

DATASCAN BERHAD
(Company No: 43190-H)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 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

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

A13. Capital Commitment

	31/12/2005 RM
Contractual commitment for the proposed acquisition of Adeptis Solutions Sdn Bhd (“Proposed Acquisition”)	<u>10,520,000</u>

Please refer Note B8 for further details

A14. Related Party Transactions

Rosman bin Abdullah is a Non-Executive Chairman and substantial shareholder of the Company via his substantial shareholdings in Transight Systems Sdn Bhd.

Transactions with A&W (Malaysia) Sdn Bhd, a wholly-owned subsidiary of KUB Malaysia Berhad in which Rosman bin Abdullah is a director :-

	19/5/2005* to 31/12/2005 RM
Rental of Point-of-Sales (POS) System	<u>182,720</u>
Remedial and maintenance services	<u>5,034</u>

The above related party transactions are of a revenue or trading nature and are entered into in the ordinary course of business.

The Company had on 28 November 2005 and 30 December 2005 made announcements pertaining to the above.

Bursa Securities had, vide its letter dated 28 December 2005 granted an extension of time until the forthcoming AGM or EGM, whichever is held earlier, to obtain shareholders’ ratification and mandate for the transactions.

* date of appointment of Rosman bin Abdullah on the Board of KUB Malaysia Berhad

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

B1. Review of Performance

For the financial year ended 31 December 2005, the Group recorded revenue of RM21.74 million and net loss of RM1.99 million, as compared to revenue of RM18.38 million and net profit of RM1.27 million achieved in the previous financial year. Revenue and net loss for the quarter ended 31 December 2005 were RM4.87 million and RM0.61 million, as compared to revenue and net profit of RM4.74 million and RM0.2 million in the preceding year corresponding quarter.

The Group recorded net loss for the year due mainly to expansion costs and lower revenue from high margin contributors such as POS solutions for the food and beverage sector and service maintenance income.

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

The Group's net loss for the quarter under review was RM0.61 million as compared to RM0.39 million for the preceding quarter. The higher contribution from higher revenue achieved in the latest quarter was affected by adjustments for stocks write-off, and professional expenses incurred during the quarter relating to the Proposed Acquisition.

B3. Current Year's Prospects

The Board is confident of the Group's prospects for 2006. This is in view of the sales orders from a number of customers in the food and beverage as well as hospitality sectors to roll out their earlier-delayed POS upgrading plans.

The completion of the Proposed Acquisition is also expected to contribute positively to the Group's performance.

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
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
- Current income tax	(3)	(58)	(3)	(58)
- In respect of prior years	23	-	12	(73)
- Deferred tax	129	(99)	129	(99)
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	149	(157)	138	(230)

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 24 February 2006

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

The following corporate proposal has been announced but not completed:-

Proposed acquisition of the entire equity interest in Adeptis Solutions Sdn Bhd for a total consideration of RM10.8 million to be satisfied by RM2.8 million cash and the issuance of 66,666,667 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.12 per share ("Proposed Acquisition").

An application in relation to the Proposed Acquisition has been submitted to the Securities Commission ("SC") and the SC (on behalf of Foreign Investment Committee ("FIC")). The approvals from the SC and the SC (on behalf of FIC) are still pending.

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

The status of utilisation of proceeds is as follows:

Details of Utilisation	Total amount of proceeds RM'000	Utilised as at 31.12.2005 RM'000	Amount unutilised RM'000
Research and development activities	4,000	2,369	1,631
Regional expansion of operation	2,000	1,550	450
Upgrading of network infrastructure and office equipment	800	664	136
Working capital	3,100	3,174	(74)
Listing expenses	1,300	1,226	74 [^]
Total	11,200	8,983	2,217

[^] 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 31 December 2005 are as follows:

	RM'000
a) Short term borrowings	
- Secured	2,224
b) Long term borrowings	
- Secured	5,400
Total Borrowings	<u>7,624</u>

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 24 February 2006

(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. Loss Per Share

(a) Basic loss per share

The loss per share for the current quarter is calculated by dividing the net loss attributable to shareholders of RM606,067 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 RM1,992,169 by the number of shares in issue of 152,018,400 ordinary shares.

(b) Diluted loss per share

For diluted loss per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has ESOS that can potentially be converted into ordinary shares.

No adjustment is made to the weighted average number of ordinary shares in issue in the calculation of diluted loss per share as the assumed conversion from the exercise of ESOS during the financial year would be antidilutive.