

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

	As At 31.3.11 (Unaudited) RM'000	As At 31.12.10 (Audited) RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	2,866	1,600
Shareholders' equity	22,866	21,600
Non-current liability		
Borrowings	24	55
	22,890	21,655
Non-Current Assets		
Property, plant and equipment	793	905
Development expenditure	8,478	8,476
Fixed deposits with licer	2,340	1,040
Total non-current assets	11,611	10,421
Current Assets		
Trade and other receivc	11,880	16,731
Fixed deposits with licer	213	213
Cash and bank balances	1,920	3,176
Total current assets	14,013	20,120
Current Liabilities		
Trade and other payab	2,384	6,818
Borrowings	143	1,863
Tax payable	207	205
Total current liabilities	2,734	8,886
Net Current Assets	11,279	11,234
	22,890	21,655
NET ASSETS PER SHARE (SEN)	11	11

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 2010.

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	RM'000	RM'000	RM'000	RM'000
Revenue	5,812	5,284	5,812	5,284
Cost of sales	(2,298)	(3,273)	(2,298)	(3,273)
Gross profit	3,514	2,011	3,514	2,011
Other operating income	9	14	9	14
Administration expenses	(2,218)	(2,749)	(2,218)	(2,749)
Operating loss	1,305	(724)	1,305	(724)
Finance cost	(39)	6	(39)	6
Profit/(Loss) before tax	1,266	(718)	1,266	(718)
Income tax expenses	-	-	-	-
Profit/(Loss) for the financial period	1,266	(718)	1,266	(718)
Attributable to:				
Equity holders of the Company	1,266	(718)	1,266	(718)
Profit/(Loss) per share attributable to equity holders of the Company (sen):				
Basic	0.63	(0.36)	0.63	(0.36)
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 2010.

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 2011

	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 2011	20,000	18,160	(452)	(16,108)		21,600
Currency translation differences arising in the year	-	-	-	-		-
Profit for the financial period	-	-	-	1,266		1,266
At 31 March 2011	20,000	18,160	(452)	(14,842)		22,866
At 1 January 2010	20,000	18,160	(236)	(16,006)		21,918
Currency translation differences arising in the year	-	-	(57)	-		(57)
Loss for the financial period	-	-	-	(718)		(718)
At 31 March 2010	20,000	18,160	(293)	(16,724)		21,143

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 2010.

SCAN ASSOCIATES BERHAD (525669-P)
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2011

	Current Year To Date 31.3.11 RM'000	Preceding Year To Date 31.3.10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	14,957	5,173
Cash payments to suppliers expenses	(5,472) (7,346)	(1,607) (5,360)
Cash generated from/(used in) operations	<u>2,139</u>	<u>(1,794)</u>
Interest received	9	14
Interest paid	(9)	(9)
Net cash from/(used in) operating activities	<u>2,139</u>	<u>(1,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(345)	(166)
Placement of fixed deposits	(1,300)	(103)
Net cash used in investing activities	<u>(1,645)</u>	<u>(269)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	-	1,217
Repayment of hire purchase liabilities	(35)	(35)
Repayment of term loan	(1,715)	(1,046)
Net (used in)/from financing activities	<u>(1,750)</u>	<u>136</u>
Net decrease in cash and cash equivalents	<u>(1,256)</u>	<u>(1,922)</u>
Cash and cash equivalents brought forward	3,389	5,873
Cash and cash equivalents carried forward	<u>2,133</u>	<u>3,951</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,920	3,438
Fixed deposits with licensed banks	213	513
	<u>2,133</u>	<u>3,951</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 2010.

SCAN ASSOCIATES BERHAD (525669-P)
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

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 2010. 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 2010.

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 2010.

A2 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2010 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.

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

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

A8 Segmental Information

	Current financial quarter RM'000	Financial year to date RM'000
<u>Segment revenue</u>		
Malaysia	5,020	5,020
Overseas	792	792
	5,812	26,620
<u>Segment profit before tax</u>		
Malaysia	1,184	1,184
Overseas	82	82
	1,266	1,266

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 December 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

- 1) On 28 March 2011, Scan Crypto-Tech Sdn Bhd, one of Scan Associates Berhad (SCAN) wholly-owned subsidiary, changed its name to Scan Managed Services Sdn Bhd.
- 2) On 20 April 2011, SCAN acquired 100% of the total issued and paid up share capital of SCAN Corporation Sdn Bhd ("SCSB") amounting to 20 shares of RM0.10 each for a total consideration of RM2.00.

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 managed to record revenue of RM5.81 million and profit before taxation of RM1.27 million. This was as a result of higher revenue contribution from Solution Development (SDV) unit of 53% compared to 23% in preceding year corresponding quarter.

The Group recorded a profit before taxation amounting to RM1.27 million in the current financial quarter, an increase in profit by RM1.99 million as compared to the preceding year corresponding quarter. This was mainly contributed by the reduction of operating expenses by 18% as a result of continuous cost cutting measures by the Group and higher gross profit margin from SDV unit.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM5.81 million in the current financial quarter under review. This represents a decrease of approximately RM5.95 million or 51% from the revenue of RM11.76 million recorded in the preceding financial quarter. This was mainly attributed by the significant increase in contribution from Technical Security Services unit in the preceding financial quarter.

The Group recorded a profit before taxation amounting to RM1.27 million in the current financial quarter, an increase in profit of RM0.06 million as compared to the preceding financial quarter. This was mainly contributed by the reduction of operating expenses by 4% and higher gross profit margin attributed by SDV.

B3 Business Prospects

The Group has continuously tendering for various ICT Security projects both locally and overseas. 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

Except for as disclosed in Note A11, there were no other acquisitions or disposals of quoted securities during the financial quarter under review.

B8 Corporate Proposals

- 1) The Group has no plan to proceed with its corporate exercise which was rejected by Bursa on 2 August 2010.
- 2) The timeframe to utilise the balance proceeds expires on 5 April 2011. On 22 March 2011, M&A Securities Sdn Bhd, on behalf of the Board of Directors of SCAN, announced that an application for the Proposed Extension of 6 months up to 5 October 2011 and variation for the utilisation of the balance proceeds from the Initial Public Offering existingly earmarked for the development expenditure to working capital has been submitted to Securities Commission.

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	Time frame for utilization
	RM'000	Current quarter	Total to date	Total to date	
	RM'000	RM'000	RM'000	RM'000	
Development expenditure	795	-	(404)	391	5 April 2011
Working capital	5,000	-	(5,000)	-	5 April 2011
Total	<u>5,795</u>	<u>-</u>	<u>(5,404)</u>	<u>391</u>	

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	-
Hire purchase	143
	<u>143</u>
<u>Non-current</u>	
Term loan	-
Hire purchase	24
	<u>24</u>
Total	<u><u>167</u></u>

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.

B13 Earnings Per Share

	<u>Current financial</u> <u>quarter</u>	<u>Financial period</u> <u>to date</u>
Profit attributable to ordinary shareholders (RM'000)	<u>1,266</u>	<u>1,266</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 earnings per share (sen)	0.63	0.63
Diluted earnings per share (sen)	<u>N/A</u>	<u>N/A</u>

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

B13 Earnings Per Share (Cont'd)

The calculation of the basic earnings per share is based on the 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.

B14 Disclosure of realised and unrealised profits and losses

The breakdown of the accumulated losses of the Group as at 31 March 2011, into realised and unrealised profits and losses is as follows:

	31 March 2011	31 December 2010 (Audited)
	RM'000	RM'000
Total accumulated losses of the Group:		
- Realised	(14,846)	(16,108)
- Unrealised	4	-
Total	<u>(14,842)</u>	<u>(16,108)</u>

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

B15 Update on the status of the Memorandum of Understanding pursuant to Rule 9.29 of the ACE Market Listing Requirements of Bursa Securities

There was no Memorandum of Understanding outstanding as at the date of the announcement.