

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2009

	As At 30.6.09 (Unaudited) RM'000	As At 31.12.08 (Audited) RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	5,088	6,026
Shareholders' equity	<u>25,088</u>	<u>26,026</u>
Non-current liability		
Borrowings	259	321
	<u>25,347</u>	<u>26,347</u>
Non-Current Assets		
Property, plant and equipment	10,234	8,781
Fixed deposits with licensed banks	1,413	2,811
Other assets	145	134
Total non-current assets	<u>11,792</u>	<u>11,726</u>
Current Assets		
Trade receivables	9,965	3,714
Work-in-progress	439	341
Other receivables	3,255	3,266
Fixed deposits with licensed banks	4,491	10,256
Cash and bank balances	2,085	1,098
Total current assets	<u>20,235</u>	<u>18,675</u>
Current Liabilities		
Trade payables	3,546	1,417
Other payables	2,747	1,655
Amount due to Directors	-	8
Borrowings	328	915
Tax payable	59	59
Total current liabilities	<u>6,680</u>	<u>4,054</u>
Net Current Assets	<u>13,555</u>	<u>14,621</u>
	<u>25,347</u>	<u>26,347</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 2008.

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2009**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.09 RM'000	Preceding Year Corresponding Quarter 30.6.08 RM'000	Current Year To Date 30.6.09 RM'000	Preceding Corresponding Year To Date 30.6.08 RM'000
Revenue	8,412	3,275	11,711	7,269
Cost of sales	(5,690)	(2,494)	(7,757)	(5,072)
Gross profit	2,722	781	3,954	2,197
Other operating income	42	165	1,301	336
Administration expenses	(3,284)	(2,755)	(6,077)	(5,375)
Operating loss	(520)	(1,809)	(822)	(2,842)
Finance cost	(17)	(33)	(26)	(75)
Loss before tax	(537)	(1,842)	(848)	(2,917)
Income tax expenses	-	-	-	-
Loss for the financial period	(537)	(1,842)	(848)	(2,917)
Attributable to: Equity holders of the Company	(537)	(1,842)	(848)	(2,917)
Loss per share attributable to equity holders of the Company (sen):				
Basic	(0.27)	(0.92)	(0.42)	(1.46)
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 2008.

SCAN ASSOCIATES BERHAD (525669-P)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2009

	Non Distributable			Distributable		Total
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000		RM'000
At 1 January 2009	20,000	18,160	(302)	(11,832)		26,026
Currency translation differences arising in the year	-	-	(90)	-		(90)
Loss for the financial period	-	-	-	(848)		(848)
At 30 June 2009	20,000	18,160	(392)	(12,680)		25,088
At 1 January 2008	20,000	18,160	75	5,535		43,770
Currency translation differences arising in the year	-	-	(144)	-		(144)
Loss for the financial period	-	-	-	(2,917)		(2,917)
At 30 June 2008	20,000	18,160	(69)	2,618		40,709

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 2008.

SCAN ASSOCIATES BERHAD (525669-P)
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009

	Current Period To Date 30.6.09 RM'000	Preceding Period To Date 30.6.08 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	6,702	10,011
Cash payments to suppliers	(3,365)	(1,379)
Cash payments to employees and for administrative expenses	(6,622)	(10,966)
	(3,285)	(2,334)
Cash used in operations	-	173
Other income received	56	161
Interest received	(60)	(113)
Interest paid	1,398	2,766
Withdrawal of fixed deposits	(1,891)	653
Net cash (used in)/from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,243)	(1,776)
Proceeds from disposal of property, plant and equipment	4	2
Payment to Directors	-	(107)
Net cash used in investing activities	(2,239)	(1,881)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase liabilities	(62)	(81)
Repayment of term loan	(587)	(850)
Net cash used in financing activities	(649)	(931)
Net decrease in cash and cash equivalents	(4,779)	(2,159)
Cash and cash equivalents brought forward	11,355	14,848
Cash and cash equivalents carried forward	6,576	12,689
CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,085	2,809
Fixed deposits with licensed banks	4,491	9,880
	6,576	12,689

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 2008.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009**

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.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008. 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 2008.

The accounting policies, method of computation and basis of consolidation adopted by the Group in this interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2008.

A2 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2008 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 aggressively 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	2,695	5,705
Overseas	5,717	6,006
	8,412	11,711
<u>Segment loss before tax</u>		
Malaysia	(1,639)	(1,897)
Overseas	1,102	1,049
	(537)	(848)

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 30 June 2009 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

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 ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review Of Performance

For the current financial quarter, the Group recorded a revenue of RM8.41 million. This was mainly generated from ICT Security Maintenance and ICT Security System Integration sections which contributed approximately 49% and 22% respectively of the total revenue for the current financial quarter.

The Group recorded a loss before taxation amounting to RM0.54 million in the current financial quarter, a decrease in losses of RM1.30 million as compared to the preceding year's corresponding financial quarter. The decrease is mainly due to the higher gross profit margin of 32% recorded in the current financial quarter as compared to 24% recorded in the preceding year's corresponding quarter. The higher gross profit margin was resulted by the huge contribution of revenue from overseas market amounted to approximately RM5.17 million out of the total contribution of overseas market with gross profit margin of approximately 36%.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM8.41 million in the current financial quarter under review. This represents an increase of RM5.11 million or approximately 155% from the revenue of RM3.30 million recorded in the preceding financial quarter. The increase is contributed by the higher recognition of ICT Security Maintenance and ICT Security System Integration projects in the current quarter which are 49% and 22% as compared to 33% and 5% in the previous quarter respectively.

The Group recorded a loss before taxation amounting to RM0.54 million in the current financial quarter, an increase in losses of RM0.23 million as compared to the loss before taxation of RM0.31 million recorded in preceding financial quarter. The increase is mainly attributed by the decrease of other income by RM1.22 million as compared to the preceding financial quarter which was in relation to a doubtful debt partially recovered amounted to RM1.11 million. In addition, the gross profit margin in the current quarter had reduced from 37% to 32% as compared to the preceding financial quarter, mainly resulted from the purchase of hardware for the ICT Security System Integration project, which had shown sharp increase from 5% to 22% of revenue contribution.

B3 Business Prospects

The Group has continuously tendering for various ICT Security projects both locally and overseas. One of its subsidiary companies, PT Scan Nusantara which is operating in Indonesia has started to show positive business prospects. 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 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 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</u>	<u>Time frame for utilisation</u>
	RM'000	<u>Current quarter</u>	<u>Total to Date</u>	<u>Total to date</u>	<u>(After listing)</u>
	RM'000	RM'000	RM'000	RM'000	
Development expenditure	13,000	(1,233)	(6,920)	6,080	3 years
Overseas projects implementation	3,500	-	(3,500)	-	2 years
Overseas expansion	5,000	-	(5,000)	-	3 years
Working capital	3,970	-	(3,970)	-	Within 12 months
Listing expenses	1,875	-	(1,875)*	-	Upon listing
Total	27,345	(1,233)	(21,265)	6,080	

* 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	190
Hire purchase	138
	<u>328</u>
<u>Non-current</u>	
Term loan	-
Hire purchase	259
	<u>259</u>
Total	<u><u>587</u></u>

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

B13 Loss Per Share

	<u>Current financial quarter</u>	<u>Financial period to date</u>
Loss attributable to ordinary shareholders (RM'000)	<u>(537)</u>	<u>(848)</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)	(0.27)	(0.42)
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.

As at the date of this report, the development of the abovementioned is still ongoing.