

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	As At 31.12.07 (Unaudited) RM'000	As At 31.12.06 (Audited) RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	23,583	36,350
Shareholders' equity	<u>43,583</u>	<u>56,350</u>
Non-current liability		
Borrowings	1,022	2,718
	<u>44,605</u>	<u>59,068</u>
Non-Current Assets		
Property, plant and equipment	8,035	5,896
Fixed deposits with licensed banks	5,517	6,316
Other assets	159	307
Total non-current assets	<u>13,711</u>	<u>12,519</u>
Current Assets		
Trade receivables	16,431	22,013
Work-in-progress	1,749	392
Other receivables	3,802	2,546
Fixed deposits with licensed banks	13,767	25,680
Cash and bank balances	1,091	2,680
Total current assets	<u>36,840</u>	<u>53,311</u>
Current Liabilities		
Trade payables	1,779	1,109
Other payables	1,796	2,977
Amount due to Directors	95	34
Borrowings	2,103	2,559
Tax payable	173	83
Total current liabilities	<u>5,946</u>	<u>6,762</u>
Net Current Assets	<u>30,894</u>	46,549
	<u>44,605</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 December 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 FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2007**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.07 RM'000	Preceding Year Corresponding Quarter 31.12.06 RM'000	Current Year To Date 31.12.07 RM'000	Preceding Corresponding Year To Date 31.12.06 (Audited) RM'000
CONTINUING OPERATIONS				
Revenue	5,934	9,615	25,420	38,107
Cost of sales	(3,210)	(3,729)	(13,993)	(18,997)
Gross profit	<u>2,724</u>	<u>5,886</u>	<u>11,427</u>	<u>19,110</u>
Other operating income	379	420	1,320	824
Administration expenses	(2,789)	(2,251)	(11,052)	(9,075)
Other operating expenses	(11,616)	-	(11,616)	-
Operating (Loss)/Profit	<u>(11,302)</u>	<u>4,055</u>	<u>(9,921)</u>	<u>10,859</u>
Finance cost	(110)	(119)	(327)	(322)
(Loss)/Profit before tax	<u>(11,412)</u>	<u>3,936</u>	<u>(10,248)</u>	<u>10,537</u>
Income tax expenses	(163)	22	(163)	130
(Loss)/Profit for the financial period	<u><u>(11,575)</u></u>	<u><u>3,958</u></u>	<u><u>(10,411)</u></u>	<u><u>10,667</u></u>
Attributable to:				
Equity holders of the Company	(11,575)	3,958	(10,411)	10,667
Minority interest	-	-	-	-
(Loss)/Profit per share attributable to equity holders of the Company (sen):				
Basic	(5.79)	2.57	(5.21)	6.93
Diluted	<u>(5.79)</u>	<u>2.57</u>	<u>(5.21)</u>	<u>6.93</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.

The unaudited condensed consolidated results for the financial year ended 31 December 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 FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 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	-	-	-	166	-	166	
Final tax exempt dividend of 12.5%	-	-	-	-	(2,500)	(2,500)	
Loss for the financial year	-	-	-	-	(10,411)	(10,411)	
At 31 December 2007	20,000	18,160	-	74	5,349	43,583	
At 1 January 2006	4,285	-	5	(33)	16,158	20,415	
Currency translation differences arising in the period	-	-	-	(59)	-	(59)	
Issuance of shares during the financial year							
- Bonus issue	8,570	-	(5)	-	(8,565)	-	
- Right issue	2,095	-	-	-	-	2,095	
- Public issue	5,050	20,200	-	-	-	25,250	
Listing expenses	-	(2,018)	-	-	-	(2,018)	
Profit for the financial year	-	-	-	-	10,667	10,667	
At 31 December 2006	20,000	18,182	-	(92)	18,260	56,350	

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 year ended 31 December 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 CASH FLOW STATEMENT
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2007

	Current Year To Date 31.12.07 RM'000	Preceding Year To Date 31.12.06 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	19,738	27,978
Cash payments to suppliers	(5,621)	(9,099)
Cash payments to employees and for administrative expenses	(20,620)	(18,777)
	<u>(6,503)</u>	<u>102</u>
Cash (used in)/generated from operations	1	387
Other income received	458	(29)
Interest received/(paid)	(2,500)	(1,600)
Dividend paid	(123)	(18)
Tax paid	749	(1,462)
Withdrawal/(Placement) of fixed deposits	<u>(7,918)</u>	<u>(2,620)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,387)	(5,086)
Proceeds from disposal of property, plant and equipment	284	4
Advance from Directors	62	18
	<u>(3,041)</u>	<u>(5,064)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase liabilities	(359)	(151)
Repayment of term loan	(2,184)	(1,122)
Drawdown of term loan	-	5,661
Proceeds from issuance of shares	-	27,345
	<u>(2,543)</u>	<u>31,733</u>
Net cash (used in)/from financing activities		
Net (decrease)/increase in cash and cash equivalents	(13,502)	24,049
Cash and cash equivalents brought forward	28,360	4,311
Cash and cash equivalents carried forward	<u>14,858</u>	<u>28,360</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,091	2,680
Fixed deposits with licensed banks	13,767	25,680
	<u>14,858</u>	<u>28,360</u>

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 year ended 31 December 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 YEAR ENDED 31 DECEMBER 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 has initiated a strategic move to increase its recurring income which begins to show results.

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, except for allowance for doubtful debts amounting to RM9,945,420 and foreign exchange translation loss of RM1,644,064, provided in current financial quarter which has significantly affected the Group financial performance.

The Group decided to provide for doubtful debts since the debt has been outstanding for more than 12 months. Despite the project is a government project with a Middle Eastern Government and the Government has taken steps to initiate payments, in the opinion of the Group, it is prudent to provide these allowances under such circumstances.

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.

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

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.

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 amounted to RM2,500,000 was fully paid on 10 August 2007.

A8 Segmental Information

Source	Current financial quarter RM'000	Financial year to date RM'000
<u>Segment revenue</u>		
Malaysia	4,214	18,532
Overseas	1,720	6,888
	<u>5,934</u>	<u>25,420</u>
<u>Segment loss before tax</u>		
Malaysia	(2,727)	(3,121)
Overseas	(8,685)	(7,127)
	<u>(11,412)</u>	<u>(10,248)</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.

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

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	<u>173</u>	<u>173</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 financial year to date, the Group recorded a revenue of RM25,419,654. This was mainly generated from ICT Security Consultancy and Managed Security Services (MSS) sections which contributed a combined amount of approximately 50% of the total revenue for the financial year to date. Of the total 50%, MSS which is recurring in nature contributed approximately 40%. Being prudent, the Group provides allowance for doubtful debts amounted to RM9,945,420 and foreign exchange loss of RM1,644,064 during the year. As a result, the Group has recorded a loss of RM10,410,735. Without such provisions, the group is expected to make a profit of RM1,178,749.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM5,933,590 in the current financial quarter under review. This represents an increase of RM458,886 or approximately 8% from the revenue of RM5,474,704 recorded in the preceding financial quarter.

However the Group recorded a loss before taxation amounting to RM11,411,661 in the current financial quarter, an increase in losses of RM9,255,019 as compared to the preceding financial quarter. This was mainly due to the allowance for doubtful debts and foreign exchange loss provided in the current financial quarter as explained above.

B3 Business Prospects

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 quarters. However, the Group is continuously bidding for various ICT Security projects both locally and overseas due to positive growth of ICT Security industry. In addition, the group has also embarked on strengthening its recurring income generators such as MSS. Therefore, the Group 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.

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

B5 Taxation

	Current financial quarter RM'000	Financial period to date RM'000
Current period's provision	38	38
Deferred taxation	125	125
	<u>163</u>	<u>163</u>

There was no taxation on operating income during the financial quarter under review due to tax exempt income of the Company pursuant to its pioneer status granted under the Promotion of Investments Act, 1986 (Amendments) pursuant to its MSC status entitlement under the MSC Bill of Guarantees for five years commencing 24 December 2002. The status has been extended for another five(5) years from the date of expiry of the first five(5) years period.

The current taxation of the Group is principally in respect of interest income.

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:

	<u>Total amount of proceeds</u>	<u>Amount Utilised</u>		<u>Amount unutilised</u>	<u>Time frame for utilisation</u>
	RM'000	<u>Current quarter</u> RM'000	<u>Total to date</u> RM'000	<u>Total to date</u> RM'000	<u>(After listing)</u>
Development expenditure	13,000	(1,020)	(2,875)	10,125	3 years
Overseas projects implementation	3,500	(489)	(2,986)	514	2 years
Overseas expansion	5,000	(610)	(2,649)	2,351	3 years
Working capital	3,970	-	(3,970)	-	Within 12 months
Listing expenses	1,875	-	(1,875)*	-	Upon listing
Total	<u>27,345</u>	<u>(2,119)</u>	<u>(14,355)</u>	<u>12,990</u>	

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

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

B9 Group Borrowings And Debt Securities

	<u>Secured</u> RM'000
<u>Current</u>	
Term Loan	1,952
Hire purchase	151
	<u>2,103</u>
<u>Non-current</u>	
Term loan	557
Hire purchase	465
	<u>1,022</u>
Total	<u><u>3,125</u></u>

B10 Off Balance Sheet Financial Instruments

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

B11 Material Litigations

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

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 Per Share

	<u>Current financial</u> <u>quarter</u>	<u>Financial period</u> <u>to date</u>
Loss attributable to ordinary shareholders (RM'000)	<u>(11,575)</u>	<u>(10,411)</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)	(5.79)	(5.21)
Diluted loss per share (sen)	<u>(5.79)</u>	<u>(5.21)</u>

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

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.