

**DVM TECHNOLOGY BERHAD (609953-K)**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE SECOND QUARTER ENDED**  
**31 MARCH 2006**

The figures have not been audited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	2006	2005	2006	2005
	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/03/06	31/03/05	31/03/06	31/03/05
	RM'000	RM'000	RM'000	RM'000
REVENUE	7,742	3,861	10,453	8,517
Operating (loss)/profit	(3,861)	417	(3,649)	897
Amortisation and depreciation	(492)	(356)	(954)	(663)
Interest expense	(67)	(62)	(167)	(127)
Other income	18	39	39	95
(Loss)/ Profit before taxation	(4,402)	38	(4,731)	202
Taxation	(25)	(23)	(25)	(151)
(Loss)/Profit after taxation	(4,427)	15	(4,756)	51
Minority interest	0	0	0	0
Net (Loss)/Profit for the period	<u>(4,427)</u>	<u>15</u>	<u>(4,756)</u>	<u>51</u>
Weighted average number of shares in issue	164,150	160,000	162,080	160,000
(Loss)/Earnings per share (sen) - basic	(2.70)	0.01	(2.93)	0.03

The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 30 September 2005.

**DVM TECHNOLOGY BERHAD (609953-K)**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
As at 31 MARCH 2006

	<u>(UNAUDITED)</u>	<u>(AUDITED)</u>
	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	31/03/06	30/09/05
	RM'000	RM'000
<b>Property, Plant and Equipment</b>	5,101	5,451
<b>Development Expenditure</b>	5,208	4,665
<b>Current Assets</b>		
Stock Inventory	40	100
Trade receivables	13,437	14,208
Other receivables and prepaid expenses	344	2,268
Tax Recoverable	712	1,526
Fixed deposits with licensed banks	2,662	2,621
Cash and bank balances	1,495	545
	<u>18,690</u>	<u>21,268</u>
<b>Current Liabilities</b>		
Trade payables	5,776	4,165
Other payables and accrued expenses	434	451
Amount due to a Director	3	28
Term loan payable - current portion	221	210
Bank overdrafts	780	1,028
Bank borrowings	637	1,028
Tax liabilities	16	16
	<u>7,867</u>	<u>6,926</u>
<b>Net Current Assets</b>	10,823	14,342
<b>Long Term and Deferred Liabilities</b>		
Term loan payable - non current portion	(2,378)	(2,491)
Deferred tax liabilities	(12)	(12)
	<u>(2,390)</u>	<u>(2,503)</u>
<b>Net Assets</b>	<u>18,742</u>	<u>21,955</u>
<b>Represented by:</b>		
Issued capital	17,600	16,000
Share premium	10,761	10,818
Reserve on consolidation	1,761	1,761
Accumulated Loss	(11,380)	(6,624)
<b>Shareholders' Equity</b>	<u>18,742</u>	<u>21,955</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>0.11</u>	<u>0.14</u>

The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 30 September 2005.

**DVM TECHNOLOGY BERHAD (609953-K)**  
(Incorporated in Malaysia)  
**Unaudited Consolidated Statement of Changes in Equity**  
**For the second quarter ended 31 March 2006**  
**(Unaudited)**

	<b>Issued Capital</b>	<b>Share Premium</b>	<b>Non-distributable reserve - Reserve on consolidation</b>	<b>Distributable reserve - (Accumulated (Loss)/ Unappropriated profit</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance as of 1 October 2005</b>	16,000	10,818	1,761	(6,624)	21,955
Shares issued during the period:					
Private placement	1,600	0	0	0	1,600
Listing expenses	0	(57)	0	0	(57)
Net loss for the period	0	0	0	(4,756)	(4,756)
<b>Balance as of 31 March 2006</b>	<u>17,600</u>	<u>10,761</u>	<u>1,761</u>	<u>(11,380)</u>	<u>18,742</u>
<b>Balance as of 1 October 2004</b>	16,000	10,818	1,761	2,228	30,807
Net profit for the period	0	0	0	51	51
<b>Balance as of 31 March 2005</b>	<u>16,000</u>	<u>10,818</u>	<u>1,761</u>	<u>2,279</u>	<u>30,858</u>

The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 30 September 2005.

**DVM TECHNOLOGY BERHAD (609953-K)**  
**(Incorporated in Malaysia)**  
**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the second quarter ended 31 March 2006**  
**(Unaudited)**

	<b>6 Months Ended 31/03/06 RM'000</b>	<b>6 Months Ended 31/03/05 RM'000</b>
<b>Cash Flows from Operating Activities</b>		
(Loss)/Profit before tax	(4,731)	202
Adjustment for:		
Non-cash items	5,442	663
Non-operating items	131	32
	<u>842</u>	<u>897</u>
Operating profit before working capital changes	842	897
Net changes in current assets	(1,663)	(2,417)
Net changes in current liabilities	1,569	226
	<u>748</u>	<u>(1,294)</u>
Cash from/(used in) operations	748	(1,294)
Interest paid	(167)	(127)
Net tax refund/(paid)	789	(524)
	<u>1,370</u>	<u>(1,945)</u>
Net cash from/(used in) operating activities	1,370	(1,945)
<b>Cash Flows from Investing Activities</b>		
Interest received	36	95
Purchase of property, plant and equipment	(56)	(743)
Proceeds from sales of property, plant and equipment	30	0
Development expenditure incurred	(1,191)	(1,395)
	<u>(1,181)</u>	<u>(2,043)</u>
Net cash used in investing activities	(1,181)	(2,043)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	1,600	0
Listing expenses incurred	(57)	0
Increased in fixed deposits pledged	(158)	(760)
Repayment of hire purchase payable	0	(16)
Repayment of term loan	(102)	(90)
(Repayment of)/drawdown from bank borrowings	(391)	560
	<u>892</u>	<u>(306)</u>
Net cash generated from/(used in) financing activities	892	(306)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	1,081	(4,294)
<b>Cash and Cash Equivalents at beginning of year</b>	394	8,534
<b>Cash and Cash Equivalents at end of period</b>	<u>1,475</u>	<u>4,240</u>
<b>Cash and Cash Equivalents comprise of:</b>		
Fixed deposits with licensed bank	2,662	5,029
Cash and bank balances	1,495	1,235
Bank overdrafts	(780)	(663)
	<u>3,377</u>	<u>5,601</u>
Less : Fixed deposits pledged	(1,902)	(1,361)
	<u>1,475</u>	<u>4,240</u>

The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Annual Audited Financial Statements for the year 30 September 2005.

**DVM TECHNOLOGY BERHAD** (*Company No. 609953-K*)  
(Incorporated in Malaysia)  
**NOTES TO THE QUARTERLY REPORT – 31 March 2006**

**A. EXPLANATORY NOTES**

**A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134 (formerly known as Malaysian Accounting Standards Board ("MASB") 26), "Interim Financial Reporting" and Appendix 7A of the Listing Requirements of the Bursa Malaysia Securities Berhad for the MESDAQ Market, and should be read in conjunction with the Group's audited financial statements for the financial year ended 30 September 2005.

The accounting policies and methods of computation adopted by the Group for this interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 30 September 2005.

**A2. Auditors' Report**

The auditors' report for the Group's annual financial statements for the financial year ended 30 September 2005 was not subject to any qualification.

**A3. Seasonal or Cyclical Factors**

The Group does not experience any significant seasonal or cyclical sales cycle. However, there may be fluctuations between the quarters due to the nature of the Group's integration businesses which are secured on a project by project basis.

**A4. Unusual items**

During the financial year to date, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

**A5. Material Changes in Estimates**

There were no changes in the amount of estimates reported that will have a material effect in the current quarter results.

**A6. Changes in Debts and Equity Securities**

Save as disclosed below, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares during the financial quarter/year under review.

(i) Issuance of new shares

Issuance of 2,500,000 and 13,500,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share on 29 December 2005 and 20 March 2006 respectively pursuant to the private placement exercise.

**A7. Dividend**

No dividend has been declared or paid during the financial year to date.

**A8. Segmental Reporting**

The Group only operates in one industry which is based in Malaysia. Therefore, there is no disclosure of segmental information as required by FRS 114 (formerly known as MASB 22).

**A9. Valuation of Property, Plant and Equipment**

The Group did not revalue any of its property, plant and equipment. Hence, the valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements.

**A10. Subsequent Events**

There were no material events subsequent to the end of the interim period under review up to the date of this report.

**A11. Changes in the Composition of the Group**

On 16 January 2006, DVM subscribed for 1,000,000 new ordinary shares of RM1.00 each in DVM Innovate Sdn Bhd, a wholly-owned subsidiary of DVM, for a total cash consideration of RM 1,000,000.

Save as disclosed above, there were no other changes in the composition of the Group during the current interim financial period under review.

**A12. Changes in Contingent Assets and Contingent Liabilities**

There were no material contingent assets or contingent liabilities as at the date of this report except for the corporate guarantees given to banks by DVM Technology Berhad for granting credit facilities to certain of its subsidiary companies amounting to RM7,350,000.

**DVM TECHNOLOGY BERHAD** (*Company No. 609953-K*)

(Incorporated in Malaysia)

**NOTES TO THE QUARTERLY REPORT – 31 March 2006****B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS****B1. Review of Performance for the Quarter and Year-to-date**

For the financial quarter reported, the Group recorded a sales revenue of RM7.74 million compared to the preceding year's corresponding quarter of RM3.86 million. Despite the increase in sales revenue, the Group recorded a loss after taxation of RM4.4 million compared to a profit after taxation of RM0.015 million in the preceding year's corresponding quarter.

During the quarter, the sales revenue recorded a significant increase of 100% arising from higher volume of hardware sales executed, recognition of recurrent maintenance income, and higher book orders and billings for the Group's Genico product.

Notwithstanding the increase in sales revenue, the Group recorded a loss after taxation of RM4.4 million arising mainly from one-off expenses incurred for implementation of voluntary separation scheme ("VSS") and a provision of long outstanding debt.

For the financial year to date, the Group recorded a revenue of RM10.45 million compared to the preceding year's corresponding quarter of RM8.52 million, and a loss after taxation of RM4.76 million compared to a profit after taxation of RM0.05 million. The higher revenue and loss for the 6-month period ended 31 March 2006 are mainly due to the performance of current quarter which has been explained in the foregoing.

**B2. Current Year's Prospect**

The prospects of the Group for the financial year remain challenging amidst the competitive market. Moving forward, to maintain competitiveness, the Group will continue to increase its marketing efforts launch more new products in the 3G Application services to improve its revenue, and reduce its operating costs.

During the quarter, arising from its marketing efforts, the Group has secured and implemented various projects successfully both locally and in Vietnam. The Group had also launched its new product, Genico Pocketsports in early May 2006, a 3G Internet Protocol Multimedia Subsystem (IMS) solution which is targeted for worldwide 3G service providers, mobile carriers, telecommunication and broadcast operators.

Hence, the Directors remain optimistic that the performance of financial year 2006 will improve due mainly to the intensified marketing activities, introduction of new products into new markets, as well as improvement in operational efficiency and cost management.

**B3. Material Change in Loss Before Taxation Compared to the Results of the Immediate Preceding Quarter**

For the financial quarter reported, the Group's sales revenue of RM7.74 million increased by 186% compared to the revenue in the immediate preceding quarter of RM2.71 million. The healthy improvement in sales revenue is mainly due to higher hardware sales,

recurrent maintenance income and billings from the sales of Genico products to local and overseas telco customers.

During the quarter, the Group recorded a loss after taxation of RM4.4 million arising mainly from one-off expenses incurred for implementation of the VSS and a provision of long outstanding debt.

#### **B4. Profit Forecast**

- (a) No profit forecast was announced hence there was no comparison made with the actual results.
- (b) There is no shortfall in profit guarantee as the Group does not provide any profit guarantee.

#### **B5. Taxation**

The breakdown of taxation charge for the current quarter and financial year to date are as follows:

	<b>3 Months Ended 31.03.2006 RM'000</b>	<b>Current year-to- date 31.03.2006 RM'000</b>
Estimated current tax payable:		
Under provision for taxation in prior year	(1)	(1)
Current year provision	0	0
Foreign Taxation	(24)	(24)
	<u>(25)</u>	<u>(25)</u>

The Group made a provision of taxation for the current quarter and 6-month ended 31 March 2006 despite making a loss due mainly foreign withholding taxes incurred.

#### **B6. Profit on sale of Unquoted Investments and/or Properties**

There was no disposal of unquoted investments and/or properties for the current quarter and financial year to date.

#### **B7. Purchase and Disposal of Quoted Securities**

There was no purchase or disposal of quoted securities for the current quarter and financial year to date.



**B8. Status of Corporate Proposals**

On 29 August 2005, the Company announced that it would undertake a Proposed Private Placement which involved the issuance of up to ten percent (10%) of the issued and paid up share capital of the Company. The exercise was approved by the Securities Commission on 28 October 2005. Following this, a total of 16,000,000 new ordinary shares of RM0.10 each in the Company were issued at an issue price of RM0.10 on 29 December 2005 and on 20 March 2006. The said shares were subsequently listed and quoted on Bursa Malaysia Securities Berhad with effect from 11 January 2006 and on 28 March 2006.

Save as disclosed above, there was no other corporate proposals announced but not completed as at 25 May 2006 (being the latest practicable date not earlier than 7 days from the date of issue of the quarterly report).

**B9. Status of the utilisation of proceeds**

As at 31 March 2006, DVM has fully utilized the proceeds from its initial public offering. The details of utilisation of the proceeds are as follows:

	<b>Proposed Utilisation</b>	<b>Proposed Variation*</b>	<b>Revised Utilisation</b>	<b>Utilised as at 31 March 2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Branding and promotion	1,000	(376)	624	624
Research and development expenditure	7,500	-	7,500	7,500
Repayment of bank borrowings	2,500	-	2,500	2,500
Project financing	6,000	-	6,000	6,000
Working capital	2,250	-	2,250	2,250
Estimated listing expenses	1,400	(222)	1,178	1,178
Refurbishment costs for the new office	-	598	598	598
	<u>20,650</u>	<u>-</u>	<u>20,650</u>	<u>20,650</u>

\* On 10 September 2004, Public Merchant Bank Berhad, on behalf of DVM had notified Bursa Malaysia Securities Berhad ("Bursa Securities") of the Proposed Variation on the Proposed Utilisation. On 23 September 2004, Bursa Securities replied that it had no objection to the Proposed Variation.

The status of utilisation of the proceeds raised from the private placement as at 31 March 2006 is as follows:

	<b>Proposed Utilisation</b>	<b>Utilised as at 31 March 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Working capital	1,500	793
Listing Expenses	100	57
	<u>1,600</u>	<u>850</u>

**B10. Group Borrowings and Debt Securities**

Save as disclosed below, there are no other borrowings or debts securities in the DVM Group:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<u>Secured</u>			
Bank overdraft	780	-	780
Short term loan	637	-	637
Term loan	221	2,378	2,599
	1,638	2,378	4,016

Both the bank overdraft and short term loan is secured by way of fixed deposits pledged in the subsidiary companies, a charge over the office building of the Company and corporate guarantee by DVM Technology Berhad.

The term loan is for the financing of office building of the Company and is secured against the office building itself.

All borrowings are denominated in Ringgit Malaysia.

**B11. Off Balance Sheet Financial Instruments**

The Group does not have any off balance sheet financial instruments as at 25 May 2006 (being the latest practicable date not earlier than 7 days from the date of issue of the quarterly report).

**B12. Material Litigation**

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 Group since the last annual balance sheet date up to 25 May 2006 (being the latest practicable date not earlier than 7 days from the date of issue of the quarterly report).

**B13. Dividend**

No dividend has been declared or paid during the quarter and the financial year to date under review.

**B14. Earnings Per Share ( Basic )**

The earnings per share for the quarter and cumulative quarter year to date are computed as follows:

	Individual Quarter ended 31 March 2006	Cumulative quarters ended 31 March 2006
Net loss for the period (RM'000)	(4,427)	(4,756)
Weighted average number of ordinary shares in issue ('000)	164,150	162,080
Loss per Share (sen)	(2.70)	(2.93)

