12. FINANCIAL INFORMATION

12.1 Proforma Consolidated Income Statements

The following is a summary of the proforma consolidated income statements of the DVM Group for the past five (5) financial years ended 30 September 1998 to 2002 and nine (9) months financial period ended 30 June 2003, which have been prepared based on the audited financial statements of DVM and its subsidiaries for the relevant financial years/period and are provided for illustrative purposes, on the assumption that the current structure of the Group had been in existence throughout the financial years and period under review and after making such adjustments considered necessary:

	<—Proforma Audited					—>
	Financial year ended 30 September					9 months financial period ended 30 June
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	10,564	33,744	41,667	29,761	23,004	34,411
Earning before amortisation, depreciation, interest and taxation	1,279	1,623	2,468	2,524	4,659	2,292
Amortisation and depreciation	(111)	(171)	(200)	(241)	(404)	(278)
Interest	(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)
Profit after taxation	983	1,115	1,348	1,554	2,832	1,332
Issued and paid-up share capital* ('000)	73,496	73,496	73,496	73,496	73,496	73,496
Gross EPS (sen)	1.39	1.59	2.61	3.04	5.74	3.58^
Net EPS (sen)	1.34	1.52	1.83	2.11	3.85	2.42^

Notes:-

* *Representing the 73,495,720 number of DVM Shares in issue after the Acquisitions but before the completion of the Rights Issue and the Public Issue and assuming the DVM Group has been in existence since 1 October 1997.*

^ *Annualised.*

There were no exceptional or extraordinary items in the financial years/period under review.

Commentary:

Review of the financial year ended 30 September 1998

The Group recorded revenue of approximately RM10.6 million during the financial year under review, which was mainly contributed by ETC for project turnover recognised from contracts awarded by Dagang Net Technologies Sdn Bhd. However, the high gross profit margin of 34.7% achieved by the Group was mainly contributed by Adtel as revenue recognised by Adtel for the year consisted mainly of consultancy and professional services rendered which yield higher gross profit margin. Pre-tax profit margin dropped to 9.7% due mainly to high operating expenses incurred such as staff costs and administrative expenses which amounted to approximately RM1,277,000 and RM965,000 respectively for the Group.

During the year, ETC had unutilised tax losses and capital allowances brought forward to partly offset the taxable business income and hence the effective tax rate was low at 4.1%.

Review of the financial year ended 30 September 1999

Revenue for the financial year increased substantially by RM23.2 million as compared to 1998. The increase was mainly attributable to revenue earned by ETC from contract awarded by Patimas Computer Berhad. Although the Group recorded higher revenue, gross profit margin decreased by 22.2% to 12.4% in 1999. The lower gross margin recorded was due mainly to lower margin earned from higher composition of hardware sales as compared to software sales. Profit before tax stood at approximately RM1.2 million in line with the lower gross profit recorded.

The year of assessment 1999 was declared a tax-free year in Malaysia and thus ETC enjoyed a tax waiver for the income earned for the year. The income tax expense of RM57,000 mainly relates to the provision of deferred taxation arising from material timing differences. The profit after taxation was lower at 3.3% as compared to the previous year's of 9.3% due to the lower gross margin.

Review of the financial year ended 30 September 2000

ETC continued to become the main contributor of the Group, contributed 74% of total revenue at approximately RM31 million. The revenue recognised by ETC mainly consisted of project turnover recognised from the contracts awarded by Telekom Cellular Sdn Bhd ("TCSB") and Cordoda Corporation Sdn Bhd ("Cordoda") totalling RM27 million. Adtel shown better performance for the year and revenue recognised amounted to RM11 million. Although the Group recorded higher revenue, gross profit margin increase slightly to 13.0%, which is in line with the lower margin earned from the hardware sales in TCSB and Cordoda projects. As a result of the higher revenue, the Group recorded a better pre-tax margin of 4.6% as compared to 1999.

Although there was an increase in the pre-tax profit, the profit after taxation margin remains at 3.2%, which is comparative to the previous year's of 3.3% due to the provision for taxation at an effective tax rate of 29.8%.

Review of the financial year ended 30 September 2001

The decrease in revenue of approximately RM11.9 million as compared to 2000 was mainly due to lack of major contracts secured by ETC during the financial year. However, ETC still contributed approximately 67% of total revenue of the Group. ETC continued to generate revenue from contract awarded by TCSB in 2000 and new contracts awarded by CCAAP Technologies Sdn Bhd, 2BSure.com Pte. Ltd. and Dagang Net Technologies Sdn Bhd. Adtel contributed approximately RM10 million to the Group's revenue which was mainly generated from Maxis Mobile Sdn Bhd's CARMS project. The Group recorded higher gross profit margin at 22.0% due mainly to higher revenue generated in respect of professional services, facilities management services and consultancy services, which yield higher margin. The Group recorded higher profit before taxation in line with the higher gross profit margin.

In view of the higher gross profit margin, the Group recorded higher profit after taxation margin of 5.2% as compared to 3.2% in 2000. The effective tax rate for 2001 is higher than the statutory tax rate due to certain expenses not allowable for tax purposes.

Review of the financial year ended 30 September 2002

During the financial year, Adtel became the major contributor to the revenue of the Group, whereby it contributed 60% of the Group's revenue. The decrease in revenue of ETC was due mainly to lack of major contracts secured during the year. The revenue from Adtel was mainly generated from contracts awarded by CMNet Dotcom Sdn Bhd and DiGi Telecommunications Sdn Bhd. The Group recorded higher gross profit margin due mainly to higher professional services, consultation services and maintenance services rendered. The Group recorded higher profit before taxation in line with the higher gross profit margin.

The Group after tax profit margin was further improved to 12.3% in 2002 in line with the higher gross profit margin earned. The effective tax rate for 2002 is higher than the statutory tax rate mainly due to certain expenses not allowable for tax purposes.

Review of the 9 months financial period ended 30 June 2003

Revenue on an annualised basis, increased significantly by approximately 100% as compared to the previous year. ETC was the major contributor to the higher revenue arising from its contract to supply, install and customise the Wireless Broadband Network to Lantro (M) Sdn Bhd for RM57.0 million. During the year, Adtel derived its sales revenue for the projects undertaken for Maxis Mobile Sdn Bhd, IBM Malaysia Sdn Bhd and Agilent Technologies Sdn Bhd.

However, the lower pre-tax profit was due to a lower margin from the supply of the hardware as compared to professional services and maintenance.

In view of the lower gross profit margin, the Group recorded a lower profit after tax margin at 3.9% for the period. The effective tax rate for the period is higher than the statutory tax rate mainly due to certain expenses not allowable for tax purposes.

12.2 Segmental Analysis of Proforma Turnover and Profit

No segmental analysis by geographical or services is prepared as in the past years, revenue and profits have been derived from the contracts completed and maintenance services provided by the DVM Group in Malaysia.

12.3 Profit Forecast and Projections

The market for the Group's products and services is characterised by rapid technological advancements, changes in customer requirements, frequent new product launches and the continued development of software and hardware enhancements. In addition, the Group is also devoting substantial management and financial resources to launch its product, i.e. Genico™.

The Group is subjected to many risk factors, some of which are highlighted in Section 4 of this Prospectus. The Group's revenue and operating results are therefore difficult to forecast and project. As such, the Group's profit forecast and projections are not disclosed in this Prospectus.

12.4 Working Capital, Borrowings, Material Litigation and/or Arbitration Proceeding, Contingent Liabilities, Material Commitments for Capital Expenditure and Factors Affecting Financial Performance, Position and Operations of the Group

(i) Working Capital

The Directors of DVM are of the opinion that after taking into consideration the Group's cashflow forecast and the banking facilities available to the Group and the net proceeds from the Rights Issue and Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of issuance of this Prospectus.

(ii) Borrowings

Save for short term borrowings (all of which are interest bearing) comprising overdraft and trade facilities of RM4,500,000 of which RM2,054,708 were utilised as at 30 June 2003, being the date in which the latest audited financial statements were made up to, there are no other material indebtedness incurred by DVM or its subsidiaries which may have a substantial impact on the financial position of the Group.

(iii) Material Litigation and/or Arbitration Proceeding

As at the date of this Prospectus, DVM and its subsidiaries are not engaged in any litigation or arbitartion, either as plaintiff or defendant which have a material effect on the financial position of the DVM Group and the Directors have no knowledge of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiaries.

(iv) Contingent Liabilities

As at the date of this Prospectus, there are no material contingent liabilities incurred by DVM and its subsidiaries, which may have a substantial impact on the financial position of the Group.

(v) Material Commitments for Capital Expenditure

As at the date of this Prospectus, there are no material commitments for capital expenditure contracted or known to be contracted by DVM or its subsidiaries, which may have a substantial impact on the financial position of the Group.

(vi) Factors Affecting Financial Performance, Position and Operations of the Group

As at the date of this Prospectus, the Group is not aware of :

(a) any known trends, demands, commitments, events or uncertainties that have had or that the corporation reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the DVM Group;

(b) any material capital expenditure commitments, the purpose of such commitments and the anticipated source of funds;

(c) any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the DVM Group, and the extent to which the financial performance, position and operations of the DVM Group was so affected;

(d) any substantial increase in revenue; and

(e) any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

12.5 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets, Proforma Consolidated Balance Sheets and the Notes Thereon

Please refer to enclosed pages.

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Prepared for inclusion in this Prospectus

Deloitte & Touche (AF 0834)
Chartered Accountants
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47400 Petaling Jaya, Malaysia

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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

Gentlemen:

DVM TECHNOLOGY BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2003

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of DVM Technology Berhad ("DVM") and its subsidiary companies acquired ("DVM Group") as of 30 June 2003, together with the notes and assumptions thereto, for which the Directors are solely responsible, as set out in the accompanying statements (stamped by us for the purpose of identification), 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.

(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.

Deloitte
Touche
Tohmatsu

Deloitte & Touche

5 December 2003
DVM Technology Berhad
Page No. 2

In our opinion:

(i) the abovementioned Proforma Consolidated Balance Sheets, which have been prepared for illustrative purposes only, have been properly compiled on the basis and assumptions set out in the notes and assumptions to the Proforma Consolidated Balance Sheets;

(ii) such basis are consistent with the accounting policies normally adopted by DVM Group; and

(iii) the adjustments as explained in Note 3 to the Proforma Consolidated Balance Sheets are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

This report has been prepared solely for inclusion in the Prospectus to be dated 10 December 2003 in connection with the above exercises and should not be used for any other purpose without our prior consent.

Yours very truly,

Deloitte & Touche

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

Rosita Tan

ROSITA TAN
1874/9/04 (J)
Partner

Enclosure

DVM
TECHNOLOGY

5 December 2003

DVM TECHNOLOGY BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2003

The Proforma Consolidated Balance Sheets as set out below are prepared for illustrative purposes only to show the effects of the acquisition of ET Communications Sdn. Bhd. and NGC Systems Sdn. Bhd., rights issue and proposed public issue of 40,000,000 new ordinary shares on the financial statements as of 30 June 2003 on the assumption that these transactions were completed on 30 June 2003.

	Audited Financial Statements as of 30 June 2003 RM'000	Proforma I After Acquisition of Subsidiary Companies RM'000	Proforma II After Proforma I and Rights Issue RM'000	Proforma III After Proforma I, II and Proposed Public Issue RM'000
Property, Plant And Equipment	-	970	970	970
Development Expenditure	-	59	59	59
Deferred Expenditure	359	359	359	-
Current Assets				
Contract work in progress	-	596	596	596
Trade receivables	-	28,945	28,945	28,945
Other receivables, deposits and prepayments	-	668	668	668
Fixed deposits, cash and bank balances	-	1,537	6,187	21,146
	-	31,746	36,396	51,355
Current Liabilities				
Trade payables	-	21,441	21,441	21,441
Other payables and accrued expenses	364	454	454	454
Hire purchase payable – current portion	-	42	42	42
Bank borrowings	-	2,055	2,055	2,055
Tax liabilities	-	168	168	168
	364	24,160	24,160	24,160
Net Current Assets/ (Liabilities)	(364)	7,586	12,236	27,195

(Forward)

Stamped for the purpose of identification only with our letter/report dated
05 DEC 2003
Deloitte & Touche
Kuala Lumpur/Petaling Jaya

DVM Technology Berhad (609953-K)
34 & 36 Jalan SS 22/21
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www.dvm.com.my

	Audited Financial Statements as of 30 June 2003 RM'000	Proforma I After Acquisition of Subsidiary Companies RM'000	Proforma II After Proforma I and Rights Issue RM'000	Proforma III After Proforma I, II and Proposed Public Issue RM'000
Long-Term and Deferred Liabilities				
Hire purchase payable - non current portion	-	(28)	(28)	(28)
Deferred tax liabilities	-	(265)	(265)	(265)
Net Assets/(Net Liabilities)	(5)	8,681	13,331	27,931
Represented by:				
Share capital	- *	7,350	12,000	16,000
Share premium	-	-	-	10,600
Reserve on consolidation	-	1,336	1,336	1,336
Accumulated loss	(5)	(5)	(5)	(5)
Shareholders' Equity/(Capital Deficiency)	(5)	8,681	13,331	27,931
NET TANGIBLE ASSETS PER SHARE (sen)	-	11.24	10.76	17.42

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

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05 DEC 2003

Deloitte & Touche
Kuala Lumpur/Petaling Jaya

NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. BASIS OF PREPARATION

(i) The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only based on the audited balance sheet of DVM Technology Berhad ("DVM") and the subsidiary company acquired, ET Communications Sdn. Bhd. ('ETC") and its subsidiary companies, Adtel Systems Sdn. Bhd. and NGC Systems Sdn. Bhd. ("NGC") as of 30 June 2003.

(ii) The Proforma Consolidated Balance Sheets have been prepared on the accounting principles and basis consistent with those previously adopted in the preparation of the audited financial statements

2. BASIS OF CONSOLIDATION

The financial statements of the subsidiary companies acquired have been consolidated using the acquisition method of accounting.

3. PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets incorporate on a proforma basis adjustments for the following transactions as though they were effected as of 30 June 2003.

Proforma I

Proforma I incorporates the acquisition of the following:

(i) Acquisition of 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.

(ii) Acquisition of the remaining minority stake in NGC, representing 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00.

Proforma II

Proforma II incorporates the effects of Proforma I and the rights issue of 46,504,280 new ordinary shares of RM0.10 each in DVM at an issue price of RM0.10 each per share.

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05 DEC 2003

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Kuala Lumpur/Petaling Jaya

Proforma III

Proforma III incorporates the effects of Proforma I, Proforma II and the 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 public issue will give rise to a share premium of RM12,000,000. Listing expenses are estimated to be approximately RM1.4 million and will be set-off against the share premium.

4. The movements in issued and paid-up share capital are as follows:

	RM'000
As of 30 June 2003	
Issue of 73,495,700 new ordinary shares of RM0.10 each for the acquisition of ETC	7,350
As shown in Proforma I	7,350
Rights issue of 46,504,280 ordinary shares of RM0.10 each	4,650
As shown in Proforma II	12,000
Proposed public issue of 40,000,000 ordinary shares of RM0.10 each	4,000
As shown in Proforma III	16,000

5. The movements in share premium are as follows:

	RM'000
Premium arising from the proposed public issue of 40,000,000 ordinary shares of RM0.10 each at an issue price of RM0.40 per share	12,000
Less: Estimated listing expenses	(1,400)
As shown in Proforma III	10,600

Signed in accordance with a resolution of the Directors,

DATO GOH KIAN SENG

Stamped for the purpose of identification only with our letter/report dated

05 DEC 2003

Deloitte & Touche
Kuala Lumpur/Petaling Jaya