

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

(Incorporated in Malaysia)

**NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2010**

**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 Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market ("AMLR"), and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2009.

The significant accounting policies adopted by the Group are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009.

**A2. Auditors' Report**

The auditors' report for the Group's annual financial statements for the financial year ended 31 December 2009 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 RM5,700,000 and corporate guarantees given to suppliers for granting and securing of trade supplies.

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**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 RM8.96 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 RM2.42 million as a result of the lower sales revenue achieved for the current quarter.

**B2. Future Prospect**

The Board is of the view that the Group's prospect for 2011 to remain challenging.

**B3. Changes in Profit/Loss Before Taxation**

For the current quarter under review, the Group's revenue of RM8.96 million was lower compared to the revenue of the preceding corresponding quarter of RM34.13 million. This was attributed mainly to a decrease of billings for the products and services in the third quarter of the year.

The loss after tax was RM2.42 million compared to preceding corresponding quarter loss of RM0.82 million due to lower sales revenue achieved.

**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 Group tax provision has been off-set against the reversal of tax over provided previously.

**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**

On 10 June 2009, the Equity Compliance Unit of the Securities Commission (“SC”) had approved the Company’s application for an extension of time to comply with Bumiputra equity condition of up to 18 months until 10 December 2010. In complying with the Bumiputra equity condition, the Company had on 24 November 2009, announced that it is proposing to undertake, inter-alia, a proposed special issue of up to 32,700,000 new ordinary shares of RM0.10 each to Bumiputra investors to be identified and approved by the Ministry of International Trade and Industry (“MITI”) (“Proposed Special Issue”). The Proposed Special Issue was approved by the SC and MITI vide letters dated 4 January 2010 and 14 January 2010 respectively. The Proposed Special Issue was also approved by the shareholders of the Company on 26 March 2010 and is now pending implementation.

**B9. Group Borrowings and Debt Securities**

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

	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
<u>Secured</u>			
Bank overdraft	2,582	-	2,582
Short-term loan	1,234	-	1,234
Hire purchase payable	26	53	79
Term loan	4,224	11,869	16,093
	8,066	11,922	19,988

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 year ended 31 December 2009 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. Earnings Per Share**

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

	<b>Individual Quarter - Current Quarter</b>	<b>Preceding Corresponding Quarter</b>	<b>Cumulative Quarters - Current Year To Date</b>	<b>Preceding Corresponding Quarter</b>
Net profit/(loss) for the period (RM'000)	(2,263)	50	(1,744)	1,484
Weighted average number of ordinary shares in issue ('000)	176,000	176,000	176,000	176,000
Earnings per share (sen)	(1.29)	0.03	(0.99)	0.84
<i>(Basic and Diluted)</i>				