

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

	As At 31.3.10 (Unaudited) RM'000	As At 31.12.09 (Audited) RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	1,143	1,918
Shareholders' equity	21,143	21,918
Non-current liability		
Borrowings	157	190
	21,300	22,108
Non-Current Assets		
Property, plant and equipment	1,453	1,685
Development expenditure	8,454	8,503
Fixed deposits with licensed banks	1,893	1,790
Total non-current assets	11,800	11,978
Current Assets		
Trade receivables	4,710	4,599
Work-in-progress	279	72
Other receivables	4,433	3,036
Fixed deposits with licensed banks	513	513
Cash and bank balances	3,438	5,360
Total current assets	13,373	13,580
Current Liabilities		
Trade payables	431	144
Other payables	2,322	2,351
Borrowings	883	714
Tax payable	237	241
Total current liabilities	3,873	3,450
Net Current Assets	9,500	10,130
	21,300	22,108
NET ASSETS PER SHARE (sen)	10.57	10.96

Notes:

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 2009.

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2010
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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.3.10 RM'000	Preceding Year Corresponding Quarter 31.3.09 RM'000	Current Period To Date 31.3.10 RM'000	Preceding Corresponding Period To Date 31.3.09 RM'000
Revenue	5,284	3,299	5,284	3,299
Cost of sales	(3,273)	(2,067)	(3,273)	(2,067)
Gross profit	2,011	1,232	2,011	1,232
Other operating income	14	1,259	14	1,259
Administration expenses	(2,749)	(2,793)	(2,749)	(2,793)
Operating loss	(724)	(302)	(724)	(302)
Finance cost	6	(9)	6	(9)
Loss before tax	(718)	(311)	(718)	(311)
Income tax expenses	-	-	-	-
Loss for the financial period	(718)	(311)	(718)	(311)
Attributable to:				
Equity holders of the Company	(718)	(311)	(718)	(311)
Loss per share attributable to equity holders of the Company (sen):				
Basic	(0.36)	(0.16)	(0.36)	(0.16)
Diluted	N/A	N/A	N/A	N/A

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 2009.

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 2010**

	← Non Distributable →			← Distributable →	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserves RM'000	(Accumulated Losses) RM'000	
At 1 January 2010	20,000	18,160	(236)	(16,006)	21,918
Currency translation differences arising in the period	-	-	(57)	-	(57)
Loss for the financial period	-	-	-	(718)	(718)
At 31 March 2010	<u>20,000</u>	<u>18,160</u>	<u>(293)</u>	<u>(16,724)</u>	<u>21,143</u>
At 1 January 2009	20,000	18,160	(302)	(11,832)	26,026
Currency translation differences arising in the period	-	-	(56)	-	(56)
Loss for the financial period	-	-	-	(311)	(311)
At 31 March 2009	<u>20,000</u>	<u>18,160</u>	<u>(358)</u>	<u>(12,143)</u>	<u>25,659</u>

Notes:

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 2009.

SCAN ASSOCIATES BERHAD (525669-P)
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2010

	Current Period To Date 31.3.10 RM'000	Preceding Period To Date 31.3.09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	5,173	2,833
Cash payments to suppliers	(1,607)	(1,707)
Cash payments to employees and for administrative expenses	(5,360)	(1,540)
Cash used in operations	<u>(1,794)</u>	<u>(414)</u>
Interest received	14	29
Interest paid	(9)	(25)
Placement of fixed deposits	(103)	(193)
Net cash used in operating activities	<u>(1,892)</u>	<u>(603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(166)	(1,560)
Net cash used in investing activities	<u>(166)</u>	<u>(1,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	1,217	-
Repayment of hire purchase liabilities	(35)	(28)
Repayment of term loan	(1,046)	(403)
Net cash used in financing activities	<u>136</u>	<u>(431)</u>
Net decrease in cash and cash equivalents	(1,922)	(2,594)
Cash and cash equivalents brought forward	5,873	11,354
Cash and cash equivalents carried forward	<u>3,951</u>	<u>8,760</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,438	2,279
Fixed deposits with licensed banks	513	6,481
	<u>3,951</u>	<u>8,760</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 2009.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010**

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

A1 Basis Of Preparation

This interim financial statements 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 Rule 9.22 and Appendix 9B of the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009. These explanatory notes attached to the interim financial statements 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 2009.

The accounting policies, method of computation and basis of consolidation adopted by the Group in this interim financial statement are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2009.

A2 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2009 was not subject to any audit 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 and continuously embarking into cost rationalization initiatives.

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

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 during the current financial quarter under review.

A5 Material Changes In Estimates

During the current financial quarter under review, there was 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

	Current financial quarter RM'000	Financial period to date RM'000
<u>Segment revenue</u>		
Malaysia	3,548	3,548
Overseas	1,736	1,736
	<u>5,284</u>	<u>5,284</u>
<u>Segment loss before tax</u>		
Malaysia	(985)	(985)
Overseas	267	267
	<u>(718)</u>	<u>(718)</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 Subsequent To the Financial Quarter

There were no material events between 31 March 2010 and the date of this report that have not been reflected in the interim financial statements for the financial quarter under review.

A11 Changes In The Composition Of The Group

Subject to the approvals of the Corporate Proposals disclosed in Note B8, there would be 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

There were no significant related party transactions during the financial quarter under review.

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

B1 Review Of Performance

For the current financial quarter, the Group recorded revenue of RM5.28 million. This was mainly generated from Managed Security Services which contributed approximately 47% of the total revenue for the current financial quarter.

The Group recorded a loss before taxation amounting to RM0.72 million in the current financial quarter, an increase in losses of RM0.41 million as compared to the preceding year's corresponding financial quarter. The variance was mainly due to doubtful debt recovered amounting to approximately RM1.11 million.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM5.28 million in the current financial quarter under review. This represents a decrease of approximately RM5.49 million or 51% from the revenue of RM10.77 million recorded in the preceding financial quarter. This was mainly attributed to the decrease in revenue from Technical Security Services which is cyclical in nature.

The Group recorded a loss before taxation amounting to RM0.72 million in the current financial quarter, a decrease in losses by RM1.29 million comparing with the loss before taxation announced in preceding financial quarter. This was due to higher operating expenses in preceding financial quarter.

B3 Business Prospects

The Group has continuously tendering for various ICT Security projects both locally and overseas. As part of the reasons of the Corporate Proposals disclosed in Note B8, barring any unforeseen circumstances, the Group expects and has actively positioned ourselves strategically, to secure more contracts in the future.

B4 Variance Of Actual Profit From Forecast Profit

This note is not applicable for the current financial quarter.

B5 Taxation

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.

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

B6 Sale of Properties and Unquoted Investments

There were no sales 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

- 1) On 8 October 2009, the Group announced and proposed to Bursa to undertake the following proposals:-
 - (a) proposed share exchange on the basis of one (1) existing ordinary share of RM0.10 each in Scan Associates Berhad ("SCAN") for one (1) new ordinary share of RM0.10 each in a newly incorporated company ("Newco") at an issue price to be determined later pursuant to a scheme of arrangement under Section 176 of the Companies Act, 1965 ("Proposed Share Exchange");
 - (b) proposed transfer of the listing status of SCAN to Newco ("Proposed Transfer");
 - (c) proposed establishment of an employees' share option scheme involving up to 30% of the issued and paid-up share capital of the Company/Newco at any one time ("Proposed ESOS"); and
 - (d) proposed share buy-back of up to a maximum of 10% of the issued and paid-up share capital of the Company/Newco ("Proposed Share Buy-Back").

Pursuant to the above announcement, on 6 November 2009, the Group announced to Bursa to revise the Previous Proposed ESOS to reduce the maximum limit from 30% to 10% of the issued and paid-up share capital of the Company or Newco at any one time ("Proposed Revised ESOS").

Save for the Proposed Revised ESOS, all other salient terms and details relating to the Previous Proposed ESOS as contained in the announcement dated 8 October 2009 remain unchanged.

The above proposals are pending approvals from Bursa Securities and shareholders of SCAN.

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

B8 Corporate Proposals (Cont'd)

2) On 6 April 2010, the Company has announced that the Securities Commission ("SC") had, vide its letter dated 5 April 2010, approved the proposed variation and extension of time by the Company for the utilisation of proceeds from the Rights Issue and Public Issue. The approval is as follows:

	As approved in SC's letter dated 19 June 2006	As approved in SC's letter dated 5 April 2010	Amount Unutilised as at 31 August 2009	Timeframe for Utilisation
	RM'000	RM'000	RM'000	
Development expenditure	13,000	8,000	795	5 April 2011
Overseas projects implementation	3,500	3,500	-	-
Overseas expansion	5,000	5,000	-	-
Working capital	3,970	8,970	5,000	5 April 2011
Listing expenses	1,875	1,875	-	-
Total	27,345	27,345	5,795	

The SC's conditions of approval are as follows:

- (i) The Audit Committee of SCAN undertakes that they will monitor and ensure that the remaining unutilised IPO Proceeds is utilised as approved by the SC; and
- (ii) Public Investment Bank Berhad ("PIVB")/SCAN to ensure that new appointees to the Company's Audit Committee are informed of condition (i) and that a Letter of Undertaking is provided to the SC.

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

	Approved Amount Unutilised as at 31.8.2009	Amount utilized		Amount unutilized Total to date	Time frame for utilization
	RM'000	Current quarter	Total to date	RM'000	
Development expenditure	795	-	(404)	391	5 April 2011
Working capital	5,000	-	-	5,000	5 April 2011
Total	5,795	-	(404)	5,391	

Except for corporate proposal disclosed in No. 1 above, there is no other material corporate proposal announced and not completed as at the date of this report.

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

B9 Group Borrowings And Debt Securities

	<u>Secured</u> RM'000
<u>Current</u>	
Term Loan	743
Hire purchase	140
	<hr/> 883 <hr/>
<u>Non-current</u>	
Term loan	-
Hire purchase	157
	<hr/> 157 <hr/>
Total	<hr/> <hr/> 1,040 <hr/> <hr/>

B10 Off Balance Sheet Financial/Derivative Instruments

There were no off balance sheet financial/derivative 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 dividend declared and paid as at the date of this announcement.

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

B13 Loss Per Share

	<u>Current financial quarter</u>	<u>Financial period to date</u>
Loss attributable to ordinary shareholders (RM'000)	<u>(718)</u>	<u>(718)</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)	(0.36)	(0.36)
Diluted loss per share (sen)	<u>N/A</u>	<u>N/A</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.

B14 Update on the status of the Memorandum of Understanding pursuant to Rule 9.29 of the ACE Market Listing Requirements of Bursa Securities

On 21 May 2008, the Company signed a Memorandum of Understanding (MOU) with AHNLAB of Korea for a technology collaboration. On 9 September 2008, the Company entered into a Technology Collaboration Agreement ("Collaboration") to jointly develop and enhance the Unified Threat Management System ("UTMS") and to eventually manufacture the enhanced technology with the Korean company.

The development of the above was completed successfully.