

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	As At 30.6.08 (Unaudited) RM'000	As At 31.12.07 (Audited) RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	20,709	23,770
Shareholders' equity	<u>40,709</u>	<u>43,770</u>
Non-current liability		
Borrowings	586	1,022
	<u>41,295</u>	<u>44,792</u>
Non-Current Assets		
Property, plant and equipment	9,372	8,288
Fixed deposits with licensed banks	2,750	5,517
Other assets	160	159
Total non-current assets	<u>12,282</u>	<u>13,964</u>
Current Assets		
Trade receivables	13,850	16,502
Work-in-progress	1,629	1,634
Other receivables	4,614	3,802
Fixed deposits with licensed banks	9,880	13,767
Cash and bank balances	2,809	1,081
Total current assets	<u>32,782</u>	<u>36,786</u>
Current Liabilities		
Trade payables	978	1,778
Other payables	1,123	1,910
Amount due to Directors	1	108
Borrowings	1,608	2,103
Tax payable	59	59
Total current liabilities	<u>3,769</u>	<u>5,958</u>
Net Current Assets	<u>29,013</u>	<u>30,828</u>
	<u>41,295</u>	<u>44,792</u>

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 2007.

The unaudited condensed consolidated results as at 30 June 2008 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 SECOND FINANCIAL QUARTER ENDED 30 JUNE 2008
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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.08 RM'000	Preceding Year Corresponding Quarter 30.6.07 RM'000	Current Year To Date 30.6.08 RM'000	Preceding Corresponding Period 30.6.07 RM'000
Revenue	3,275	8,055	7,269	14,011
Cost of sales	(2,494)	(2,917)	(5,072)	(7,439)
Gross profit	781	5,138	2,197	6,572
Other operating income	165	310	336	701
Administration expenses	(2,755)	(2,051)	(5,375)	(3,814)
Operating (Loss)/Profit	(1,809)	3,397	(2,842)	3,459
Finance cost	(33)	(39)	(75)	(138)
(Loss)/Profit before tax	(1,842)	3,358	(2,917)	3,321
Income tax expenses	-	-	-	-
(Loss)/Profit for the financial period	(1,842)	3,358	(2,917)	3,321
Attributable to: Equity holders of the Company	(1,842)	3,358	(2,917)	3,321
(Loss)/Profit per share attributable to equity holders of the Company (sen):				
Basic	(0.92)	1.68	(1.46)	1.66
Diluted	(0.92)	1.68	(1.46)	1.66

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 2007.

The unaudited condensed consolidated results for the financial period ended 30 June 2008 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 SECOND FINANCIAL QUARTER ENDED 30 JUNE 2008**

	Non Distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profit RM'000	RM'000	
At 1 January 2008	20,000	18,160	75	5,535	43,770	
Currency translation differences arising in the period	-	-	(144)	-	(144)	
Loss for the financial period	-	-	-	(2,917)	(2,917)	
At 30 June 2008	20,000	18,160	(69)	2,618	40,709	
At 1 January 2007	20,000	18,182	(92)	18,260	56,350	
Listing expenses	-	(22)	-	-	(22)	
Currency translation differences arising in the period	-	-	(26)	-	(26)	
Profit for the financial period	-	-	-	3,321	3,321	
At 30 June 2007	20,000	18,160	(118)	21,581	59,623	

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 2007.

The unaudited condensed consolidated results for the financial period ended 30 June 2008 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 SECOND FINANCIAL QUARTER ENDED 30 JUNE 2008

	Current Year To Date 30.6.08 RM'000	Preceding Year To Date 30.6.07 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	10,011	9,564
Cash payments to suppliers	(1,379)	(5,831)
Cash payments to employees and for administrative expenses	(10,966)	(9,729)
	(2,334)	(5,996)
Cash used in operations	(2,334)	(5,996)
Other income received	173	288
Interest received	161	415
Interest paid	(113)	(221)
Withdrawal of fixed deposits	2,766	1,006
Net cash from/(used in) operating activities	653	(4,508)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,776)	(745)
Proceeds from disposal of property, plant and equipment	2	111
(Payment to)/Advance from Directors	(107)	105
Net cash used in investing activities	(1,881)	(529)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase liabilities	(81)	(169)
Repayment of term loan	(850)	(1,472)
Net cash used in financing activities	(931)	(1,641)
Net decrease in cash and cash equivalents	(2,159)	(6,678)
Cash and cash equivalents brought forward	14,848	28,360
Cash and cash equivalents carried forward	12,689	21,682
CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,809	648
Fixed deposits with licensed banks	9,880	21,034
	12,689	21,682

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 2007.

The unaudited condensed consolidated results for the financial period ended 30 June 2008 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 JUNE 2008**

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 Rule 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 2007. 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 2007.

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 2007.

A2 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2007 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 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.

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

	Current financial quarter RM'000	Financial period to date RM'000
<u>Segment revenue</u>		
Malaysia	2,504	6,327
Overseas	771	942
	3,275	7,269
<u>Segment (loss)/profit before tax</u>		
Malaysia	(1,859)	(2,970)
Overseas	17	53
	(1,842)	(2,917)

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 between 30 June 2008 and the date of this report that have not been reflected in the interim financial statements for the quarter under review except for on 21 May 2008, a Memorandum of Understanding had been entered into between SCAN with AHN LAB Inc (AHN LAB).

Please refer to Note B14 for more information.

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

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

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 RM3,274,708. This was mainly generated from ICT Security Maintenance & Training and Managed Security Services (MSS) sections which contributed a combined amount of approximately 79% of the total revenue for the current financial quarter. Of the total 79%, MSS which is recurring in nature contributed approximately 51%.

The Group recorded a loss before taxation amounting to RM1,842,214 in the current financial quarter, an increase in losses of RM767,294 as compared to the preceding financial quarter.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM3,274,708 in the current financial quarter under review. This represents a decrease of RM719,668 or approximately 18% from the revenue of RM3,994,376 recorded in the preceding financial quarter. The decrease is mainly contributed by the deferment of the targeted long term projects.

The Group recorded a loss before taxation amounting to RM1,842,214 in the current financial quarter, an increase in losses of RM767,294 as compared to the preceding financial quarter. This was mainly due to a lower gross profit margin of 24% during the financial quarter, as compared to 35% in the preceding financial quarter. The lower gross profit margin for the current financial quarter as compared to the preceding financial quarter was due to the decrease in revenue whilst the staff cost attributable to the projects has remained relatively fixed.

B3 Business Prospects

The Group's significant reliance on the project based earnings has a greater impact to the earnings in the current quarter. Delay in the awarding of such projects has a negative impact to the Group, not only in the current quarter, but may likely impact our next quarters result. However, the Group is continuously bidding for various ICT Security projects both locally and overseas due to positive growth of the ICT Security industry. In addition, the Group plans to focus on its recurring-income generators such as MSS. The plans include the establishment of the first Security Operation Centre (SOC) in Middle East to offer MSS to the region. With the encouraging development in overseas segment, the Group expects this segment to contribute positively to the Group's future earnings. Barring any unforeseen circumstances, the Group expects 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.

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.

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 announced and not completed as at the date of this report.

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 Total to date</u>	<u>Time frame for utilisation (After listing)</u>
		<u>Current quarter</u>	<u>Total to date</u>		
	RM'000	RM'000	RM'000	RM'000	
Development expenditure	13,000	(453)	(4,013)	8,987	3 years
Overseas projects implementation	3,500	(123)	(3,500)	-	2 years
Overseas expansion	5,000	(654)	(4,174)	826	3 years
Working capital	3,970	-	(3,970)	-	Within 12 months
Listing expenses	1,875	-	(1,875)*	-	Upon listing
Total	27,345	(1,230)	(17,532)	9,813	

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

B9 Group Borrowings And Debt Securities

	<u>Secured</u> RM'000
<u>Current</u>	
Term Loan	1,469
Hire purchase	139
	<u>1,608</u>
<u>Non-current</u>	
Term loan	190
Hire purchase	396
	<u>586</u>
Total	<u>2,194</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 other dividend declared and paid as at the date of this announcement.

B13 Loss Per Share

	Current financial quarter	Financial period To date
Loss attributable to ordinary shareholders (RM'000)	<u>(1,842)</u>	<u>(2,917)</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)	(0.92)	(1.46)
Diluted loss per share (sen)	<u>(0.92)</u>	<u>(1.46)</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 9.30 of the Listing Requirements of Bursa Securities for the MESDAQ Market

On 21 May 2008, the Company has signed a Memorandum of Understanding (MOU) with AHN LAB for technology collaboration.

There was no material development or changes in the status of the above-mentioned MOU since the date of the announcement.