

DVM TECHNOLOGY BERHAD (*Company No. 609953-K*)
(Incorporated in Malaysia)
NOTES TO THE QUARTERLY REPORT – 31 December 2007

A. EXPLANATORY NOTES

A1. Basis of Preparation

The Quarterly Report has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards ("FRS") 134 - Interim Financial Reporting and Rule 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market ("MMLR"), and should be read in conjunction with the Group's audited financial statements for the fifteen (15) months financial period ended 31 December 2006.

The significant accounting policies adopted by the Group are consistent with those adopted for the audited financial statements for the fifteen (15) months financial period ended 31 December 2006 except for the adoption of the following new/revised FRS during the current twelve (12) months financial period under review:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting 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 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the above FRS does not have any significant financial impact on the Group, except as presented below:

FRS 3: Business Combinations

In accordance with the transitional provisions of FRS 3, the reserve on consolidation as at 1 January 2007 of RM1,760,900 was derecognised with a corresponding decrease in accumulated loss.

A2. Auditors' Report

The auditors' report for the Group's annual financial statements for the fifteen (15) months financial period ended 31 December 2006 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 quarter under review, 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 estimate of amounts reported in the prior quarter or financial year which have material effect on the current quarter results.

A6. Changes in Debts and Equity Securities

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 current quarter under review.

A7. Dividend

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

A8. Segmental Reporting

The Group only operates in one industry (i.e. the information communication technology industry) which is based in Malaysia. Therefore, there is no disclosure of segmental information as required by FRS 114.

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 statement.

A10. Subsequent Events

There were no material events subsequent to the end of the current quarter under review up to the date of this quarterly report.

A11. Changes in the Composition of the Group

There were no 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 quarterly report except for the corporate guarantees given to banks by DVM Technology Berhad for granting credit facilities to its wholly owned subsidiary companies amounting to RM15,700,000 and corporate guarantees given to suppliers for granting and securing of trade supplies.

DVM TECHNOLOGY BERHAD (Company No. 609953-K)

(Incorporated in Malaysia)

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS****B1. Review of Performance for the Current Quarter and Year-to-date**

The Group recorded a revenue of RM11.18 million and this performance was driven mainly by the projects secured for the network and systems integration and the Genico Broadband Telephony products from both local and overseas customers. The Group recorded a loss after taxation of RM0.1 million as a result of the higher operating costs incurred for the current quarter.

Due to change of financial year end from 30 September to 31 December, there is no comparative figures presented.

B2. Future Prospect

Barring unforeseen circumstances, the Board is optimistic that the Group's performance will continue to be satisfactory for the coming financial year ending 31 December 2008.

B3. Material Changes in Profit/Loss Before Taxation Compared to the Results of the Immediate Preceding Quarter

For the current quarter under review, the Group's revenue of RM11.18 million is higher as compared to the revenue of the immediate preceding quarter of RM9.1 million. This was attributed mainly to the increase in the billings for the network and systems integration projects.

As a result of the higher operating costs incurred for the quarter, the Group recorded a loss after taxation of RM0.1 million as compared to a profit of RM0.1 million in the immediate preceding quarter.

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 did not provide any profit guarantee.

B5. Taxation

The tax expense charged for the current financial quarter under review and current financial year-to-date includes the following:

	Current Quarter 31.12.2007 RM'000	Financial Year to-date 31.12.2007 RM'000
Estimated current tax expense	27	27
Under estimation of tax in prior years	0	0
Over estimation of tax in previous quarter	0	0
Deferred tax liability	0	0
	<u>27</u>	<u>27</u>

The Group's effective tax rate is lower than the statutory tax rate of 27% due mainly to the tax savings arising from the lower corporate tax rate of 20% on the chargeable income of up to RM0.5 million for companies with paid up capital of RM2.5 million and below.

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 under review.

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 under review.

The Group does not have any material investment in quoted securities as at the reporting date.

B8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this quarterly report.

B9. Group Borrowings and Debt Securities

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

	Short-term RM'000	Long-term RM'000	Total RM'000
<u>Secured</u>			
Bank overdraft	412	-	412
Short-term loan	1,619	-	1,619
Term loan	233	10,963	11,196
	<u>2,264</u>	<u>10,963</u>	<u>13,227</u>

The bank overdraft, short-term loan and term loan are secured by way of fixed deposits pledged by the subsidiary companies, a charge over the office building of the Company and corporate guarantee by the Company. The term loan is also secured by way of a fixed and floating charge, and debenture over the subsidiary company.

All borrowings are denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

The Group does not have any off-balance sheet financial instruments as at the date of this quarterly report.

B11. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant. The directors do not have any knowledge of any proceedings pending or threatened against the Group since the last financial period ended 31 December 2006 up to the date of this quarterly report.

B12. Dividend

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

B13. (Loss)/Earnings Per Share

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

	Individual Quarter - Current Quarter	Preceding Corresponding Quarter	Cumulative Quarters - Current Year To Date	Preceding Corresponding Quarter
Net (loss)/profit for the period (RM'000)	(93)	N/A	535	N/A
Weighted average number of ordinary shares in issue ('000)	176,000	N/A	176,000	N/A
(Loss)/Earnings per share (sen) (<i>Basic and Diluted</i>)	(0.05)	N/A	0.30	N/A