

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

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007**

	<b>As At End Of Current Quarter 31.3.07 RM'000</b>	<b>(Audited) As at 31.12.06 RM'000</b>
<b>Financed by :-</b>		
Share capital	20,000	20,000
Reserves	36,210	36,350
Shareholders' equity	<u>56,210</u>	<u>56,350</u>
<b>Non-current liability</b>		
Borrowings	2,509	2,718
	<u>58,719</u>	<u>59,068</u>
<b>Non-Current Assets</b>		
Property, plant and equipment	6,175	5,896
Fixed deposits with licensed banks	5,705	6,316
Other assets	297	307
Total non-current assets	<u>12,177</u>	<u>12,519</u>
<b>Current Assets</b>		
Trade receivables	23,209	22,013
Work-in-progress	1,722	392
Other receivables	3,960	2,546
Fixed deposits with licensed banks	21,304	25,680
Cash and bank balances	1,922	2,680
Total current assets	<u>52,117</u>	<u>53,311</u>
<b>Current Liabilities</b>		
Trade payables	1,063	1,109
Other payables	1,700	2,977
Amount due to Directors	298	34
Borrowings	2,431	2,559
Tax payable	83	83
Total current liabilities	<u>5,575</u>	<u>6,762</u>
<b>Net Current Assets</b>		
	46,542	46,549
	<u>58,719</u>	<u>59,068</u>

**Note:**

The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2006.

The unaudited condensed consolidated results as at 31 March 2007 announced by the Company is in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

As this is the third quarterly reporting being drawn up as a listed Company, there are no comparative figures for the preceding year's corresponding quarter.

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2007**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.3.07 RM'000	Preceding Year Corresponding Quarter 31.3.06 RM'000	Current Year To Date 31.3.07 RM'000	Preceding Year Corresponding Period 31.3.06 RM'000
<b>CONTINUING OPERATIONS</b>				
Revenue	5,956	N/A	5,956	N/A
Cost of sales	(4,522)	N/A	(4,522)	N/A
<b>Gross profit</b>	<u>1,434</u>	N/A	<u>1,434</u>	N/A
Other operating income	391	N/A	391	N/A
Administration expenses	(1,763)	N/A	(1,763)	N/A
Other operating expenses	-	N/A	-	N/A
<b>Operating Profit</b>	<u>62</u>	N/A	<u>62</u>	N/A
Finance cost	(99)	N/A	(99)	N/A
<b>Loss before tax</b>	<u>(37)</u>	N/A	<u>(37)</u>	N/A
Income tax expenses	-	N/A	-	N/A
<b>Loss for the financial period</b>	<u><u>(37)</u></u>	<u>N/A</u>	<u><u>(37)</u></u>	<u>N/A</u>
<b>Attributable to:</b>				
Equity holders of the Company	(37)	N/A	(37)	N/A
Minority interest	<u>-</u>	<u>N/A</u>	<u>-</u>	<u>N/A</u>
<b>Loss per share attributable to equity holders of the Company (sen):</b>				
Basic	(0.02)	N/A	(0.02)	N/A
Diluted	<u>(0.02)</u>	<u>N/A</u>	<u>(0.02)</u>	<u>N/A</u>

**Notes:**

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2006.

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**SCAN ASSOCIATES BERHAD (525669-P)**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2007**

	Non Distributable			Distributable	Total
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profit RM'000	
At 1 January 2007	20,000	18,182	(92)	18,260	56,350
Currency translation differences arising in the period	-	-	(103)	-	(103)
Loss for the financial period	-	-	-	(37)	(37)
At 31 March 2007	20,000	18,182	(195)	18,223	56,210

**Note:**

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to Interim Financial Reports and the audited financial statements of the Company for the financial year ended 31 December 2006.

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<b>UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2007</b>
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	<b>Current Year To Date 31.3.07 RM'000</b>	Preceding Year Corresponding Period 31.3.06 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	4,760	N/A
Cash payments to suppliers	(5,028)	N/A
Cash payments to employees and for administrative expenses	(5,024)	N/A
	(5,292)	N/A
Cash used in operations	(5,292)	N/A
Interest received	356	N/A
Other income received	35	N/A
Interest paid	(54)	N/A
Withdrawal of fixed deposits	611	N/A
Net cash used in operating activities	(4,344)	N/A
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(480)	N/A
Proceeds from disposal of property, plant and equipment	111	N/A
Advance from Directors	265	N/A
Net cash used in investing activities	(104)	N/A
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of hire purchase liabilities	(132)	N/A
Repayment of term loan	(554)	N/A
Net cash used in financing activities	(686)	N/A
<b>Net decrease in cash and cash equivalents</b>	(5,134)	N/A
<b>Cash and cash equivalents brought forward</b>	28,360	N/A
<b>Cash and cash equivalents carried forward</b>	23,226	N/A
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	1,922	N/A
Fixed deposits with licensed banks	21,304	N/A
	23,226	N/A

**Notes:**

The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Notes to Interim Financial Reports and the audited Financial Statements of the Company for the financial year ended 31 December 2006.

The unaudited condensed consolidated results for the financial period ended 31 March 2007 announced by the Company is in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

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**SCAN ASSOCIATES BERHAD (525669-P)**

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

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

**A1 Basis Of Preparation**

This interim financial report of the Group is unaudited and have been prepared in accordance with FRS 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9 Part K paragraph 9.22 and Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006.

The accounting policies, method of computation and basis of consolidation adopted by the Group in this interim financial report are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2006.

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

The auditors' report on the financial statements for the financial year ended 31 December 2006 was not subject to any qualification.

**A3 Seasonal Or Cyclical Factors**

The Group's operations were not materially affected by any seasonal and cyclical factors.

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

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

**A5 Material Changes In Estimates**

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

**A6 Debts And Equity Securities**

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

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

**A7 Dividends**

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

**A8 Segmental Information**

<b>Source</b>	<b>Current financial quarter RM'000</b>	<b>Financial period to date RM'000</b>
<b><u>Segment revenue</u></b>		
Malaysia	5,883	5,883
Overseas	73	73
	<u>5,956</u>	<u>5,956</u>
<b><u>Segment profit/(loss) before tax</u></b>		
Malaysia	22	22
Overseas	(59)	(59)
	<u>(37)</u>	<u>(37)</u>

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

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

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

There were no material events during and subsequent to the financial quarter.

**A11 Changes In The Composition Of The Group**

There were no changes in the composition of the Group during the financial quarter under review.

**A12 Contingent Liability**

The Group does not have any contingent liability as at the date of the announcement.

**A13 Significant Related Party Transaction**

	<b>Current financial quarter RM'000</b>	<b>Financial period to date RM'000</b>
Interest income from investment in a Company in which a Director has interest	<u>29</u>	<u>29</u>

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET**

**B1 Review Of Performance**

For the current financial quarter, the Group recorded a revenue of RM 5,955,876. This was mainly generated from ICT Security System Integration section which contributed approximately 60% of the total revenue for the financial quarter. In spite of the revenue, the Group recorded a loss for the financial period amounted to RM 37,466.

**B2 Comparison With Immediate Preceding Quarter**

The Group generated revenue of RM 5,955,876 in the current financial quarter under review. This represents a decreased of RM 3,659,514 or 38% from the revenue of RM 9,615,390 recorded in the preceding financial quarter.

In line with the decreased in the revenue, the Group recorded a loss before taxation amounted to RM37,466 in the current financial quarter, a decreased of RM3,973,238 or 101% as compared to preceding financial quarter. This was mainly contributed by the lower gross profit margin of 24% during the financial quarter, as compared to 61% in the preceding quarter.

**B3 Business Prospects**

Throughout the financial year ended 31 December 2006, with our presence in Middle East and Indonesia, the overseas market contributed positively to the Group earnings. We expect that the overseas market will continue to provide significant contribution in this financial year even though this was not reflected in the first quarter of 2007. The Group is continuously bidding in various ICT Security projects both locally and overseas. Therefore, the Group expects to secure more contracts in the next financial quarters.

**B4 Variance Of Actual Profit From Forecast Profit**

This note is not applicable for the current financial quarter.

**B5 Taxation**

	<b>Current financial quarter RM'000</b>	<b>Financial period to date RM'000</b>
Income tax	-	-

There was no taxation during the financial quarter under review due to tax exempt income of the Company pursuant to its pioneer status granted under the Promotion of Investments Act, 1986 (Amendments) pursuant to its MSC status entitlement under the MSC Bill of Guarantees for five years commencing 24 December 2002.

**B6 Sale of properties and unquoted investments**

There were no purchases or disposal of unquoted investments and properties during the current financial quarter under review.

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

**B7 Purchase Or Disposal Of Quoted Securities**

There were no acquisitions or disposals of quoted securities during the financial quarter under review.

**B8 Corporate Proposals**

There is no material corporate proposal for the Group for the financial quarter.

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

	<u>Total amount of proceeds</u>	<u>Amount Utilised</u>		<u>Amount unutilised</u>
		<u>Current quarter</u>	<u>Total to date</u>	
	RM'000	RM'000	RM'000	RM'000
Development expenditure	13,000	(369)	(964)	12,036
Overseas projects implementation	3,500	(329)	(1,362)	2,138
Overseas expansion	5,000	(339)	(767)	4,233
Working capital	3,970	(866)	(3,970)	-
Listing expenses	1,875	-	(1,875)*	-
Total	<u>27,345</u>	<u>(1,903)</u>	<u>(8,938)</u>	<u>18,407</u>

\* The actual listing expenses amounted to RM2,017,988. The additional amount of RM142,988 was utilised from internally generated fund.

**B9 Group Borrowings And Debt Securities**

	<u>Secured</u> RM'000
<u>Current</u>	
Term Loan	2,281
Hire purchase	150
	<u>2,431</u>
<u>Non-current</u>	
Term loan	2,155
Hire purchase	354
	<u>2,509</u>
<b>Total</b>	<u>4,940</u>

**B10 Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this announcement.

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

**B11 Material Litigations**

There were no material litigations or pending material litigations involving the Group as at the date of this announcement.

**B12 Dividends**

There is no dividend declared and paid during the financial quarter under review.

**B13 Loss Per Share**

	<b><u>Current financial quarter</u></b>	<b><u>Financial period to date</u></b>
Loss attributable to ordinary shareholders (RM'000)	<u>(37)</u>	<u>(37)</u>
Number of ordinary shares of RM0.10 issued ('000)	200,000	200,000
Weighted average numbers of ordinary shares of RM0.10 issued ('000)	200,000	200,000
Basic loss per share (sen)	(0.02)	(0.02)
Diluted loss per share (sen)	<u>(0.02)</u>	<u>(0.02)</u>

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders for the financial quarter under review divided by the weighted average number of ordinary shares of RM0.10 issued.

The Company has no ordinary shares issued which have dilutive factors.