

**DATASCAN BERHAD**  
**(Company No: 43190-H)**

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30 JUNE 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:-

	6 months ended 30.6.06 RM
Decrease in profit for the period	<u>9,272</u>
Increase in equity compensation reserve (included within other reserves)	<u>9,272</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:

	6 months ended 30.6.06 RM
Decrease in profit for the period due depreciation charges	<u>160,583</u>
Decrease in Investment Property	<u>160,583</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.

#### **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 12 June 2006, the Company had acquired the remaining 40% equity consisting 40 ordinary shares of RM1 each of its subsidiary, Datascan Hospitality System Sdn Bhd for a total consideration of RM60,000 in cash.

#### **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**

	30.06.2006 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 Director 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.

	6 months ended 30.6.06 RM
Rental of Point-of-Sales (POS) System	<u>259,308</u>
Remedial and maintenance services	<u>21,692</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.

The shareholders ratification and mandate has been obtained in the EGM held on 22 June 2006 for the transactions. Approval has been given to Datascan and its subsidiaries ("Datascan Group") for those past and existing recurrent transactions of revenue or trading nature falling within the types of transactions set out in Section 3.2 of the circular to the shareholders of the Company dated 7 June 2006 ("the Circular") conducted with those related parties as specified in Section 3.2 ("Transacting Related Party") of the Circular which were necessary for day-to-day operations and which were carried out in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the Transacting Related Party than those generally available to the public and not prejudicial to the shareholders of the Company for the period from 19 May 2005 until this EGM on 22 June 2006 and this approval shall be in force until:

- (a) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed; or
- (b) the expiration of the period within which the AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by resolution passed by shareholders in a general meeting,

whichever is the earlier.

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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 under review, the Group generated revenue of RM6.919 million and profit before tax of RM1.396 million, as compared to revenue of RM5.478 million and loss before tax of RM1.224 million in the preceding year corresponding period.

The current quarter's improvement was mainly attributed to higher sales and better gross margins from product and services.

Year-to-date, the Group's recorded profit before tax of RM1,742 million from revenue of RM13.036 million improved over the preceding year's corresponding period loss before tax of RM0.831 million from revenue of RM13.007 million. The improvement was mainly due to better gross margins from products and services and lower operating expenses during the period to-date under review.

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

The Group's profit before tax for the quarter under review increased to RM1.396 million from the immediate preceding quarter's RM0.346 million.

The increase was mainly due to the continued roll-out of projects which were previously deferred by key customers in the food & beverage and hospitality sectors. Additionally, fulfilment of orders to customers in the banking sector during the quarter under review contributed further to the improvement.

**B3. Current Year's Prospects**

The Board expects the financial performance of the Group to be satisfactory for the remaining periods to the end of the current financial year.

The completion of the acquisition of Adeptis Solutions Sdn Bhd is also expected to contribute positively to the Group's performance.

**B4. Profit Forecast**

No financial forecast was announced or made hence there was no comparison between actual results and forecast.

**B5. Taxation**

	Individual Quarter		Cumulative	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30/06/2006 RM'000	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2005 RM'000
- Current income tax	37	(79)	46	105
- In respect of prior years	-	(73)	-	-
- Deferred tax	38	94	49	(24)
	<hr/> 75	<hr/> (58)	<hr/> 95	<hr/> 81

**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 25 August 2006**

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

The following corporate proposal has been announced:-

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") was completed on 11 August 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 30.06.2006 RM'000	Amount unutilised RM'000
			(Note)
Part finance the acquisition of Adeptis Research and development activities	(1) 4,000	(1) 2,538	1,787 -
Regional expansion of operation	2,000	1,713	-
Upgrading of network infrastructure and office equipment	800	762	-
Working capital	3,100	<sup>(2)</sup> 3,174	-
Listing expenses	1,300	<sup>(2)</sup> 1,226	-
Total	11,200	9,413	1,787

Note:

(1) As announced on 11 May 2006, the Securities Commission approved the Company's application to utilise the balance of the initial public offering proceeds available to part finance the Proposed Acquisition of Adeptis.

(2) Unutilised amount for the listing expenses has been used for working capital purposes.

**B9. Group Borrowings and Debt Securities**

The Group's borrowings as at 30 June 2006 are as follows:

	RM'000
a) Short term borrowings	
- Secured	1,682
b) Long term borrowings	
- Secured	5,251
Total Borrowings	<u>6,933</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 25 Aug 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 RM1,254,315 by the number of shares in issue of 152,048,400 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.

	6 months ended 30.6.06 RM
Weighted average number of ordinary shares in issue	152,048,400
Effect of dilution:	
Share options	<u>55,457</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>152,103,857</u>