

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011

	As At 30.6.11 (Unaudited) RM'000	As At 31.12.10 (Audited) RM'000
Financed by :-		
Share capital	20,000	20,000
Reserves	3,200	1,600
Shareholders' equity	<u>23,200</u>	<u>21,600</u>
Non-current liability		
Borrowings	6	55
	<u>23,206</u>	<u>21,655</u>
Non-Current Assets		
Property, plant and equipment	735	905
Development expenditure	8,476	8,476
Fixed deposits with licensed banks	2,302	1,040
Total non-current assets	<u>11,513</u>	<u>10,421</u>
Current Assets		
Trade and other receivables	12,936	16,731
Fixed deposits with licensed banks	-	213
Cash and bank balances	1,176	3,176
Total current assets	<u>14,112</u>	<u>20,120</u>
Current Liabilities		
Other payables	2,260	6,818
Borrowings	127	1,863
Tax payable	32	205
Total current liabilities	<u>2,419</u>	<u>8,886</u>
Net Current Assets	<u>11,693</u>	<u>11,234</u>
	<u>23,206</u>	<u>21,655</u>
NET ASSETS PER SHARE (SEN)	<u>12</u>	<u>11</u>

Notes:

The Unaudited Condensed Statements of Financial Position 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)
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2011

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.11 RM'000	Preceding Year Corresponding Quarter 30.6.10 RM'000	Current Year To Date 30.6.11 RM'000	Preceding Corresponding Year To Date 30.6.10 RM'000
Revenue	4,702	5,000	10,514	10,284
Cost of sales	(2,438)	(2,632)	(4,770)	(5,905)
Gross profit	2,264	2,368	5,744	4,379
Other operating income	2	4	11	18
Administration expenses	(1,956)	(3,388)	(4,173)	(6,137)
Operating loss	310	(1,016)	1,582	(1,740)
Finance cost	(36)	(46)	(75)	(40)
Profit/(Loss) before tax	274	(1,062)	1,507	(1,780)
Income tax expenses	-	-	-	-
Profit/(Loss) for the financial period	274	(1,062)	1,507	(1,780)
Attributable to:				
Equity holders of the Company	274	(1,062)	1,507	(1,780)
Profit/(Loss) per share attributable to equity holders of the Company (sen):				
Basic	0.14	(0.53)	0.75	(0.89)
Diluted	N/A	N/A	N/A	N/A

Notes:

The Unaudited Statements of Comprehensive Income 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)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2011**

	Share Capital RM'000	Non Distributable		Distributable	Total 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 period	-	-	93	-	93
Profit for the financial period	-	-	-	1,507	1,507
At 30 June 2011	20,000	18,160	(359)	(14,601)	23,200
At 1 January 2010	20,000	18,160	(236)	(16,006)	21,918
Currency translation differences arising in the period	-	-	(125)	-	(125)
Loss for the financial period	-	-	-	(1,780)	(1,780)
At 30 June 2010	20,000	18,160	(361)	(17,786)	20,013

Notes:

The Unaudited Condensed 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)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOW FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2011
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	Current Year To Date 30.6.11 RM'000	Preceding Year To Date 30.6.10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	18,542	8,846
Cash payments to suppliers	(6,928)	(1,985)
Cash payments to employees and for administrative expenses	(10,685)	(10,454)
	929	(3,593)
Cash generated from/(used in) operations		
Interest received	6	18
Interest paid	(11)	(29)
Net cash from/(used in) operating activities	924	(3,604)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(90)	(173)
(Placement)/Withdrawal of fixed deposits	(1,262)	397
Net cash (used in)/from investing activities	(1,352)	224
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	-	1,282
Repayment of hire purchase liabilities	(70)	(76)
Repayment of term loan	(1,715)	(1,554)
Net used in financing activities	(1,785)	(348)
Net decrease in cash and cash equivalents	(2,213)	(3,728)
Cash and cash equivalents brought forward	3,389	5,873
Cash and cash equivalents carried forward	1,176	2,145
CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,176	1,632
Fixed deposits with licensed banks	-	513
	1,176	2,145

Notes:

The Unaudited Condensed Statement of 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.

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

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 year to date RM'000
<u>Segment revenue</u>		
Malaysia	4,064	9,084
Overseas	638	1,431
	4,702	10,515
<u>Segment profit before tax</u>		
Malaysia	227	1,381
Overseas	47	126
	274	1,507

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 2011 to 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

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 RM4.70 million and profit before taxation of RM0.27 million. This was as a result of lower revenue contribution from Technical Security Services (TSS) unit of 8% compared to 32% in preceding year corresponding quarter.

The Group recorded a profit before taxation amounting to RM0.27 million in the current financial quarter, an increase in profit by RM1.40 million as compared to the preceding year corresponding quarter. This was mainly contributed by the reduction of operating expenses by 42% as a result of continuous cost cutting measures by the Group.

B2 Comparison With Immediate Preceding Quarter

The Group generated revenue of RM4.70 million in the current financial quarter under review. This represents a decrease of approximately RM1.11 million or 19% from the revenue of RM5.81 million recorded in the preceding financial quarter.

The Group recorded a profit before taxation amounting to RM0.27 million in the current financial quarter, a decrease in profit of RM0.99 million as compared to the preceding financial quarter. This was mainly contributed by lower gross profit margin by 12%, while the operating expenses was only reduced by 11%.

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.

B6 Sale of Properties and Unquoted Investments

There were no sales of unquoted investments and properties during the current financial quarter under review.

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

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 initially 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 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	-	(5,404)	391	

Except for the corporate proposals disclosed above, there are no other material corporate proposals announced and not completed as at the date of this report.

B9 Group Borrowings And Debt Securities

	Secured RM'000
Current	
Term Loan	-
Hire purchase	127
	<u>127</u>
Non-current	
Term loan	-
Hire purchase	6
	<u>6</u>
Total	<u>133</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/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 quarter</u>	<u>Financial period to date</u>
Profit attributable to ordinary shareholders (RM'000)	274	1,507
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)	0.14	0.75
Diluted earnings per share (sen)	N/A	N/A

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 30 June 2011, into realised and unrealised profits and losses is as follows:

	30 June 2011	31 March 2011
	RM'000	RM'000
Total accumulated losses of the Group:		
- Realised losses	(14,605)	(14,846)
- Unrealised gain	4	4
Total	<u>(14,601)</u>	<u>(14,842)</u>

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

B14 Disclosure of realised and unrealised profits and losses (cont'd)

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.