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**13. ACCOUNTANTS' REPORT**

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*Prepared for inclusion in this Prospectus*

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**Deloitte  
& Touche**

5 December 2003

The Board of Directors  
DVM Technology Berhad  
13-7, The Boulevard  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Dear Sirs,

**1. INTRODUCTION**

This Report has been prepared by Deloitte & Touche, an approved company auditor, for inclusion in the Prospectus to be dated 10 December 2003 in connection with the following:

- (i) Acquisition of the entire equity interest in ET Communications Sdn. Bhd. ("ETC"), comprising 1,500,000 ordinary shares of RM1.00 each, for a total purchase consideration of RM7,349,570 satisfied in full by the issuance of 73,495,700 new ordinary shares of RM0.10 each in DVM at par.
- (ii) Acquisition of the remaining minority stake in NGC Systems Sdn. Bhd. ("NGC"), representing 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00.
- (iii) Rights issue of 46,504,280 new ordinary shares of RM0.10 each at an issue price of RM0.10 each per share.
- (iv) Public issue of 40,000,000 new ordinary shares of RM0.10 each in DVM at an issue price of RM0.40 per share.

The issue of 40,000,000 shares representing 25% of the enlarged issued and paid-up share capital of 160,000,000 shares, is to be allotted in the following manner:

- (a) 4,000,000 new ordinary shares of RM0.10 each available for application by the Malaysian public;
- (b) 8,000,000 new ordinary shares of RM0.10 each available for application by eligible employees of the DVM Group; and

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**13. ACCOUNTANTS' REPORT (Cont'd)**

- (c) 28,000,000 new ordinary shares of RM0.10 each available for placement to selected investors.
- (v) Listing of and quotation for the entire enlarged issued and paid up share capital of 160,000,000 ordinary shares on the MESDAQ Market of the Kuala Lumpur Stock Exchange.

**2. GENERAL INFORMATION****2.1 The Company – DVM Technology Berhad (“DVM”)**

The Company was incorporated in Malaysia under the Companies Act, 1965 on 25 March 2003 as a public limited company. The authorised share capital was RM100,000, comprising 1,000,000 ordinary shares of RM0.10 each. On 28 July 2003, the authorised share capital was increased from RM100,000 to RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each.

The principal activity of the Company is that of an investment holding company.

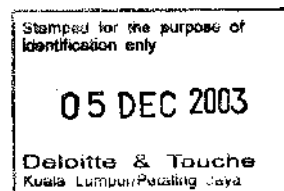
The issued and fully paid up share capital of DVM will increase from 20 ordinary shares of RM0.10 each to 160,000,000 ordinary shares of RM0.10 each as follows:

	Number of ordinary shares of RM0.10 each	Cumulative issued and paid up share capital RM
Existing shares as of 25 March 2003	20	2
After Acquisition of ETC	73,495,700	7,349,572
After Rights Issue	46,504,280	12,000,000
After Public Issue	40,000,000	16,000,000

**2.2 The Subsidiary Company – ET Communications Sdn. Bhd. (“ETC”)**

ETC was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 28 February 1997. ETC is principally involved in the provision of specialised telecommunication, data communication, computer networking solutions and professional services for the development of communication infrastructure.

The present authorised share capital of ETC is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM1,500,000 comprising 1,500,000 ordinary shares of RM1.00 each.



**13. ACCOUNTANTS' REPORT (Cont'd)**

Details of the changes in the issued and paid-up share capital of ETC since its incorporation are as follows:

Date of allotment	Number of ordinary shares allotted	Par value RM	Consideration	Cumulative issued and paid-up capital RM
28.02.1997	100,000	1.00	Subscriber's shares	100,000
19.09.1997	150,000	1.00	Cash	250,000
25.09.1999	1,250,000	1.00	Cash	1,500,000

The following are the subsidiary companies of ETC as of 30 June 2003:

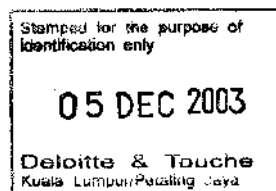
Name of subsidiary company	Date/ Country of incorporation	Issued and paid-up capital RM	Effective equity interest	Principal activities
Adtel Systems Sdn. Bhd.	23.01.1998/ Malaysia	1,500,000	100%	Provision of operational support system, development of software and services for communication infrastructure
NGC Systems Sdn. Bhd.	18.09.2002/ Malaysia	100,000	100%	Development of software application

ETC does not have any associated company as of 30 June 2003.

**3. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES**

This Report is prepared based on the audited financial statements which have been prepared in accordance with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board and presented on a basis consistent with the accounting policies normally adopted by the Group.

There has been no change in accounting policies of the DVM Group for all the financial years/period relevant to this Report.



**13. ACCOUNTANTS' REPORT (Cont'd)**

**4. FINANCIAL STATEMENTS AND AUDITORS**

DVM was incorporated on 25 March 2003 and we have been the auditors since the date of incorporation.

The financial statements of ETC for all the financial period covered in this Report were audited by another firm of auditors, with the exception of financial period 1 October 2002 to 30 June 2003, which were audited by Deloitte & Touche.

The latest audited financial statements for both companies are in respect of the financial period 1 October 2002 to 30 June 2003.

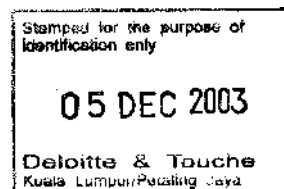
There is no reservation or qualification in the auditors' reports in the financial statements covered in this Report.

**5. SIGNIFICANT POST BALANCE SHEET DATE EVENTS**

Subsequent to the last audited balance sheet, DVM undertaken the following significant transactions:

- (i) On 29 July 2003, DVM acquired the minority stake in NGC not held by ETC, representing 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00.
- (ii) On 29 July 2003, DVM acquired the entire equity interest in ETC, comprising 1,500,000 ordinary shares of RM1.00 each, for a total purchase consideration of RM7,349,570 satisfied in full by the issuance of 73,495,700 new ordinary shares of RM0.10 each in DVM at par.
- (iii) On 10 September 2003, DVM implemented a rights issue of 46,504,280 new ordinary shares of RM0.10 each at an issue price of RM0.10 each per share.

Other than the above, we are not aware of any other significant subsequent events which would require any amount stated to be adjusted nor any further disclosure that is required to be made in this Report.



## 13. ACCOUNTANTS' REPORT (Cont'd)

## 6. SUMMARISED INCOME STATEMENTS

## 6.1 Proforma Consolidated Income Statements - DVM Group

The summarised proforma consolidated income statements of DVM Group as set out below is based on their audited financial statements and on the assumption that DVM Group has been in existence throughout the relevant years under review.

	Financial year ended 30 September					9 months ended 30
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	June 2003 RM'000
Revenue	10,564	33,744	41,667	29,761	23,004	34,411
Profit before amortisation, depreciation, interest and taxation (EBITA)	1,279	1,623	2,468	2,524	4,659	2,292
Amortisation and depreciation	(111)	(171)	(200)	(241)	(404)	(278)
Interest expense	(143)	(280)	(347)	(51)	(33)	(43)
Profit before taxation	1,025	1,172	1,921	2,232	4,222	1,971
Taxation	(42)	(57)	(573)	(678)	(1,390)	(639)
Net profit for the year/ period	983	1,115	1,348	1,554	2,832	1,332
No. of ordinary shares ('000)	73,496	73,496	73,496	73,496	73,496	73,496
Earning per share (sen)	1.34	1.52	1.83	2.11	3.85	2.42*
Effective tax rate (%)	4.10	4.86	29.83	30.56	31.74	32.44

\* Annualised

## Notes:

- (1) The significant growth in revenue for 2000 is mainly due to new contracts awarded by Telekom Cellular Sdn. Bhd., Cordoda Corporation Sdn. Bhd. and Maxis Mobile Sdn. Bhd.
- (2) Higher EBITA recorded in 2002 is mainly due to higher professional services, consultation services and maintenance services rendered. These services contributed higher profit margin.
- (3) Earnings per share of the Group is calculated based on net profit for the year to the share capital of 73,495,720 ordinary shares of RM0.10 each, after the Acquisitions but before the Rights Issue and Public Issue.

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- (4) Effective tax rate is calculated based on taxation to profit before tax.

The effective tax rate for 1998 is lower than the statutory tax rate due mainly to utilisation of unabsorbed tax losses and capital allowances brought forward.

The effective tax rates for 2000 to 2003 were higher than the statutory tax rate due mainly to certain expenses which are not allowable for tax purposes.

No income tax expense was provided in 1999, as it constitutes the basis period for the year of assessment 2000 (preceding year basis), wherein tax on income other than dividend income is waived pursuant to the provision of the Income Tax (amendment) Act 1999. The income tax expense of RM57,000 mainly relates to the provision for deferred taxation arising from material timing differences.

- (5) There were no extraordinary items during the years/period under review.

**6.2 DVM**

The summarised results of DVM are set out below, based on the audited financial statements.

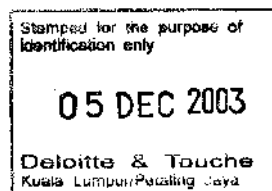
	<b>From 25 March 2003 (date of incorporation) to 30 June 2003 RM'000</b>
Revenue	-
EBITA	(5)
Loss before taxation	(5)
Taxation	-
Net loss for the period	(5)
No. of ordinary shares ('000)	*
Loss per share (RM)	333**

\* Consist of 20 ordinary shares of RM0.10 each

\*\* Annualised

**Notes:**

- (1) The Company was incorporated on 25 March 2003 and accordingly, its income statement was drawn up for the first time for the period ended 30 June 2003.



**13. ACCOUNTANTS' REPORT (Cont'd)**

- (2) No provision for estimated current tax payable was made for the period under review as the Company incurred a loss.
- (3) There were no extraordinary items during the period under review.

**6.3 ETC (Group)**

The following is a summary of audited financial results of ETC for the past five (5) financial years ended 30 September 1998 to 2002, and financial period 1 October 2002 to 30 June 2003:

	Financial year ended 30 September					9 months ended 30 June 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	10,564	33,744	41,667	29,761	23,004	34,411
EBITA	1,279	1,623	2,468	2,524	4,659	2,297
Amortisation and Depreciation	(111)	(171)	(200)	(241)	(404)	(278)
Interest expense	(143)	(280)	(347)	(51)	(33)	(43)
Profit before taxation	1,025	1,172	1,921	2,232	4,222	1,976
Taxation	(42)	(57)	(573)	(678)	(1,390)	(639)
Net profit for the year/period	983	1,115	1,348	1,554	2,832	1,337
No. of ordinary shares ('000)	250	1,500	1,500	1,500	1,500	1,500
Earning per share (RM)	3.93	0.74	0.90	1.04	1.89	1.19*
Effective tax rate (%)	4.10	4.86	29.83	30.56	31.74	32.34

\* Annualised

**Notes:**

- (1) The significant growth in revenue for 2000 is mainly due to new contracts awarded by Telekom Cellular Sdn. Bhd., Cordoda Corporation Sdn. Bhd. and Maxis Mobile Sdn. Bhd.
- (2) Higher EBITA recorded in 2002 is mainly due to higher professional services, consultation services and maintenance services rendered. These services contributed higher profit margin.
- (3) Earnings per share is calculated based on net profit for the year to the number of ordinary shares in issue in the relevant period under review.

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- (4) Effective tax rate is calculated based on taxation to profit before tax.

The effective tax rate for 1998 is lower than the statutory tax rate due mainly to utilisation of unabsorbed tax losses and capital allowances brought forward.

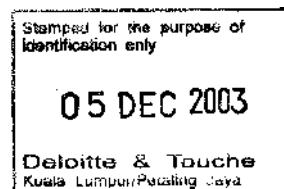
The effective tax rates for 2000 to 2003 were higher than the statutory tax rate due mainly to certain expenses which are not allowable for tax purposes.

No income tax expense was provided in 1999, as it constitutes the basis period for the year of assessment 2000 (preceding year basis), wherein tax on income other than dividend income is waived pursuant to the provision of the Income Tax (amendment) Act 1999. The income tax expense of RM57,000 mainly relates to the provision for deferred taxation arising from material timing differences.

- (5) There were no extraordinary items during the years/period under review.

**7. DIVIDEND**

ETC paid an interim tax exempt dividend of 33.3% totalling RM500,000 in respect of the financial year ended 30 September 2002.





## 13. ACCOUNTANTS' REPORT (Cont'd)

## 8. SUMMARISED BALANCE SHEETS

## 8.1 Proforma Consolidated Balance Sheet - DVM Group

	As of 30 September					As of 30
	1998	1999	2000	2001	2002	June
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
<b>Property, Plant And Equipment</b>	-	-	-	-	-	970
<b>Development Expenditure</b>	-	-	-	-	-	59
<b>Deferred Expenditure</b>	-	-	-	-	-	359
<b>Current Assets</b>						
Contract work in progress	-	-	-	-	-	596
Trade receivables	-	-	-	-	-	28,945
Other receivables, deposits and prepayments	-	-	-	-	-	668
Fixed deposits, cash and bank balances	-	-	-	-	-	1,537
	-	-	-	-	-	31,746
<b>Current Liabilities</b>						
Trade payables	-	-	-	-	-	21,441
Other payables and accrued expenses	-	-	-	-	-	454
Hire-purchase payable – current portion	-	-	-	-	-	42
Bank borrowings	-	-	-	-	-	2,055
Tax liabilities	-	-	-	-	-	168
	-	-	-	-	-	24,160
<b>Net Current Assets</b>	-	-	-	-	-	7,586
<b>Net Assets</b>	-	-	-	-	-	8,974
<b>Represented by:</b>						
Share capital	-	-	-	-	-	7,350
Reserve on consolidation	-	-	-	-	-	1,336
Accumulated loss	-	-	-	-	-	(5)
<b>Shareholders' Fund</b>	-	-	-	-	-	8,681
<b>Long-term and Deferred Liabilities</b>						
Hire-purchase payable – non-current portion	-	-	-	-	-	28
Deferred tax liabilities	-	-	-	-	-	265
	-	-	-	-	-	8,974
<b>Net tangible assets per ordinary share (sen)</b>	-	-	-	-	-	11.24

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**13. ACCOUNTANTS' REPORT (Cont'd)**

DVM was incorporated on 25 March 2003 with an issued and paid up share capital of 20 ordinary shares of RM0.10 each. As such, no summarised balance sheet is prepared for the financial year ended 1999 to 2002. The proforma consolidated balance sheet of DVM is prepared based on the audited financial statements of DVM and its subsidiary companies (to be acquired by the Company pursuant to the Acquisitions). The proforma consolidated balance sheets have been presented on the basis that the Acquisitions had been in effect as of 30 June 2003.

**8.2 DVM**

The summarised balance sheet of DVM since its date of incorporation is set out below, based on the audited financial statements.

	<b>As of 30 June 2003 RM'000</b>
<b>Deferred Expenditure</b>	<u>359</u>
<b>Current Liability</b>	
Other payable	<u>(364)</u>
<b>Net Current Liability</b>	<u>(364)</u>
<b>Net Liability</b>	<u>(5)</u>
<b>Represented by:</b>	
Share capital	-
Accumulated loss	<u>(5)</u>
<b>Capital Deficiency</b>	<u>(5)</u>

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## 13. ACCOUNTANTS' REPORT (Cont'd)

## 8.3 ETC (Group)

The summarised balance sheets of ETC for the past financial years/period are set out below, based on the audited financial statements.

	As of 30 September					As of 30
	1998	1999	2000	2001	2002	June
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
<b>Property, Plant And Equipment</b>	587	566	577	1,097	1,182	970
<b>Development Expenditure</b>	-	-	-	-	-	59
<b>Current Assets</b>						
Contract work in progress	-	10	317	-	12	596
Trade receivables	2,383	8,874	25,524	14,412	14,703	28,945
Other receivables, deposits and prepayments	781	13,987	555	5,955	1,113	1,032
Fixed deposits, cash and bank balances	41	348	426	1,000	1,818	1,537
	<u>3,205</u>	<u>23,219</u>	<u>26,822</u>	<u>21,367</u>	<u>17,646</u>	<u>32,110</u>
<b>Current Liabilities</b>						
Trade payables	1,801	17,551	17,963	15,725	9,442	21,441
Other payables and accrued expenses	534	1,866	4,131	-	735	454
Hire-purchase payable – current portion	46	46	46	19	40	42
Bank borrowings	955	1,071	174	-	180	2,055
Tax liabilities	42	42	547	536	755	168
	<u>3,378</u>	<u>20,576</u>	<u>22,861</u>	<u>16,280</u>	<u>11,152</u>	<u>24,160</u>
<b>Net Current Assets/ (Liabilities)</b>	(173)	2,643	3,961	5,087	6,494	7,950
<b>Net Assets</b>	<u>414</u>	<u>3,209</u>	<u>4,538</u>	<u>6,184</u>	<u>7,676</u>	<u>8,979</u>
<b>Represented by:</b>						
Share capital	250	1,500	1,500	1,500	1,500	1,500
Unappropriated profit	18	1,125	2,376	3,820	5,850	7,186
<b>Shareholders' Fund</b>	<u>268</u>	<u>2,625</u>	<u>3,876</u>	<u>5,320</u>	<u>7,350</u>	<u>8,686</u>
Minority interest	35	462	560	669	-	-
<b>Long-term and Deferred Liabilities</b>						
Hire-purchase payable – non-current portion	111	65	19	-	61	28
Deferred tax liabilities	-	57	83	195	265	265
	<u>414</u>	<u>3,209</u>	<u>4,538</u>	<u>6,184</u>	<u>7,676</u>	<u>8,979</u>
<b>Net tangible assets per ordinary share (RM)</b>	<u>1.07</u>	<u>1.75</u>	<u>2.58</u>	<u>3.55</u>	<u>4.90</u>	<u>5.75</u>

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## 13. ACCOUNTANTS' REPORT (Cont'd)

## 9. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

		← Proforma Group →			
		As of 30 June 2003			
	Note	Company Audited as of 30 June 2003 RM'000	After Acquisitions (I) RM'000	After (I) and Rights Issue (II) RM'000	After (II) and IPO (III) RM'000
Property, Plant And Equipment	10.4	-	970	970	970
Development Expenditure		-	59	59	59
Deferred Expenditure	10.5	359	359	359	-
<b>Current Assets</b>					
Contract work in progress		-	596	596	596
Trade receivables	10.6	-	28,945	28,945	28,945
Other receivables, deposits and prepayments		-	668	668	668
Fixed deposits, cash and bank balances	10.7	-*	1,537	6,187	21,146
		-	31,746	36,396	51,355
<b>Current Liabilities</b>					
Trade payables		-	21,441	21,441	21,441
Other payables and accrued expenses		364	454	454	454
Hire purchase payable – current portion	10.8	-	42	42	42
Bank borrowings	10.9	-	2,055	2,055	2,055
Tax liabilities		-	168	168	168
		364	24,160	24,160	24,160
<b>Net Current Assets/(Liabilities)</b>		(364)	7,586	12,236	27,195
<b>Net Assets/(Liabilities)</b>		(5)	8,974	13,624	28,224
<b>Represented by:</b>					
Share capital	10.10	-*	7,350	12,000	16,000
Share premium	10.11	-	-	-	10,600
Reserve on consolidation		-	1,336	1,336	1,336
Accumulated loss		(5)	(5)	(5)	(5)
<b>Shareholders' Fund/(Capital Deficiency)</b>		(5)	8,681	13,331	27,931
<b>Long-term And Deferred Liabilities</b>					
Hire purchase payable – non-current portion	10.8	-	28	28	28
Deferred taxation		-	265	265	265
		(5)	8,974	13,624	28,224
<b>Number of shares in issue ('000)</b>		-*	73,496	120,000	160,000
<b>Net tangible assets per ordinary share (sen)</b>	10.13	-	11.24	10.76	17.42

\* Represent issued and paid up share capital of RM2 comprising 20 ordinary shares at RM0.10 each.

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### 13. ACCOUNTANTS' REPORT *(Cont'd)*

The proforma statement of assets and liabilities of DVM Group are prepared for illustrative purposes based on audited financial statements of DVM and its subsidiary companies (to be acquired by the Company pursuant to the Acquisitions) as of 30 June 2003. The proforma statement of assets and liabilities has been prepared based on the assumption that the Acquisitions, Rights Issue and Public Issue have been completed as of 30 June 2003.

The statements should be read in conjunction with the notes set out in Section 10.

### 10. NOTES TO PROFORMA STATEMENT OF ASSETS AND LIABILITIES

#### 10.1 BASIS OF THE PREPARATION OF PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of the Group have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards issued by Malaysian Accounting Standards Board.

#### 10.2 SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The proforma statement of assets and liabilities of the Group have been prepared under the historical cost convention.

##### **Basis of Consolidation**

The proforma Group statement of assets and liabilities incorporate the statement of assets and liabilities of the Company and of the subsidiary companies controlled by the Company made up to 30 June 2003. Subsidiary companies are those companies in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition.

The results of subsidiary companies acquired during the financial year are included in the proforma Group statement of assets and liabilities from the effective date of acquisition.

All significant intercompany transactions and balances are eliminated on consolidation.

##### **Income Tax**

The tax effects of transactions are recognised, using the "balance sheet" method, and all taxable temporary differences are recognised. Deferred tax is provided at current tax rate on temporary differences between tax capital allowances and book depreciation of property, plant and equipment net of provision which is currently not deductible for tax purposes.



**13. ACCOUNTANTS' REPORT (Cont'd)****Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss (if any).

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. Any impairment loss is charged to the income statements.

Property, plant and equipment are depreciated using the straight-line method at rates calculated to write off the cost of the assets over their estimated useful lives. The annual rates used are as follows:

Furniture, fittings, office equipment and renovation	20%
Computer software and equipment	20%

**Property, Plant and Equipment Under Hire-Purchase Arrangement**

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the proforma statement of assets and liabilities and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

**Development Expenditure**

Expenditure on development is charged to the income statements in the year in which it is incurred except where a clearly defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activities. Such development costs are recognised as an intangible asset and amortised on a straight line method over the life of the project from the date of commencement of commercial operation, which is on average of five years.

**Investments**

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost in the Company's statements of assets and liabilities.

**Deferred Expenditure**

Deferred expenditure, which relates to the expenditure incurred for the listing of shares of the Company on the MESDAQ Market of the Kuala Lumpur Stock Exchange, is stated at cost and will be set off against share premium upon the listing of the share of the Company.

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13. ACCOUNTANTS' REPORT (Cont'd)

**Contract Work In Progress**

Contract work in progress is stated at cost less foreseeable losses. Cost comprises all direct costs incurred in connection with the contracts.

**Receivables**

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful receivables is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

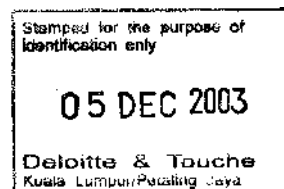
**Financial Assets**

The Group's principal financial assets are cash and bank balances, fixed deposits with licensed banks, trade and other receivables.

**Financial Liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities of the Group include trade and other payables, hire-purchase payable and bank borrowings in which they are stated at their nominal values.

Equity instruments are recorded at the proceeds received, net of direct issue costs.



**13. ACCOUNTANTS' REPORT (Cont'd)****10.3 GENERAL**

The Company is a public limited company incorporated in Malaysia. The principal activity of the Company is that of an investment holding company.

The registered office of the Company is located at 13-7, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The statement of assets and liabilities and proforma Group statement of assets and liabilities are expressed in Ringgit Malaysia.

Details of subsidiary companies as of 30 June 2003 are as follows:

Name of company	Principal activities	Country of incorporation	Proforma Group's effective interest
ET Communications Sdn. Bhd. ("ETC")	Provision of specialised telecommunication, data communication, computer networking solutions and professional services for the development of communication infrastructure.	Malaysia	100%
<b>Indirect subsidiary companies (Held through ETC)</b>			
Adtel Systems Sdn. Bhd.	Provision of operational support system, development of software and services to communication infrastructure	Malaysia	100%
NGC Systems Sdn. Bhd.	Development of software application	Malaysia	100%

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## 13. ACCOUNTANTS' REPORT (Cont'd)

## 10.4 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings, office equipment and renovation RM'000	Computer equipment and software RM'000	Total RM'000
<b>Proforma Group</b>			
<b>Cost</b>			
As of 1 October 2002	187	1,786	1,973
Additions	65	24	89
Disposals	-	(28)	(28)
Write offs	(55)	-	(55)
	<u>197</u>	<u>1,782</u>	<u>1,979</u>
As of 30 June 2003			
<b>Accumulated Depreciation</b>			
As of 1 October 2002	130	661	791
Charge for the year	20	258	278
Disposals	-	(5)	(5)
Write offs	(55)	-	(55)
	<u>95</u>	<u>914</u>	<u>1,009</u>
As of 30 June 2003			
<b>Net Book Value</b>			
As of 30 June 2003	<u>102</u>	<u>868</u>	<u>970</u>

Included in the Proforma Group's property, plant and equipment are assets acquired under hire purchase arrangements with net book value amounting to RM90,000.

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## 13. ACCOUNTANTS' REPORT (Cont'd)

## 10.5 DEFERRED EXPENDITURE

	← Proforma Group → As of 30 June			
	Company Audited as of 30 June 2003 RM'000	After Acquisitions (I) RM'000	After (I) and Rights Issue (II) RM'000	After (II) and IPO (III) RM'000
Deferred expenditure	359	359	359	359
Less: Set-off against share premium	-	-	-	(359)
Net	359	359	359	-

The deferred expenditure is set-off against share premium subsequent to the Acquisitions, Rights Issue and Listing of the shares of the Company.

## 10.6 TRADE RECEIVABLES

	Proforma Group RM'000
Trade receivables	29,251
Less: Allowance for doubtful receivables	(306)
Net	28,945

## 10.7 FIXED DEPOSITS, CASH AND BANK BALANCES

Included in fixed deposits, cash and bank balances of the Group are fixed deposits amounting to RM845,000 placed with local banks as security for banking facilities granted by the said banks to the subsidiary companies.

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**13. ACCOUNTANTS' REPORT (Cont'd)****10.8 HIRE-PURCHASE PAYABLE**

	<b>Proforma Group RM'000</b>
Balance outstanding	77
Less: Interest-in-suspense	<u>(7)</u>
Principal portion	<u>70</u>
Principal amount repayable:	
Within one year (shown under current liabilities)	42
More than one year (shown under long-term liabilities)	<u>28</u>
	<u>70</u>

**10.9 BANK BORROWINGS**

	<b>Proforma Group RM'000</b>
Bankers' acceptance	1,380
Bank overdraft	<u>675</u>
	<u>2,055</u>

The above borrowings are secured by fixed deposits placed with the banks (Note 10.7) and third party's property, and guaranteed by the directors and former holding company of the subsidiary company. These borrowings bear interest at rates ranging from 4.70% to 7.50% per annum.

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## 13. ACCOUNTANTS' REPORT (Cont'd)

## 10.10 SHARE CAPITAL

Company Audited as of 30 June 2003 RM'000	Proforma Group As of 30 June		
	After Acquisitions (I) RM'000	After (I) and Rights Issue (II) RM'000	After (II) and IPO (III) RM'000
Authorised: Ordinary shares of RM0.10 each	100	25,000	25,000
Issued and fully paid: Ordinary shares of RM0.10 each	-*	7,350	16,000

\* This represents RM2 comprising 20 ordinary shares of RM0.10 each

## 10.11 SHARE PREMIUM

Company Audited as of 30 June 2003 RM'000	Proforma Group As of 30 June		
	After Acquisitions (I) RM'000	After (I) and Rights Issue (II) RM'000	After (II) and IPO (III) RM'000
Arising from issue of shares	-	-	12,000
Less: Listing expenses	-	-	(1,400)
	-	-	10,600

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**13. ACCOUNTANTS' REPORT (Cont'd)****10.12 FINANCIAL INSTRUMENTS****Financial Risk Management Objectives and Policies**

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group continuously manages its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group on a daily basis.

**Foreign currency risk**

The Group is exposed to foreign exchange rate risk as certain trade transactions are denominated in foreign currencies.

**Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing borrowings. The interest rates of borrowings of the Group are disclosed in Note 10.9.

**Credit risk**

The Group is exposed to credit risk mainly from trade and other receivables. The Group has no concentration of credit risks and manage these risks by monitoring credit ratings to any individual counterparty. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

**Liquidity risk**

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

**Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

**Fair Values**

The carrying amounts of the financial assets and liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

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**13. ACCOUNTANTS' REPORT (Cont'd)****10.13 PROFORMA NET TANGIBLE ASSETS (NTA) PER ORDINARY SHARE**

Based on the proforma statement of assets and liabilities of DVM Group as of 30 June 2003, the proforma NTA per ordinary share is calculated as follows:

	<b>Proforma Group</b>
<b>Based on Proforma I</b>	
Proforma net tangible assets as of 30 June 2003 (RM'000)	8,263
Number of ordinary shares of RM0.10 each in issue ('000)	73,496
Proforma NTA per ordinary share (sen)	<u>11.24</u>
<b>Based on Proforma II</b>	
Proforma net tangible assets as of 30 June 2003 (RM'000)	12,913
Number of ordinary shares of RM0.10 each in issue ('000)	120,000
Proforma NTA per ordinary share (sen)	<u>10.76</u>
<b>Based on Proforma III</b>	
Proforma net tangible assets as of 30 June 2003 (RM'000)	27,872
Number of ordinary shares of RM0.10 each in issue ('000)	160,000
Proforma NTA per ordinary share (sen)	<u>17.42</u>

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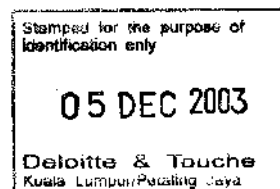
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**13. ACCOUNTANTS' REPORT (Cont'd)****11. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The proforma consolidated cash flow statement of DVM Group set out below is prepared based on audited financial statements of DVM and its subsidiary companies (to be acquired by the Company pursuant to the Acquisitions) as of 30 June 2003. The proforma consolidated cash flow statement has been prepared based on the assumption that the Acquisitions, Rights Issue and Public Issue have been in effect throughout the period 1 October 2002 to 30 June 2003.

	<b>9 months ended 30 June 2003 RM'000</b>
<b>Cash Flows From Operating Activities</b>	
Cash receipts from customers	20,104
Cash paid to suppliers and employees	<u>(20,497)</u>
Cash Used In Operations	(393)
Tax paid	<u>(1,226)</u>
Net Cash Used In Operating Activities	<u>(1,619)</u>
<b>Cash Flows From Investing Activities</b>	
Proceeds from disposal of property, plant and equipment	39
Purchase of property, plant and equipment	(89)
Payment of capitalised development expenditure	(59)
Interest received	<u>6</u>
Net Cash Used In Investing Activities	<u>(103)</u>
<b>Cash Flows From Financing Activities</b>	
Increased in fixed deposits pledged	(65)
Repayment of hire-purchase payable	(32)
Drawdown of bankers' acceptance	1,380
Interest paid	(43)
Proceeds from issue of shares	#
Proceeds from rights issue	4,650
Proceeds from public issue	16,000
Listing expenses paid	<u>(1,400)</u>
Net Cash From Financing Activities	<u>20,490</u>
Net Increase In Cash And Cash Equivalents	18,768
Cash And Cash Equivalents At Beginning Of Period	<u>858</u>
Cash And Cash Equivalents At End Of Period	<u>19,626</u>

# This represents proceeds from issue of shares amounted to RM2.



**13. ACCOUNTANTS' REPORT (Cont'd)**

- 11.1 Cash and cash equivalents at the end of period after the Public Issue shown above comprise the following:

	<b>As of 30 June 2003 RM'000</b>
Fixed deposits, cash and bank balances	21,146
Bank overdraft (Note 10.9)	<u>(675)</u>
	20,471
Less: Fixed deposits pledged (Note 10.7)	<u>(845)</u>
	<u>19,626</u>

- 11.2 The Group adopts the direct method in the preparation of the proforma cash flow statement.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

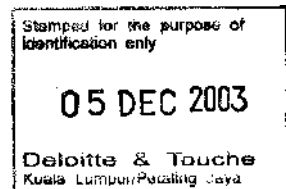
**12. AUDITED FINANCIAL STATEMENTS**

There have been no audited financial statements prepared in respect of any period subsequent to 30 June 2003.

Yours faithfully,

*Deloitte & Touche*  
DELOITTE & TOUCHE  
AF 0834  
Chartered Accountants

*Rosita Tan*  
ROSITA TAN  
1874/9/04 (J)  
Partner





14. DIRECTORS' REPORT



**Registered Office**

13-7 The Boulevard  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

5 December 2003

**To : The Shareholders of DVM Technology Berhad**

On behalf of the Board of Directors of DVM ("Directors"), I report after due enquiry, that during the period from 30 June 2003 (being the date to which the last audited accounts of DVM and its subsidiaries ("Group") have been made up) to 5 December 2003 (being the date not earlier than fourteen days before the issue of this Prospectus) that:-

- (a) the business of the Group, in the opinion of the Directors, have been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have materially and adversely affected the business and operations or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) there are no other contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Group;
- (e) since the last audited accounts of the Group, there have not been any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and
- (f) since the last audited accounts of the Group, save as disclosed in the Accountants' Report and the Proforma Consolidated Balance Sheets as set out in Sections 13 and 12.5 respectively of this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully  
For and on behalf of the Board of Directors  
**DVM TECHNOLOGY BERHAD**

Dato' Goh Kian Seng  
Director

**DVM Technology Berhad (609953-K)**  
**34 & 36 Jalan SS 22/21**  
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