

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2012

A. EXPLANATORY NOTES

A1. Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 – Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for ACE Market (“AMLR”) and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2011.

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 2011.

The condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements and MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards has been applied. The transition of MFRS framework does not have any material financial impact to the financial statements of the Group.

A2. Auditors’ Report

The auditors’ report for the Group’s annual financial statements for the financial year ended 31 December 2011 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 is primarily engaged in the information communication technology and other information technology (“IT”) related services, therefore segmental analysis is not presented and operations are conducted predominantly in Malaysia.

A9. Valuation of Property, Plant and Equipment

Valuation on investment property has been carried out by an independent valuer Messrs Jones Lang Wotton during the first quarter of this year. The fair value for the investment property is stated at RM7.60million as per valuer’s report dated 12 March 2012.

On 30 March 2012, the Board of Directors of the Group announced that Board has approved the incorporation of the net gain arising from fair value adjustment of the investment property of the Company in the unaudited financial statements for the financial period ending 31 March 2012.

Other property, plant and equipment have 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 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.

A13. Capital Commitments

There were no material capital commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the current quarter under review.

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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 RM2.21 million and this performance was driven mainly by the projects secured for the network and systems integration and the Genico Broadband Telephony products. The Group recorded a loss after taxation of RM1.31 million as a result of the lower sales revenue achieved for the current quarter. The Group has been actively pursuing for new businesses with positive feedback for the coming future.

B2. Future Prospect

The Board is of the view that the Group's prospect will remain challenging in near future.

B3. Changes in Profit/Loss before Taxation against Immediate Preceding Quarter

For the current quarter under review, the Group's revenue of RM2.21 million was lower compared to the revenue of the preceding corresponding quarter of RM6.67 million. This was attributed mainly to a decrease of billing for the products and services in the quarter under review. The loss after tax was RM1.31 million compared to preceding corresponding quarter loss of RM1.17 million due 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. Corporate Proposals

Right Issue

On 28 May 2012, the Company (“Company” or “DVM”) announced the following proposals:

- (a) Proposed renounceable right issue of up to 387,200,000 new ordinary shares of RM0.10 each in DVM (“Right Shares”) together with up to 290,400,000 new free detachable warrants (“Warrants”) at an issue price of RM0.10 per Rights Share on the basis of four (4) Right Shares together with three (3) Warrants for every two (2) existing ordinary shares of RM0.10 held in DVM (DVM Shares”);
- (b) Proposed amendments to the Memorandum of Association of the Company; and
- (c) Proposed increase in the authorised share capital of the Company from RM50,000,000 comprising 500,000,000 DVM Shares to RM100,000,000 comprising 1,000,000,000 DVM Shares.

The Right Issue proposal is still pending for completion as at the date of this report.

B9. Group Borrowings and Debt Securities

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

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
Secured			
Bank overdraft	1,672	-	1,672
Short-term loan	0	-	0
Hire purchase payable	26	11	37
Term loans	5,054	3,145	8,199
	6,752	3,156	9,908

The bank overdraft and term loans are secured by way of fixed deposits pledged and charged over the investment property of the Company and corporate guarantee by the Company.

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 has 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 2011 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. Profit/(Loss) Before Tax

Profit/(Loss) for the period is arrived after crediting/(charging) the following:

	Quarter Ended		Cumulative Year-To-Date Ended	
	30/09/2012 RM'000	30/09/2011 RM'000	30/09/2012 RM'000	30/09/2011 RM'000
Interest income	15	10	44	30
Interest expense	(181)	(330)	(605)	(995)
Depreciation & amortization	(1,037)	(1,127)	(3,170)	(3,387)
Realised foreign exchange loss	(1)	(4)	(5)	(12)

B14. Utilisation of Proceeds*Private Placement*

On 03 April 2012, the Company had announced the completion of issuance of 17,600,000 new ordinary shares of RM0.10 each representing 10% of the issued and paid-up share capital of the Company on the ACE Market of Bursa Securities. The breakdown of the utilisation proceeds as at 30 September 2012 is as follows:

	Time frame for Utilisation	Proposed Utilisation RM	Actual Utilisation RM	Deviation RM	%
Staff costs	12-mths	848,650	848,649	-	-
Marketing Expenses	12-mths	510,356	224,196	286,160	56
Traveling Expenses	12-mths	182,270	118,435	63,835	35
Working Capital	6-mths	218,724	218,724	-	-
Total		1,760,000	1,410,005	349,995	

B15. Realised and Unrealised Profits/(Losses)

The realised and unrealised profits/(losses) of the group for the period ended are as follows:

	As at 30 September 2012 RM'000	As at December 2011 RM'000
Total accumulated loss		
Realised	(24,960)	(21,249)
Unrealised	4,186	2
	(20,774)	(21,247)
Consolidated adjustments	2,355	2,483
	(18,419)	(18,764)

B16. Earnings per Share

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

	Quarter Ended		Year-To-Date Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
Net profit/(loss) for the period (RM'000)	(1,249)	(1,108)	345	(3,985)
Weighted average number of ordinary shares in issue ('000)	193,600	176,000	193,600	176,000
Earnings per share (sen)	(0.65)	(0.63)	0.18	(2.26)

The number of ordinary share capital has been increased by 17,600,000 shares through private placement as at financial year-to-date.