million in the financial year ended 2005 (FYE 2004: RM7.97 million).

9. FINANCIAL INFORMATION (Cont'd)

For the financial period ended 30 June 2006, SCAN recorded RM19.31 million of revenue (FYE 2005: RM25.98 million). The revenue for FPE 30 June 2006 was generated from long term projects, new project secured and higher overseas sales secured during the period. The main contributors for revenue were from ICT Security Systems Integration, ICT Security Consultancy and Managed Security Services which contributed 36%, 29% and 22% respectively.

9.2.3 Impact Of Foreign Exchange / Interest Rates / Commodity Prices On Operating Profits

There was no material impact of foreign exchange, interest rates or commodity prices on the Company's historical operating profits for the past three (3) financial years.

9.2.4 Taxation

The tax provision has been adequately provided for all the financial years under review. The tax submission for the Company has been made up to the year of assessment 2005. There were no material matters in dispute with the Inland Revenue Board (IRB) of Malaysia.

9.2.5 Exceptional And Extraordinary Items

There were no exceptional or extraordinary items for the three (3) financial years ended 31 December 2003 to 31 December 2005 and six (6) months financial period ended 30 June 2006.

9.2.6 Information Regarding Any Other Significant Factor, Including Unusual Or Infrequent Events Or New Developments, Materially Affecting The Group's Operating Profits

SCAN Associates' results of operations are affected by a number of factors, the most significant of which are described below.

High Gross Profit Margin

Apart from revenues from ICT Security System Integration, all its other revenue sources have more than 50% gross profit margin. This is due to the fact that SCAN Associates is involved in providing ICT Security Services and Solutions where the products rely more on human capital contribution with relatively low capital expenditure and low maintenance costs requirements. The main contributors for revenue for SCAN Associates are its ICT Security Consultancy, ICT Security Application Systems Development, ICT Security Application Software Packages and Managed Security Services and these products and services typically contribute to more than 60% of its revenue. For the financial year ended 31 December 2005, gross profit margin for SCAN Associates had improved to 65% compared to 57% for financial year ended 31 December 2004 due to a change in product mix composition where major components of the product mix were products and services which have higher profit contribution rates.

Competition

In an increasingly information driven society, information has become valuable assets. This means that the integrity and confidentiality of data are critical to many businesses, government and other organisations.

9. FINANCIAL INFORMATION (Cont'd)

As one of the leading providers of ICT Security Services and Solutions with an extensive range of services, SCAN Associates continue to dominate the public sector which is evident in its four-year contract to provide MAMPU with MSS since 2002 for 170 government agencies involving 500 units of ICT security devices. This resulted in a jump of approximately 188% in revenue for 2003 compared to 2002 and thereafter SCAN Associates have recorded a steady growth in revenue. As it continues to provide its customers with better services, SCAN Associates expects its revenue to continue to increase.

Growth

The outlook for the ICT Security Industry in Malaysia is favourable. The ICT Security Industry is forecasted to grow at approximately 8% per annum for the next five years. In the Ninth Malaysia Plan, approximately RM12.9 billion was allocated for ICT-related programmes and projects. This represented a 63% increase amounting to an average annual growth rate of 10.3% compared to the Eight Malaysia Plan. This significant increase in budget allocation is expected to have a trickle-down effect to ICT Security industry.

9.3 LIQUIDITY AND CAPITAL RESOURCES**(i) Working Capital**

The Directors of SCAN Associates are of the opinion that, after taking into account the cashflow forecast and projections, the banking facilities available and the net proceeds from the IPO, the Group will have adequate working capital for a period of not less than twelve (12) months from the date of issue of this Prospectus.

(ii) Cash Flows

The summary of SCAN Group's net cash flow summary for the six (6) months financial period ended 30 June 2006 is as follows:-

	Financial period ended 30 June 2006 (RM)
Net cash from operating activities	(2,528,132)
Net cash from investing activities	(732,443)
Net cash from financing activities	2,264,303
Net increase/(decrease) in cash and cash equivalents	(996,272)
Cash and cash equivalents at beginning of year	4,310,609
Cash and cash equivalents at end of the year	3,314,337

Net cash from operating activities

In the six (6) months financial period ended 30 June 2006, a net cash outflow of RM2.53 million was used in operating activities. This was the net effect of the collection from customers and payment to suppliers and creditors. In addition, a payment of dividend amounted to RM1.6 million was made during the period.

9. FINANCIAL INFORMATION (Cont'd)

Net cash from investing activities

Investing activities recorded a net cash outflow of RM0.73 million, mainly due to the need to buy additional fixed assets as a result of business and operations expansion. The Group also received proceeds from disposal of asset during the period.

Net cash from financing activities

The Group had RM2.26 million of net cash inflow from financing activities mainly due to proceeds from term loan of its subsidiary.

(iii) Borrowings

As at 31 July 2006, being the latest practicable date prior to the issuance of this Prospectus, the total bank borrowings in the form of term loans and hire purchase financing amounted to approximately RM3.87 million. The borrowings can be analysed further as follows: -

Borrowings	Amount (RM '000)	Amount (RM '000)
Long Term borrowings		
• Interest bearing	2,050	
• Non-interest bearing	-	
Short Term borrowings		
• Interest bearing	1,820	
• Non-interest bearing	-	
Total Borrowings		3,870
Gearing ratio*		0.15

Note:

* Based on shareholders' funds as at 30 June 2006

As at 31 July 2006, being the latest practicable date prior to the issuance of this Prospectus, there have been no defaults on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof. The Group has foreign currency borrowings outstanding via its subsidiary PT SCAN Nusantara amounting to IDR8.77 billion (equivalent to approximately RM3.46 million based on an exchange rate of IDR2,532 for every RM1).

(iv) Key Financial Ratios

Trade Receivables

	As at 31 December 2004 ('000)						Total
	Within credit period		Exceeding credit period				
	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days		
Others	8,109	308	-	-	-	144	8,561
SCAN Consulting Services Sdn Bhd	1,401	1	43	2	-	1,914	3,361
	9,510	309	43	2	-	2,058	11,922
% of trade receivables	79.77	2.59	0.36	0.02	-	17.26	100.00

9. FINANCIAL INFORMATION (Cont'd)

	As at 31 December 2005 ('000)						Total
	Within credit period		Exceeding credit period				
	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	> 180 days	
Others	5,667	153	-	22	144	149	6,135
Syarikat Gulf SCAN	2,500	-	-	-	-	-	2,500
SCAN Consulting Services Sdn Bhd	-	-	-	-	-	2,899	2,899
	8,167	153	-	22	144	3,048	11,534
% of trade receivables	70.81	1.33	-	0.19	1.25	26.42	100.00

	As at 30 June 2006 ('000)						Total
	Within credit period		Exceeding credit period				
	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	> 180 days	
Others	8,546	-	2,757	-	19	433	11,755
Syarikat Gulf SCAN	-	-	-	65	-	1,707	1,772
SCAN Consulting Services Sdn Bhd	-	-	-	-	-	2,649	2,649
	8,546	-	2,757	65	19	4,789	16,176
% of trade receivables	52.83	-	17.04	0.40	0.12	29.61	100.00

As at financial period ended 30 June 2006, trade debtors stood at RM16.18 million. 47.17% of the trade debtors had exceeded the credit term of 60 days.

As of 31 July 2006, being the latest practicable date prior to the issuance of this Prospectus, SCAN has collected RM1.95 million from these debtors. The management has carried out detailed analysis of these outstanding debts and negotiated with the debtors on the term of payments. Amongst others, some payment terms is by monthly instalment and set-off against services rendered.

As at 30 June 2006, 29.61% of the trade debtors have been outstanding for more than six (6) months i.e. > 180 days. No provision has been made for these trade receivables because the Directors are of the opinion that all outstanding debts are recoverable based on the following explanation:-

- (i) RM1.707 million is owed by Syarikat Gulf SCAN, the only business partner of SCAN Associates in Saudi Arabia. Gulf SCAN, as stated in the Commercial Agency Agreement signed between the parties, is to source for projects for SCAN Associates in Saudi Arabia and earn commission from SCAN Associates for projects that it secures.

It is expected that this amount will be paid by Gulf SCAN by end of 2006 based on commission earned and bid-bond expenses advanced by Gulf SCAN.

- (ii) RM2.649 million is owed by SCAN Consulting Services Sdn Bhd, a company controlled by Dato' Dr Norbik Bashah bin Idris, the promoter, director and substantial shareholder of SCAN Associates, and Shaharil bin Abdul Malek, the directors and key management of SCAN Associates.

SCAN Consulting has an agreement to provide services to SCAN which has a value of more than RM1.0 million until end of 2006. In addition, the directors of SCAN Consulting have also given the undertaking to settle this amount before listing.

- (iii) Of the RM0.433 million outstanding from other debtors, RM0.075 million was paid in August 2006, RM0.160 million is expected to be paid upon signing of a project agreement with one of the debtors, whilst the remaining is under monthly instalment.

As of financial period ended 30 June 2006, none of the overdue trade debtors is under dispute or subject to legal action.

9. FINANCIAL INFORMATION (Cont'd)**Trade Payables**

	As at 31 December 2004			Total
	Within credit period		Exceeding credit period	
	0-30 days	31-60 days	> 60 days	
Trade Payables ('000)	7	-	183	190
% of trade receivables	3.68	-	96.32	100.00

	As at 31 December 2005			Total
	Within credit period		Exceeding credit period	
	0-30 days	31-60 days	> 60 days	
Trade Payables ('000)	111	4	7	122
% of trade receivables	90.98	3.28	5.74	100.00

	As at 30 June 2006			Total
	Within credit period		Exceeding credit period	
	0-30 days	31-60 days	> 60 days	
Trade Payables ('000)	2,727	-	7	2,734
% of trade receivables	99.74	-	0.26	100.00

For the financial period ended 30 June 2006, trade payables stood at RM2.73 million. Only 0.26% of these had exceeded the credit term of 30 days. None of these that have been outstanding for more than six months is under litigation by the creditors.

As of 31 July 2006, being the latest practicable date prior to the issuance of this Prospectus, SCAN has paid RM0.25 million and will settle all outstanding debts before the financial year ending 31 December 2006.

9.4 CONTINGENT LIABILITIES, MATERIAL COMMITMENT AND LITIGATION/ARBITRATION**(i) Contingent Liabilities**

As at 31 July 2006, being the latest practicable date prior to the issuance of this Prospectus, there is no material contingent liabilities incurred by the Group except for a corporate guarantee by SCAN Associates to secure a loan granted by PT Bank Maybank Indocorp to PT SCAN Nusantara to the amount of IDR8.3 billion (equivalent to approximately RM3.32 million based on an exchange rate of IDR2,500 for every RM1).

(ii) Material Capital Commitment

As at 31 July 2006, being the latest practicable date prior to the issuance of this Prospectus, there is no material commitment for capital expenditure incurred or known to be incurred by the Group, which may have a substantial impact on the financial position of the Group.

(iii) Material Litigation/Arbitration

As disclosed in Section 15.4, as at 31 July 2006, being the latest practicable date prior to the issuance of this Prospectus, the Group is not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of the Group and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group.

9. FINANCIAL INFORMATION (Cont'd)

9.5 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST OF THE SCAN GROUP FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006
(Prepared for inclusion in the Prospectus)

Shamsir Jasani Grant Thornton 

Chartered Accountants

REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST
(Prepared for inclusion in this Prospectus)

Date: 10 August 2006

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

Dear Sirs,

We have reviewed the consolidated profit forecast of SCAN Associates Berhad ("SCAN") and its subsidiary companies ("SCAN Group") for the financial year ending 31 December 2006 as set out in the accompanying statements (which we have stamped for the purpose of identification) in accordance with the standard applicable to the review of forecast. The consolidated profit forecast has been prepared for inclusion in the Prospectus in connection with the following and should not be relied on for any other purposes:-

(i) Public Issue

Public Issue of 50,500,000 new ordinary shares of RM0.10 each ("Public Issue Share") to the Malaysian Public, at an issue price of RM0.50 per Public Issue Share, by way of private placement to identified investors, pink form allocation and allocation to the Malaysian public; and

(ii) Listing of and Quotation on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities")

In conjunction with the Public Issue, SCAN seeks the admission and the listing of and quotation for its entire enlarged issued and paid-up share capital of SCAN comprising 200,000,000 SCAN Shares on the Official List of the MESDAQ Market of Bursa Securities.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by SCAN in its audited financial statements for the financial period ended 30 June 2006. The Directors of SCAN are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Shamsir Jasani Grant Thornton (AF:0737)

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9. FINANCIAL INFORMATION (Cont'd)

Shamsir Jasani Grant Thornton 


Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date of information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material. Accordingly, we do not express any opinion as to whether the forecast will be achieved nor can we guarantee or confirm the achievement of these results.

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by SCAN in its audited financial statements for the financial period ended 30 June 2006.

Yours faithfully,


SHAMSIR JASANI GRANT THORNTON
NO. AF : 0737
CHARTERED ACCOUNTANTS


DATO' N. K. JASANI
PARTNER
NO: 708/03/08 (J/PH)

9. FINANCIAL INFORMATION (Cont'd)

SCAN ASSOCIATES BERHAD
(Company No: 525669-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006

Barring unforeseen circumstances, the Directors forecast that the Group's results for the financial year ending 31 December 2006 will be as follows:-

	Forecast 2006 RM'000
Consolidated profit after taxation	10,001
Weighted average number of ordinary shares of RM0.10 each in issue ('000)	154,250
Earnings per share (sen)	6.48

The specific bases and assumptions made in the preparation of the consolidated profit forecast are set out below:-

- (a) The Public Issue will be completed by September 2006.
- (b) The consolidated profit forecast of the Group for the financial year ending 31 December 2006 is compiled based on the profit forecast of:-
 - (i) SCAN Associates Bhd ("SCAN")
 - (ii) SCAN Crypto-Tech Sdn. Bhd. ("SCTSB")
 - (iii) PT SCAN Nusantara ("PTSN")

Stamped for the purpose of identification on:
10 AUG 2006
 Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

SCAN ASSOCIATES BERHAD
 (Company No: 525669-P)
 (Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006 (CONT'D)

The specific bases and assumptions made in the preparation of the consolidated profit forecast are set out below (cont'd):-

- (c) There will be no changes in the accounting policies presently adopted by SCAN Group.
- (d) Listing expenses amounted to RM1.875 million will be set off against the share premium account.
- (e) SCAN Group is expected to generate revenue as follows:-

	Forecast 2006 RM'000
(i) <u>Segment by products/services</u>	
ICT Security Application Systems Development	3,751
ICT Security Application Software Packages	5,400
ICT Security Consultancy	14,086
Maintenance & Training	3,995
ICT Security Systems Integration	8,580
Managed Security Services	9,693
	45,505

Stamped for the purpose of identification on:
10 AUG 2006
 Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

SCAN ASSOCIATES BERHAD
 (Company No: 525669-P)
 (Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006 (CONT'D)

The specific bases and assumptions made in the preparation of the consolidated profit forecast are set out below (cont'd) :-

(e) SCAN Group is expected to generate revenue as follows (cont'd):-

	Forecast 2006 RM'000
(ii) <u>Revenue based on:-</u>	
Letter of award	17,110
Secured Proposal	12,632
Proposal	14,793
Expected repetitive purchase order	970
	45,505

(f) SCAN Group is expected to incur project cost as follows:-

	Forecast 2006 RM'000
<u>Cost by products/services</u>	
ICT Security Application Systems Development	1,475
ICT Security Application Software Packages	-
ICT Security Consultancy	7,142
Maintenance & Training	1,293
ICT Security Systems Integration	7,264
Managed Security Services	5,007
Total cost of sales	22,181

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10 AUG 2006
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9. FINANCIAL INFORMATION (Cont'd)

**SCAN ASSOCIATES BERHAD
(Company No: 525669-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit forecast are set out below (cont'd) :-

- (g) SCAN Group is expected to have average gross profit margin of 51%.
- (h) Administration and other operating expenses are expected to be at 35% of the revenue.
- (i) All significant inter-company transactions are eliminated on consolidation and consolidated financial statements reflect external transactions only.
- (j) The revenue, cost and timing for the commencement of all the expected projects will be achieved as planned.
- (k) SCAN will continue to enjoy the Multimedia Super Corridor ("MSC") status which entitled the Company the incentives, rights and privileges provided for under the Bill of Guarantee for five years commencing 24 December 2002.
- (l) The Group is expected to incur development expenditure amounted to RM5.849 million which will be amortised over the period of 5 years commencing in the subsequent financial year.
- (m) The subsidiary company, SCTSB will remain dormant during the forecast year.

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10 AUG 2006
Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

**SCAN ASSOCIATES BERHAD
(Company No: 525669-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**PRINCIPAL BASES AND ASSUMPTIONS TO THE CONSOLIDATED PROFIT
FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006**

The principal bases and assumptions upon which the consolidated profit forecast has been prepared are set out below:-

1. There will be no significant changes in the prevailing economic, technology and political climate in Malaysia and elsewhere which will adversely affect the activities and the demand, saleability and pricing of its products and services or the markets in which it operates which will adversely affect SCAN Group's performance and the business of its major customers.
2. There will be no material changes in present legislation, Government policies or regulations in Malaysia and elsewhere, the regulations of the MESDAQ Market and guidelines of the regulatory authorities affecting SCAN Group's activities or the markets in which it operates.
3. There will be no significant changes in the rates, basis of duties, levies and taxes affecting SCAN Group's activities or the markets in which it operates.
4. There will not be any material fluctuation in inflation, interest rates and exchange rates of foreign currencies against Ringgit Malaysia.
5. Existing and future financing facilities will remain available to SCAN Group with no significant changes in interest rates and repayment terms.
6. There will be no material deviation in accounting, management and costing policies adopted by SCAN Group that will adversely affect the performance of SCAN Group.
7. There will be no major changes in the cost of hardware, software, labour and other incidental cost which will adversely affect the operations of SCAN Group.
8. There will be no material changes in the existing key personnel and management of SCAN Group that will adversely affect the performance of SCAN Group.
9. There will be no major breakdowns or disruption in the operational and services, which will adversely affect SCAN Group's operations.

Stamped for the purpose of identification on:
10 AUG 2006
Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

**SCAN ASSOCIATES BERHAD
(Company No: 525669-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**PRINCIPAL BASES AND ASSUMPTIONS TO THE CONSOLIDATED PROFIT
FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006 (CONT'D)**

The principal bases and assumptions upon which the consolidated profit forecast has been prepared are set out below (cont'd):-

10. The timing and quantum of forecasted income and costs will be generated and incurred as planned.
11. There will be no significant changes in the price of hardware, software, cost of other goods purchased, labour costs and other incidental cost which will adversely affect SCAN Group's profitability.
12. There will be no significant shortage in skilled and unskilled expertise or labour required.
13. SCAN Group will not engage in any material litigation and there will be no legal proceedings against SCAN Group which will adversely affect the activities and performance of SCAN Group or give rise to any contingent liabilities which will materially affect the financial position and business of SCAN Group.
14. There will be no material acquisition or disposal of property, plant and equipment and capital expenditure other than those taken into consideration in the forecast and there will be no major delays or variations in the implementation of approved capital expenditure program of SCAN Group.
15. There will be no major industrial disputes or any other abnormal circumstances including exceptional bad debts that will adversely affect the operations of SCAN Group or the market in which it operates.
16. All existing licenses and permits granted to SCAN Group will not be withdrawn and will be renewed by the relevant authorities. All licenses and permits required by SCAN Group in respect of future operations will be obtained.
17. There will be no material changes in SCAN Group and its major customers' structure or principal activities or composition.

Stamped for the purpose of identification on:
10 AUG 2006
Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

**SCAN ASSOCIATES BERHAD
(Company No: 525669-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**PRINCIPAL BASES AND ASSUMPTIONS TO THE CONSOLIDATED PROFIT
FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006 (CONT'D)**

The principal bases and assumptions upon which the consolidated profit forecast has been prepared are set out below (cont'd):-

18. SCAN Group will achieve the selling prices as per forecasted and the targeted sales mix of SCAN Group's products and services and its customers segmentation will be achieved as planned. Sales and related costs as forecasted by the Directors, take into consideration the present market condition of selling prices and related costs of SCAN Group, and are consistent with the business plans of SCAN Group. There would be no significant changes to the prices and utilisation rate of hardware and software, labour and operating costs of SCAN Group.
19. SCAN Group products and services will not be obsoleted and will be enhanced to keep pace with amongst others, emerging client needs and preferences. There will not be significant defects, errors, or incidents, that would materially affect the business and/or profitability of SCAN Group.
20. There will not be material loss of SCAN Group's existing customers that will materially affect the revenue of the Group. The Group will not experience exceptional level of bad or doubtful debts.
21. The clients of SCAN Group will fulfill the project requirement and contractual obligation by SCAN Group.
22. There will be no significant changes to the existing and future arrangements and collaborations with the existing and identified partners of SCAN Group.

Stamped for the purpose of identification on:
10 AUG 2006
Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

9.6 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED CASHFLOW FORECAST OF THE SCAN GROUP FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006
(Prepared for inclusion in the Prospectus)

Shamsir Jasani Grant Thornton 

Chartered Accountants

REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED CASH FLOW FORECAST
(Prepared for inclusion of this Prospectus)

Date: 10 August 2006

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

Dear Sirs,

We have reviewed the consolidated cash flow forecast of SCAN Associates Bhd ("SCAN") and its subsidiary companies ("SCAN Group") for the financial year ending 31 December 2006 as set out in the accompanying statements (which we have stamped for the purpose of identification) in accordance with the standard applicable to the review of forecast. The consolidated cash flow forecast has been prepared for inclusion in the Prospectus in connection with the following and should not be relied on for any other purposes:-

(i) **Public Issue**

Public Issue of 50,500,000 new ordinary shares of RM0.10 each ("Public Issue Share") to the Malaysian Public, at an issue price of RM0.50 per Public Issue Share, by way of private placement to identified investors, pink form allocation and allocation to the Malaysian public; and

(ii) **Listing of and Quotation on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities")**

In conjunction with the Public Issue, SCAN seeks the admission and the listing of and quotation for its entire enlarged issued and paid-up share capital of SCAN comprising 200,000,000 SCAN Shares on the Official List of the MESDAQ Market of Bursa Securities.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by SCAN in its audited financial statements for the financial period ended 30 June 2006. The Directors of SCAN are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Shamsir Jasani Grant Thornton (AF-0737)

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Member of Grant Thornton International

9. FINANCIAL INFORMATION (Cont'd)

Shamsir Jasani Grant Thornton 

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date of information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material. Accordingly, we do not express any opinion as to whether forecast will be achieved nor can we guarantee or confirm the achievement of these results.

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated cash flow forecast; and
- (ii) in our opinion, the consolidated cash flow forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors.

Yours faithfully,



SHAMSIR JASANI GRANT THORNTON
NO. AF : 0737
CHARTERED ACCOUNTANTS



DATO' N. K. JASANI
PARTNER
NO: 708/03/08 (J/PH)

9. FINANCIAL INFORMATION (Cont'd)

SCAN ASSOCIATES BERHAD
(Company No: 525669-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW FORECAST FOR THE FINANCIAL YEAR ENDING
31 DECEMBER 2006

Barring unforeseen circumstances, the Directors forecast that the consolidated cash flows of SCAN Group for the financial year ending 31 December 2006 will be as follows:-

	Forecast 2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Collection from customers	46,132
Grant received from Government	2,000
Payment to suppliers	(26,401)
Operating expenses	(12,560)
Interest paid	(74)
Interest received	520
Tax paid	(4)
Net cash generated from operating activities	9,613
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from rights issue	2,095
Proceeds from public issue	25,250
Acquisition of property, plant and equipment	(4,212)
Development expenditure	(5,849)
Net cash generated from investing activities	17,284
CASH FLOWS FROM FINANCING ACTIVITIES	
Listing expenses	(1,875)
Dividend paid	(1,600)
Drawdown of term loan	6,640
Repayment of term loan	(1,159)
Repayment of hire purchase creditors	(151)
Net cash generated from financing activities	1,855
CASH AND CASH EQUIVALENTS	
Net increase	28,752
At beginning of financial year	9,164
At end of financial year *	37,916

* Included in the above cash and cash equivalents is an amount of RM7,504,770 which is fixed deposit pledged for performance bond.

Stamped for the purpose of identification on:
10 AUG 2006
 Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

**SCAN ASSOCIATES BERHAD
(Company No: 525669-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**SPECIFIC BASES AND ASSUMPTIONS TO THE
CONSOLIDATED CASH FLOW FORECAST FOR THE FINANCIAL YEAR ENDING
31 DECEMBER 2006**

The specific bases and assumptions made in the preparation of the consolidated cash flow forecast are set out below:-

- (a) Barring any unforeseen circumstances, SCAN Group will achieve its forecasted profit. The assumptions relating to the consolidated profit forecast are relevant to the consolidated cash flow forecast.
- (b) The timing and discharge of liabilities and expenses of SCAN Group will be consistent with the current arrangements and policies which include operating expenses are paid as incurred.
- (c) Existing and future financing facilities will remain available to SCAN Group with no significant changes in interest rate and repayment terms.
- (d) The repayments of the existing hire purchase and bank borrowings are based upon the existing repayment schedules.
- (e) Trade receivables outstanding will be averaging at 90 days sales.
- (f) Trade payables outstanding will be averaging at 30 days purchases.
- (g) There will be no significant changes in credit periods granted or received by SCAN Group.
- (h) SCAN Group will pay a net dividend amounted to RM1.6 million in respect of financial year ended 31 December 2005.
- (i) The Group is expected to receive grant from government amounting to RM2.0 million.

Stamped for the purpose of identification on:
10 AUG 2006
Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

SCAN ASSOCIATES BERHAD
(Company No: 525669-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

**SPECIFIC BASES AND ASSUMPTIONS TO THE
CONSOLIDATED CASH FLOW FORECAST FOR THE FINANCIAL YEAR ENDING
31 DECEMBER 2006 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated cash flow forecast are set out below (cont'd):-

- (j) Utilisation of the proceeds from the Rights Issue and Public Issue shall be as follows:-

	RM'000
Development expenditure	13,000
Overseas Projects Implementation	3,500
Overseas expansion	5,000
Working capital	3,970
Listing expenses	1,875
	27,345

- (k) SCAN Group will purchase property, plant and equipment amounting to RM5,111,694 in the forecast year which will be financed through internally generated funds. An amount of RM900,000 had already been paid in the financial year ended 31 December 2005.
- (l) The development expenditure amounted to RM5,849,000 is funded from the proceeds of the Rights and Public Issue.

Stamped for the purpose of identification on:
10 AUG 2006
Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

9.7 DIRECTORS' COMMENTS ON THE PROFIT FORECAST

The Board of Directors of SCAN Associates confirm that the profit forecast for financial year ending 31 December 2006 has been prepared on the basis and accounting principles consistent with those previously adopted in preparation of the audited financial statement. The Board have reviewed and analysed the bases and assumptions used in arriving at the consolidated profits forecast of SCAN Associates for the financial years ending 31 December 2006 and are of the opinion that the profit forecast are fair and reasonable in light of the following factors:-

- (i) future plans, strategies and prospects as set out in Section 4.7 of this Prospectus;
- (ii) after taking into consideration the forecast gearing levels, liquidity and working capital requirements of SCAN Associates as set out in Section 9.3 this Prospectus; and
- (iii) Directors are of opinion that the order book is largely adequate for the Company to achieve the forecast revenue for the financial ending 31 December 2006.

Save as disclosed in Section 9 of this Prospectus, the Directors are of the view that the financial performance, position and operations of the Group are not affected by any of the following: -

- (i) Any known trends, demands, commitments, events or uncertainties that have had, or that the corporation reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of SCAN Group;
- (ii) Any material capital commitments;
- (iv) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of SCAN Group; and
- (iv) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

The Company projects its revenue to increase by 75% from RM25.98 million to RM45.50 million. The increase in revenue can be mainly attributed to new projects locally as well as from overseas that were identified by the Group to contribute to the revenue forecast for the financial year ending 31 December 2006. As a result of this increase in revenue, the Group's PBT is expected to increase by 15% from RM8.67 to RM10.01 million.

Nevertheless, these bases and assumptions cover future periods for which there are inherent risks, and therefore, should be treated with caution. These bases and assumptions are subject to significant uncertainties and contingencies, which are often outside the control of SCAN Associates. Therefore, certain assumptions used in the preparations of the profit forecasts may differ significantly from the actual situation.

9.8 DIVIDEND FORECAST

The Board of Directors of SCAN Associates declared a tax-exempt dividend of RM1,600,000 i.e. approximately 0.3734 sen or 37.34% per share, for the financial year ended 31 December 2005. The said dividend is not part of the listing scheme and was derived from the retained earnings of SCAN Associates for the financial year ended 31 December 2005.

9. FINANCIAL INFORMATION (Cont'd)

Subject to the prevailing laws and legislation, going forward, the Company will make it a policy to recommend dividends to allow shareholders to participate in the Group's profits, after taking into account, amongst others, the following factors:-

- The availability of adequate distributable reserves and cashflows of the Company
- The availability of sufficient exempt income and/or tax credits under Section 108 of the Malaysian Income Tax Act, 1967 to enable the Company to distribute dividends to shareholders without incurring any tax liability; and
- The operating cashflow requirements, financing commitments and expansion plans

For the financial year ending 31 December 2006, it is the present intention of the Board of Directors, subject to the foregoing factors, to propose and/or declare a tax exempt dividend of 20.0% to the shareholders. The details of the intended appropriation of the forecast consolidated PAT for the financial year end 31 December 2006 is as follows:

Financial year Ending 31 December 2006

Net dividend per Share ⁽¹⁾ (sen)	1.0
Gross/ Net dividend Yield based on the Issue Price (%)	2.0
Gross / Net dividend cover ⁽²⁾ (times)	5.0

Notes:-

(1) Based on the enlarged issues and paid-up share capital of SCAN Associates upon Listing comprising 200,000,000 Shares

(2) Computed based on the consolidated profit forecast PBT (Gross) and PAT (Net) over the net dividend

The actual dividend proposed and declared may vary depending on the Group's financial performance, cashflows and other factors deemed relevant by the Board of Directors of the Company; there are possibilities that the Company may not declare the dividend if payment of the dividend would adversely affect the Group's cashflows and operations.

9.9 SENSITIVITY ANALYSIS

The consolidated profit forecast is based on a number of estimates and assumptions that are subject to significant changes in the prevailing economic, technology and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its Directors, and upon assumptions with respect to future business decisions, which are subject to change.

Set out below are the summary of the sensitivity analysis of the consolidated profit forecast after taxation, after variations in a number of key variables, to the overall consolidated profit forecast. The other factors remain unchanged.

The sensitivity analysis is specific to price changes, amount spent on manpower cost and changes in product and services mix sales, assumed in the profit forecast for the financial ending 31 December 2006. The changes in the key variables set out in the sensitivity analysis, are not intended to be indicative of the complete range of variations that may be experienced.

9. FINANCIAL INFORMATION (Cont'd)

Assumption	Change in assumption	Impact on forecast PAT RM'000
Price changes	+/- 5%	+/- RM2,275
Manpower cost	+/- 10%	+/- RM720
Changes in product and services mix	3% from lower to higher margin contributor	+RM715

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9. FINANCIAL INFORMATION (Cont'd)

**9.10 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED
BALANCE SHEETS AS AT 30 JUNE 2006**
(Prepared for inclusion in the Prospectus)

Shamsir Jasani Grant Thornton 

Chartered Accountants

**REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED
BALANCE SHEETS AS AT 30 JUNE 2006**
(Prepared for inclusion in this Prospectus)

Date: 10 August 2006

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

Gentlemen,

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of SCAN Associates Berhad ("SCAN") and its subsidiary companies ("SCAN Group"), together with the notes thereto as at 30 June 2006, as set out in this Prospectus in connection with the following:-

(i) Public Issue

Public Issue of 50,500,000 new ordinary shares of RM0.10 each ("Public Issue Share") to the Malaysian Public, at an issue price of RM0.50 per Public Issue Share, by way of private placement to identified investors, pink form allocation and allocation to the Malaysian public; and

(ii) Listing and Quotation on the MESDAQ Market of Bursa Securities

In conjunction with the Public Issue, SCAN seeks the admission and listing of and quotation for its entire enlarged issued and paid-up share capital of SCAN comprising 200,000,000 SCAN Shares on the Official List of the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

It is the sole responsibility of the Directors of SCAN Group to prepare the Proforma Consolidated Balance Sheets in accordance with the requirements of the Prospectus Guidelines in respect of Public Offerings issued by the Securities Commission.

Shamsir Jasani Grant Thornton (AF:0737)

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9. FINANCIAL INFORMATION (Cont'd)

Shamsir Jasani Grant Thornton 

In our opinion, the Proforma Consolidated Balance Sheets together with the accompanying notes which are provided solely for illustrative purposes only,

- (a) have been properly compiled on a basis of preparation stated in the notes thereto and such basis is consistent with the accounting policies normally adopted by SCAN Group; and
- (b) the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets; and
- (c) the financial statements used in the preparation of the Proforma Consolidated Balance Sheets were prepared in accordance with applicable approved accounting standards in Malaysia.

Our letter on the Proforma Consolidated Balance Sheets of SCAN Group as at 30 June 2006 is prepared solely for the purpose of this Prospectus. This letter is not to be reproduced, referred to in any other documents, or used or relied upon for any other purpose without our prior written consent.

Yours faithfully,



SHAMSIR JASANI GRANT THORNTON
NO. AF : 0737
CHARTERED ACCOUNTANTS



DATO' N.K. JASANI
PARTNER
NO: 708/03/08 (J/PH)

9. FINANCIAL INFORMATION (Cont'd)

SCAN ASSOCIATES BERHAD
(Company No : 525669 P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2006

The Proforma Consolidated Balance Sheets of SCAN Group as at 30 June 2006 as set out below are provided for illustrative purposes only and incorporates the transactions referred to in the notes to the Proforma Consolidated Balance Sheets, to show the effects on the balance sheets of SCAN Group as at 30 June 2006 had these transactions been effected on that date:-

	SCAN Group as at 30 June 2006 RM'000	Proforma I RM'000	Proforma II RM'000
SHARE CAPITAL	14,950	20,000	20,000
RESERVES	11,679	31,879	30,004
SHAREHOLDERS' FUND	26,629	51,879	50,004
NON-CURRENT LIABILITIES			
Bank borrowings	1,912	1,912	1,912
Hire purchase creditors	210	210	210
	28,751	54,001	52,126
REPRESENTED BY:-			
NON-CURRENT ASSETS			
Property, plant and equipments	4,562	4,562	4,562
Development expenditure	-	-	13,000
Deferred taxation	286	286	286
Total non-current assets	4,848	4,848	17,848
CURRENT ASSETS			
Receivables	19,618	19,618	19,618
Amount due from customers for contract work	2,902	2,902	2,902
Cash and bank balances	8,912	34,162	19,287
Total current assets	31,432	56,682	41,807
CURRENT LIABILITIES			
Payables	5,698	5,698	5,698
Bank borrowings	1,644	1,644	1,644
Hire purchase creditors	151	151	151
Tax payable	36	36	36
Total current liabilities	7,529	7,529	7,529
NET CURRENT ASSETS	23,903	49,153	34,278
	28,751	54,001	52,126
NET TANGIBLE ASSETS PER ORDINARY SHARE of:			
- RM0.10 (sen)	18	26	19

Stamped for the purpose of identification on:
10 AUG 2006
 Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

SCAN ASSOCIATES BERHAD
(Company No : 525669 P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2006

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. The Proforma Consolidated Balance Sheets have been prepared using the acquisition method of accounting.
2. The Proforma Consolidated Balance Sheets have been prepared based on accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements to illustrate the Consolidated Balance Sheet of the Group assuming that all the transactions mentioned below had taken place on 30 June 2006:-

Proforma I : Public Issue of 50,500,000 new ordinary shares of RM0.10 each ("Public Issue Share") at an issue price of RM0.50 per Public Issue Share by way of private placement to identified investors, pink form allocation and allocation to the Malaysian public; and

Proforma II : Assume after Proforma I and the gross proceeds arose from the Rights Issue and Public Issue amounting to RM2,095,000 and RM25,250,000 respectively are expected to be fully utilised for the core business of SCAN in the following manner:-

	RM'000
Development expenditure	13,000
Overseas Projects Implementation	3,500
Overseas expansion	5,000
Working capital	3,970
Listing expenses	1,875
	27,345

The listing expenses are estimated at RM1,875,000 and will be set off against the share premium account.

Stamped for the purpose of identification on: <div style="text-align: center; font-size: 1.2em; font-weight: bold; margin: 5px 0;">10 AUG 2006</div> Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

SCAN ASSOCIATES BERHAD
(Company No : 525669 P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2006

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

3. The movement of the issued and paid-up share capital of SCAN is as follows:-

	RM'000
As at 30 June 2006	14,950
Public issue	5,050
As per Proforma I	20,000
Utilisation of proceeds from the Rights Issue and Public Issue	-
As per Proforma II	20,000

4. The movement of reserves account is as follows:-

	Unappropriated <u>profit</u> RM'000	Exchange <u>reserve</u> RM'000	Share <u>premium</u> RM'000	<u>Total</u> RM'000
As at 30 June 2006	11,750	(71)	-	11,679
Public Issue	-	-	20,200	20,200
As per Proforma I	11,750	(71)	20,200	31,879
Listing expenses	-	-	(1,875)	(1,875)
As per Proforma II	11,750	(71)	18,325	30,004

5. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only and are based on the audited balance sheets of SCAN Associates Berhad, SCAN Crypto-Tech Sdn. Bhd. and PT SCAN Nusantara as at 30 June 2006.

Stamped for the purpose of identification on:
10 AUG 2006
 Shamsir Jazari Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)**9.11 MOVEMENTS IN THE SHARE CAPITAL AND SHARE PREMIUM**

The movements in the share capital and share premium account of the Company are as follows: -

	Share capital (RM '000)	Unappropriated profits (RM '000)	Distributable reserve (RM '000)	Undistributable reserve (RM '000)	Total (RM '000)
As at 30 June 2006	14,950	11,750	-	(71)	26,629
Proforma I: Public Issue	20,000	11,750	20,200	(71)	51,879
Proforma II: Listing expenses	20,000	11,750	18,325	(71)	50,004

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