

DATASCAN BERHAD
(Company No: 43190-H)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2005

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standards (FRS) 134: Interim Financial Reporting (formerly known as MASB 26), and the Listing Requirements of the Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2004.

A2. Audit Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2004 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

The business operations of the Group during the financial period under review are not affected by any significant seasonal or cyclical factors.

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

There were no unusual items during the financial period under review.

A5. Changes in estimates

There were no material changes in the estimates of amounts that have a material effect on the results for the current quarter under review.

A6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

A7. Dividends Paid

No dividend has been paid during the current quarter under review.

A8. Segmental Reporting

No segmental analysis is prepared as the Group is primarily engaged in a single business segment of information technology (IT) and IT related services.

A9. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment.

A10. Material Events Subsequent to End of Period

There were no material events since the end of this current quarter up to the date of this announcement, which will have a material effect on the financial results of the Group for the period under review.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A12. Contingent Liabilities and Capital Commitments

There were no material contingent liabilities and capital commitments as at the date of this report.

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**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1. Review of Performance

For the current quarter and cumulative year to date, the Group recorded revenue of RM3.87 million and RM16.87 million, as compared to RM4.58 million and RM13.64 million achieved in the corresponding periods of last year.

The higher revenue for the current year to date as compared to the corresponding period last year is mainly attributed to higher sales contribution from the network solutions and security products business.

B2. Material Changes in the Quarterly Results Compared to the Preceding Quarter

The Group recorded a loss before tax of RM0.58 million for the current quarter under review, as compared to loss before tax of RM1.22 million in the preceding quarter. The Group is able to record lower losses for the current quarter due mainly to a better mix of higher margins projects for the quarter, as well as improved operational efficiency from its aggressive efforts in containing operating costs.

B3. Current Year's Prospects

The Group will continue to focus on expanding its Point-of-Sale ("POS") software in the overseas markets. The Group will also re-strategize its product pricing, service capabilities and offerings, and software development plan to improve its overall competitiveness.

The Board is confident that implementation of these strategies, together with improved productivity from streamlining of operational costs, will turn around future financial performance of the Group.

B4. Profit Forecast

Not applicable.

B5. Taxation

	Individual Quarter		Cumulative	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30/09/2005 RM'000	30/09/2004 RM'000	30/9/2005 RM'000	30/09/2004 RM'000
- Current income tax	(81)	-	-	-
- In respect of prior years	11	21	11	73
	<u>(70)</u>	<u>21</u>	<u>11</u>	<u>73</u>

B6. Profit on Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties during the quarter under review.

B7. Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities during the quarter under review.

B8. (a) Status of Corporate Proposals as at 17 November 2005

(being a date not earlier than seven (7) days from the date of this announcement)

There were no corporate proposals announced but not completed as at 17 November 2005, being the latest practicable date.

(b) Status of Utilisation of Proceeds Raised from Initial Public Offering

The status of the utilisation proceeds is as follows:

Details of Utilisation	Total amount of proceeds RM'000	Utilised as at 30.9.2005 RM'000	Amount unutilised RM'000
Research and development activities	4,000	2,095	1,905
Regional expansion of operation	2,000	1,497	503
Upgrading of network infrastructure and office equipment	800	517	283
Working capital	3,100	3,174	(74)
Listing expenses	1,300	1,226	74 [^]
Total	11,200	8,509	2,691

[^] Unutilised amount for listing expenses has been used for working capital purposes of the Group.

B9. Group Borrowings and Debt Securities

The Group's borrowings as at 30 September 2005 are as follows:

	RM'000
a) Short term borrowings	
- Secured	2,312
b) Long term borrowings	
- Secured	5,468
Total Borrowings	<u>7,780</u>

The borrowings of the Group are used to finance the purchase of the Group's freehold office building.

B10. Off Balance Sheet Financial Instruments

The Company does not have any financial instruments with off balance sheet risk as at the date of this report.

B11. Material Litigation as at 17 November 2005

(being a date not earlier than seven (7) days from the date of issue of this quarterly report)

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Company or its subsidiaries which might materially and adversely affect the position or business of the Group.

B12. Dividends

No dividend has been declared during the current quarter under review.

B13. Earnings Per Share

(a) Basic earnings per share

The loss per share for the current quarter is calculated by dividing the net loss attributable to shareholders of RM394,915 by the number of shares in issue of 152,018,400 ordinary shares.

The loss per share for the cumulative year to date is calculated by dividing the net loss attributable to shareholders of RM1,386,102 by the number of shares in issue of 152,018,400 ordinary shares.

(b) Fully diluted earnings per share

N/A