

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2007

	As At End Of Current Quarter 30.9.07 RM'000	(Audited) As at 31.12.06 RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	34,906	36,350
Shareholders' equity	<u>54,906</u>	<u>56,350</u>
Non-current liability		
Borrowings	1,764	2,718
	<u>56,670</u>	<u>59,068</u>
Non-Current Assets		
Property, plant and equipment	7,550	5,896
Fixed deposits with licensed banks	5,287	6,316
Other assets	292	307
Total non-current assets	<u>13,129</u>	<u>12,519</u>
Current Assets		
Trade receivables	27,199	22,013
Work-in-progress	1,289	392
Other receivables	3,519	2,546
Fixed deposits with licensed banks	16,773	25,680
Cash and bank balances	649	2,680
Total current assets	<u>49,429</u>	<u>53,311</u>
Current Liabilities		
Trade payables	1,282	1,109
Other payables	2,482	2,977
Amount due to Directors	94	34
Borrowings	2,009	2,559
Tax payable	21	83
Total current liabilities	<u>5,888</u>	<u>6,762</u>
Net Current Assets	<u>43,541</u>	46,549
	<u>56,670</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 30 September 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.

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2007**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.07 RM'000	Preceding Year Corresponding Quarter 30.9.06 RM'000	Current Year To Date 30.9.07 RM'000	Preceding Year Corresponding Period 30.9.06 RM'000
CONTINUING OPERATIONS				
Revenue	5,475	9,179	19,486	28,492
Cost of sales	(3,344)	(3,941)	(10,783)	(15,105)
Gross profit	2,131	5,238	8,703	13,387
Other operating income	240	259	941	387
Administration expenses	(4,449)	(2,724)	(8,263)	(6,843)
Other operating expenses	-	-	-	-
Operating Profit	(2,078)	2,773	1,381	6,931
Finance cost	(79)	(138)	(217)	(302)
(Loss)/Profit before tax	(2,157)	2,635	1,164	6,629
Income tax expenses	-	1	-	164
(Loss)/Profit for the financial period	(2,157)	2,636	1,164	6,793
Attributable to:				
Equity holders of the Company	(2,157)	2,636	1,164	6,793
Minority interest	-	-	-	-
(Loss)/Profit per share attributable to equity holders of the Company (sen):				
Basic	(1.08)	1.90	0.58	4.89
Diluted	(1.08)	1.90	0.58	4.89

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.

The unaudited condensed consolidated results for the financial period ended 30 September 2007 announced by the Company is in compliance with Bursa Securities requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2007

	Share Capital RM'000	Non Distributable			Distributable		Total RM'000
		Share Premium RM'000	Capital Redemption Reserve RM'000	Other Reserves RM'000	Retained Profit RM'000		
At 1 January 2007	20,000	18,182	-	(92)	18,260	56,350	
Listing expenses	-	(22)	-	-	-	(22)	
Currency translation differences arising in the period	-	-	-	(86)	-	(86)	
Final tax exempt dividend of 12.5%	-	-	-	-	(2,500)	(2,500)	
Profit for the financial period	-	-	-	-	1,164	1,164	
At 30 September 2007	20,000	18,160	-	(178)	16,924	54,906	
At 1 January 2006	4,285	-	5	(33)	16,157	20,414	
Bonus issue	8,570	-	(5)	-	(8,565)	-	
Currency translation differences arising in the period	-	-	-	(46)	-	(46)	
Issued during the period	2,095	-	-	-	-	2,095	
Profit for the financial period	-	-	-	-	6,793	6,793	
At 30 September 2007	14,950	-	-	(79)	14,385	29,256	

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.

The unaudited condensed consolidated results for the financial period ended 30 September 2007 announced by the Company is in compliance with Bursa Securities requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

SCAN ASSOCIATES BERHAD (525669-P)
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2007

	Current Year To Date 30.9.07 RM'000	Preceding Year Corresponding Period 30.9.06 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	14,300	19,589
Cash payments to suppliers	(6,563)	(14,988)
Cash payments to employees and for administrative expenses	(13,404)	(4,983)
	(5,667)	(382)
Cash used in operations		
Interest received	554	137
Other income received	373	250
Interest paid	(303)	(280)
Dividend paid	(2,500)	(1,600)
Tax paid	(62)	(10)
Withdrawal/(Placement) of fixed deposits	1,030	(489)
Net cash used in operating activities	(6,575)	(2,374)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,461)	(4,352)
Proceeds from disposal of property, plant and equipment	231	1
Proceeds from issuance of Rights Issue	-	2,095
Advance from/(to) Directors	60	(8)
Net cash used in investing activities	(2,170)	(2,264)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase liabilities	(291)	(113)
Repayment of term loan	(1,902)	(687)
Drawdown of term loan	-	5,738
Net cash used in financing activities	(2,193)	4,938
Net (decrease)/increase in cash and cash equivalents	(10,938)	300
Cash and cash equivalents brought forward	28,360	4,311
Cash and cash equivalents carried forward	17,422	4,611
CASH AND CASH EQUIVALENTS		
Cash and bank balances	649	3,097
Fixed deposits with licensed banks	16,773	1,514
	17,422	4,611

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 30 September 2007 announced by the Company is in compliance with Bursa Securities requirements in conjunction with the admission of the Company to the MESDAQ Market of Bursa Securities.

SCAN ASSOCIATES BERHAD (525669-P)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007

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 has 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 core business is in Information Technology, where the revenue streams are mainly project driven, subject to the numbers of secured projects. The Group is currently initiating a strategic move to increase its recurring income.

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

On 21 June 2007, during the Company's Sixth Annual General Meeting, the shareholders' have approved a tax exempt first and final dividend of 12.5% (1.25 sen per share) in respect of the financial year ended 31 December 2006. The dividend was fully paid on 10 August 2007.

A8 Segmental Information

Source	Current financial quarter RM'000	Financial period to date RM'000
<u>Segment revenue</u>		
Malaysia	5,020	14,318
Overseas	455	5,168
	5,475	19,486
<u>Segment (loss)/profit before tax</u>		
Malaysia	(1,927)	(394)
Overseas	(230)	1,558
	(2,157)	1,164

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 Transactions

	Current financial quarter RM'000	Financial period to date RM'000
Interest income from investment in a Company in which a Director has interest	-	46
Sales to a Company in which a Director has interest	173	173
	173	173

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 financial period to date, the Group recorded a revenue of RM19,486,064. This was mainly generated from ICT Security Consultancy and Managed Security Services sections which contributed a combined amount of approximately 50% of the total revenue for the financial period to date. In addition to that, the Group has recorded a profit of RM1,164,308 for the financial period to date.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM5,474,704 in the current financial quarter under review. This represents a decrease of RM2,580,780 or approximately 32% from the revenue of RM8,055,484 recorded in the preceding financial quarter. The decrease is mainly contributed by the deferment of the targeted long term projects.

In line with the decrease in the revenue, the Group recorded a loss before taxation amounting to RM2,156,642 in the current financial quarter, a decrease of RM5,515,058 as compared to the preceding financial quarter. This was due to the higher numbers of solution based projects which combines both ICT Security hardware and services deliverables, resulting in a lower gross profit margin of 39% during the financial quarter, as compared to 64% in the preceding quarter.

B3 Business Prospects

Even though our presence in Middle East and Indonesia contributes positively to the Group earnings, the Group's significant reliance on the project based earnings has a greater impact to the earnings this quarter. Delay in the awarding of such projects has a negative impact to the Group, not only in this quarter, but may likely impact our next quarter. However, the Group is continuously bidding for various ICT Security projects both locally and overseas due to positive growth of ICT Security industry and therefore, expects to secure more contracts in the future, barring any unforeseen circumstances.

B4 Variance Of Actual Profit From Forecast Profit

This note is not applicable for the current financial quarter.

B5 Taxation

	Current financial quarter RM'000	Financial period to date RM'000
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.

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

B6 Sale of Properties and Unquoted Investments

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

B7 Purchase Or Disposal Of Quoted Securities

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

B8 Corporate Proposals

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:

	Total amount of proceeds	Amount Utilised		Amount unutilised	Time frame for utilisation
		Current quarter	Total to date	Total to date	
	RM'000	RM'000	RM'000	RM'000	
Development expenditure	13,000	(620)	(1,855)	11,145	2006 – 2008
Overseas projects implementation	3,500	(460)	(2,497)	1,003	2006 – 2007
Overseas expansion	5,000	(807)	(2,039)	2,961	2006 – 2008
Working capital	3,970	-	(3,970)	-	Within 12 months
Listing expenses	1,875	-	(1,875)*	-	Upon listing
Total	27,345	(1,887)	(10,349)	15,109	

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

B9 Group Borrowings And Debt Securities

	Secured
	RM'000
Current	
Term Loan	1,832
Hire purchase	177
	<u>2,009</u>
Non-current	
Term loan	1,256
Hire purchase	508
	<u>1,764</u>
Total	<u><u>3,773</u></u>

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

B10 Off Balance Sheet Financial Instruments

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

B11 Material Litigations

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

B12 Dividends

There is no other dividend declared and paid as at the date of this announcement other than as disclosed in Note A7.

B13 (Loss)/Earnings Per Share

	<u>Current financial quarter</u>	<u>Financial period to date</u>
(Loss)/Profit attributable to ordinary shareholders (RM'000)	<u>(2,157)</u>	<u>1,164</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)/earnings per share (sen)	(1.08)	0.58
Diluted (loss)/earnings per share (sen)	<u>(1.08)</u>	<u>0.58</u>

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit 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.