

DATASCAN BERHAD
(Company No: 43190-H)

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 31 MARCH 2006**

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standards (FRS) 134: Interim Financial Reporting and the Listing Requirements of the Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earning Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 102, 108, 110, 116, 121, 127, 132, 133, 136 and 138 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are discussed below:

(a) FRS 2 Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company has an Employee Share Option Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2006. The financial impact to the Group arising from this change in accounting policy is as follows:-

	3 months ended 31.3.06 RM
Decrease in profit for the period	<u>4,636</u>
Increase in equity compensation reserve (included within other reserves)	<u>4,636</u>

(b) FRS 101 Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101.

(c) FRS 140 Investment Property

The adoption of this new FRS has resulted in a change in accounting policy for investment property of the Group. The FRS permits the Group to choose the cost model which is specified in FRS 116 and requires an investment property to be measured after initial measurement at depreciated cost (less any accumulated impairment losses).

In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives as at 31 December 2005 are not restated.

The financial impact to the Group arising from this change in accounting policy is as follows:

	3 months ended 31.3.06 RM
Decrease in profit for the period due depreciation charges	<u>80,210</u>
Decrease in Investment Property	<u>80,210</u>

A3. Auditors' Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2005 was not subject to any qualification.

A4. 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.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

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

A6. 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.

A7. Debt and Equity Securities

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

A8. Dividends Paid

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

A9. 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.

A10. Revaluation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment for the current quarter under review.

A11. Subsequent Events

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 except for the following:-

Subsequent to 31 March 2006, the Company issued 30,000 shares of RM0.10 each for cash pursuant to the Company's ESOS at exercise price of RM0.10 per ordinary share.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review other than the following:-

On 23 March 2006, the Company announced that Transight Australia Pty. Ltd., a 60% owned subsidiary, has been voluntarily deregistered from the Australian Securities and Investments Commission of Australia.

A13. Contingent Liabilities

There were no material contingent liabilities of the Group during the current quarter under review up to the date of this report.

A14. Capital Commitment

	31.03.2006 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

A15. 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. Rosman bin Abdullah is also a Director of KUB Malaysia Berhad. Therefore transactions with A&W (Malaysia) Sdn Bhd, a wholly-owned subsidiary of KUB Malaysia Berhad as set out below, are deemed related party transactions.

	3 months ended 31.3.06 RM
Rental of Point-of-Sales (POS) System	<u>127,336</u>
Remedial and maintenance services	<u>6,834</u>

The above related party transactions are recurrent transactions of a revenue or trading nature and are entered into in the ordinary course of business on terms not more favourable to the related party than those generally available to the public.

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.

DATASCAN BERHAD
(Company No: 43190-H)

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

B1. Review of Performance

For the financial period ended 31 March 2006, the Group recorded revenue of RM6.117 million and profit after tax of RM0.326 million, as compared to revenue of RM7.528 million and profit after tax of RM0.254 million achieved in the preceding year corresponding period

The current quarter gross margin has improved due to sales of higher margin products and services. There is also reduction in operating expenses resulting from the cost cutting measures implemented.

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

The Group's revenue and profit after tax for the current quarter were RM6.117 million and RM 0.326 million as compared to revenue and loss after taxation of RM 4.866 million and RM0.691 million respectively.

The improvement in this quarter is due to higher revenue from major roll-out projects for a number of key customers in the food and beverage (F&B), hospitality and banking sectors.

B3. Current Year's Prospects

The Board expects the financial performance of the Group to be satisfactory for financial year 2006.

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
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
- Current income tax	9	184	9	184
- In respect of prior years	-	73	-	73
- Deferred tax	11	(119)	11	(119)
	20	138	20	138

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 current quarter under review and financial year to date.

B8. (a) Status of Corporate Proposals as at 26 May 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").

The Securities Commission ("SC") and the SC (on behalf of Foreign Investment Committee) had, vide its letter dated 9 May 2006, approved the Proposed Acquisition subject to certain terms and conditions as announced by the Company on 11 May 2006.

(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 31.03.2006 RM'000	Amount unutilised RM'000
Research and development activities	4,000	2,532	(Note) 1,468
Regional expansion of operation	2,000	1,618	382
Upgrading of network infrastructure and office equipment	800	689	111
Working capital	3,100	3,174	(74)
Listing expenses	1,300	1,226	74^
Total	11,200	9,239	1,961

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

Note:

As announced on 11 May 2006, the SC had approved the Company's application to utilise the balance of the above proceeds to part finance the Proposed Acquisition mentioned in B8(a)

B9. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2006 are as follows:

	RM'000
a) Short term borrowings	
- Secured	1,298
b) Long term borrowings	
- Secured	5,323
Total Borrowings	<u>6,621</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 26 May 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. Earnings Per Share

(a) Basic earnings per share

The earnings per share for the current quarter is calculated by dividing the net profit attributable to ordinary equity holders of the parent of RM315,130 by the number of shares in issue of 152,018,400 ordinary shares.

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

	3 months ended 31.3.06 RM
Weighted average number of ordinary shares in issue	152,018,400
Effect of dilution: Share options	<u>55,457</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>152,073,857</u>