



VIZTEL SOLUTIONS BERHAD (489232-W)

QUARTERLY REPORT

On consolidated results for the first quarter ended 31 March 2006.
The figures have not been audited.

Unaudited Condensed Consolidated Income Statement for the first quarter ended 31 March 2006

	Note	Individual Quarter ended		Cumulative Quarter ended	
		31 Mar 2006 RM'000	31 Mar 2005 RM'000	31 Mar 2006 RM'000	31 Mar 2005 RM'000
Revenue	A9	137	950	137	950
Cost of Sales		(24)	(344)	(24)	(344)
Gross Profit		<u>113</u>	<u>606</u>	<u>113</u>	<u>606</u>
Other income		48	231	48	231
Administrative expenses		(431)	(707)	(431)	(707)
Marketing and distribution expenses		(41)	(246)	(41)	(246)
Other operating expenses		-	-	-	-
Finance costs		-	-	-	-
Loss before taxation	A9	<u>(311)</u>	<u>(116)</u>	<u>(311)</u>	<u>(116)</u>
Taxation	B5	-	(3)	-	(3)
Loss after taxation		<u>(311)</u>	<u>(119)</u>	<u>(311)</u>	<u>(119)</u>
Minority interests		-	-	-	-
Loss for the period		<u><u>(311)</u></u>	<u><u>(119)</u></u>	<u><u>(311)</u></u>	<u><u>(119)</u></u>
Loss per share (sen)	B13				
(a) Basic		(0.5)	(0.2)	(0.5)	(0.2)
(b) Diluted		<u>(0.5)</u>	<u>(0.2)</u>	<u>(0.5)</u>	<u>(0.2)</u>

Note:

- The unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the financial statements hereto.



VIZTEL SOLUTIONS BERHAD (489232-W)

Unaudited Condensed Consolidated Balance Sheet

	Note	Unaudited As at end of current quarter 31 Mar 2006 RM'000	Audited As at preceding financial year ended 31 Dec 2005 RM'000
Plant and equipment	A10	1,556	1,613
Deferred development costs		6,816	6,535
Intangible asset		1,200	1,200
Negative goodwill on consolidation		-	(89)
Current assets			
Trade receivables		4,166	4,979
Other receivables		1,474	1,412
Cash and cash equivalents		322	1,905
		5,962	8,296
Current liabilities			
Trade payables		282	2,103
Other payables		1,786	1,732
Tax payable		7	7
Borrowings	B9	-	-
		2,075	3,842
Net current assets		3,887	4,454
		13,459	13,713
Financed by:			
Share Capital and Reserves			
Share capital		6,050	6,050
Reserves		7,373	7,627
		13,423	13,677
Minority interests		-	-
		13,423	13,677
Non-current Liabilities			
Long term borrowings	B9	-	-
Deferred taxation		36	36
		13,459	13,713
		RM	RM
Net assets per share		0.22	0.25

Note :

- The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the financial statements hereto.



VIZTEL SOLUTIONS BERHAD (489232-W)

Unaudited Condensed Consolidated Statement of Changes in Equity for the first quarter ended 31 March 2006

Group	Note	Share Capital	Non Distributable Share premium	Foreign exchange translation reserve	Distributable Retained profits / (Accumulated losses)	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005		5,500	7,120	(15)	1,850	14,455
Foreign exchange translation difference		-	-	12	-	12
Issue of shares		550	1,980	-	-	2,530
Listing expenses		-	(69)	-	-	(69)
Net loss for the period		-	-	-	(3,251)	(3,251)
At 31 December 2005		<u>6,050</u>	<u>9,031</u>	<u>(3)</u>	<u>(1,401)</u>	<u>13,677</u>
At 1 January 2006		6,050	9,031	(3)	(1,401)	13,677
Foreign exchange translation difference		-	-	(32)	-	(32)
Issue of shares	A7	-	-	-	-	-
Negative goodwill derecognised - effects on adoption of FRS 3	A2 a)	-	-	-	89	89
Net loss for the period		-	-	-	(311)	(311)
At 31 March 2006		<u>6,050</u>	<u>9,031</u>	<u>(35)</u>	<u>(1,623)</u>	<u>13,423</u>

Note :

1. The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the financial statements hereto.



VIZTEL SOLUTIONS BERHAD (489232-W)

Unaudited Condensed Consolidated Cash Flow Statement for the first quarter ended 31 March 2006

	Unaudited 3 months ended 31 Mar 2006 RM'000	Unaudited 3 months ended 31 Mar 2005 RM'000
Net cash used in operating activities	(1,246)	(1,117)
Net cash used in investing activities	(304)	(448)
Net cash used in financing activities	-	(20)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,550)</u>	<u>(1,585)</u>
Effects of exchange rates changes	(33)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,905	3,825
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>322</u></u>	<u><u>2,240</u></u>
Represented by:		
Cash and bank balances	183	2,240
Deposits pledged for bank guarantees	<u>139</u>	<u>-</u>
	<u><u>322</u></u>	<u><u>2,240</u></u>

Note :

1. The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the financial statements hereto.



VIZTEL SOLUTIONS BERHAD (489232-W)
Notes on the quarterly report - 31 March 2006

A. EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD NO. 134

A1. Basis of preparation

These interim unaudited financial statements have been prepared in compliance with the Financial Reporting Standard ("FRS") No. 134, Interim Financial Reporting and Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad ("Securities Exchange") for the MESDAQ Market, and should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2005. The accounting policies and methods of computation adopted by the Group in the interim unaudited financial statements are consistent with those adopted for the financial year ended 31 December 2005.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2005 except for the adoption of the following new FRS effective for financial period beginning 1 January 2006:-

FRS 2	Share-based Payments
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in 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	Investment in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

- a) Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisitions (previously referred to as "negative goodwill", after reassessment, is now recognised immediately in profit and loss. Prior to 1 January 2006, negative goodwill was not amortised but retained in the consolidated balance sheet. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM89,427 was derecognised with a corresponding increase in retained earnings.

A3. Audit report

The auditor's report on the financial statements for the financial year ended 31 December 2005 was not qualified.

A4. Seasonality or cyclicity of interim operations

The Group's interim operations were not affected by seasonal or cyclical factors.

A5. Unusual items

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.



VIZTEL SOLUTIONS BERHAD (489232-W)

Notes on the quarterly report - 31 March 2006

A6. Changes in estimates

There were no changes in the estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have had a material effect on the results in the quarter under review.

A7. Issuance, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A8. Dividends

No dividend has been declared or paid during the period under review.

A9. Segmental reporting

	Individual quarter ended 31 March 2006		Cumulative quarter ended 31 March 2006	
	<u>Revenue</u> RM'000	<u>Loss before taxation</u> RM'000	<u>Revenue</u> RM'000	<u>Loss before taxation</u> RM'000
Speech & Network Solutions Division	124	(254)	124	(254)
Carrier Solutions Division	13	(105)	13	(105)
	<u>137</u>	<u>(359)</u>	<u>137</u>	<u>(359)</u>
Other income	-	48	-	48
	<u>137</u>	<u>(311)</u>	<u>137</u>	<u>(311)</u>

A10. Plant and equipment

There were no changes or revaluation on the value of the Group's plant and equipment from the previous quarters and preceding annual audited financial statements.

A11. Subsequent material events

The Company has been named as the first defendant in a writ of summons dated 4 April 2006 served by TT DotCom Sdn Bhd ("TTDC"). TTDC claims a sum of RM1,405,693 plus interest at the rate of 8% per annum from 14 October 2005 to final settlement from the Company and four other defendants, including Smartdial International Sdn Bhd ("Smartdial") (a former subsidiary of the Group) and certain directors of the Company for services allegedly provided by them pursuant to a Strategic Alliance Agreement (Global IP) which was entered into between Smartdial with TTDC.

The Directors refutes the claim vehemently and have appointed legal counsel to vigorously defend the Company's interest.

There were no other material events subsequent to the end of the quarter under review which is likely to substantially affect the results of the operations of the Company for the quarter under review.



VIZTEL SOLUTIONS BERHAD (489232-W)

Notes on the quarterly report - 31 March 2006

A12. Changes in the composition of the Group

There were no changes in the composition of the Group since the last quarter.

A13. Changes in contingent liabilities or contingent assets

There were no changes in contingent liabilities or contingent assets since the last quarter.

A14. Capital Commitment

The Group does not have any capital commitment as at 31 March 2006.

A15. Significant Related Party Transactions

There were no significant related party transactions during the quarter under review.



VIZTEL SOLUTIONS BERHAD (489232-W)

Notes on the quarterly report - 31 March 2006

B. PERIODIC DISCLOSURE REQUIRED BY THE MESDAQ MARKET LISTING REQUIREMENTS (APPENDIX 9B)

B1. Review of group results for the quarter ended 31 March 2006

The Group recorded approximately RM137,000 in revenue for the quarter ended 31 March 2006 due to fewer new businesses secured by the Group during the quarter. Albeit a cost reduction exercise initiated by the Company on a group-wide basis since the previous quarter, a loss of RM311,000 were recorded for the quarter mainly due to lower revenue generated during the period ended 31 March 2006.

B2. Variation of results against the preceding quarter

The Group embarked on a realignment strategy towards providing Speech and Network solutions further to its exit from the discounted call services sector in the last quarter. The Group further experienced the effect of a short gestation and turnaround period during the quarter from the realignment strategy. The strategic shift in focus is expected to path a positive roadmap to achieving better results in the longer term but in expense of the current quarter.

B3. Prospects for current financial year

The Directors anticipate the Malaysian telecommunication industry would require more value added services as intensified competition and liberalisation is expected to persist within the industry. The Group's realignment strategy towards providing more innovative telephony solutions and value-added services, particularly in Speech and Network solutions, is congruent with the anticipated rising demands for differentiation in telecommunication services from our customers. Barring any unforeseen circumstances, the Directors remain cautiously optimistic that the performance of the Group will be satisfactory in the current financial year.

B4. Profit forecast or profit guarantee

Not applicable as the Group has not previously provided a profit forecast in a public document or a profit guarantee.

B5. Taxation

No taxation was provided in the accounts as the Company incurred a loss during the quarter under review. The Company was also accorded Multimedia Super Corridor (MSC) status whereby income derived from its operating activities is exempted from taxation. The MSC status expired on 22 August 2005 but was subsequently renewed for another period of five (5) years expiring 22 August 2010.

B6. Sale of unquoted investments and/or properties

There were no disposal of unquoted investments and/or properties during the period under review.

B7. Quoted and marketable securities

The Company/Group does not hold any quoted or marketable securities as at 31 March 2006. There were no purchases or disposals of quoted securities for the current quarter.

B8. Status of corporate proposals as at 26 May 2006 (being a date not earlier than seven (7) days from the date of this report)

(a) Corporate Proposals

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



VIZTEL SOLUTIONS BERHAD (489232-W)
Notes on the quarterly report - 31 March 2006

(b) Status of utilisation of listing proceeds

The status of utilisation of the proceeds raised from the public issue pursuant to the listing of the Company on the Mesdaq Market of the Securities Exchange amounting to RM5.25 million is as follows:

	As approved by Securities Exchange & Securities Commission	Utilised as at 31 Mar 2006	Deviation		Explanation
	RM'000	RM'000	RM'000	%	
Proposed overseas investment	540	540	-	-	Fully utilised
R&D Expenditure	763	457	306	40.1	To be utilised by June 2006
Investment in telecommunications equipment	403	403	-	-	Fully utilised
Working capital	2,244	2,553	(309)	(13.8)	-
Estimated listing expenses	1,300	991	309	23.8	Unutilised amounts has been used for working capital purposes.
	5,250	4,944	306	5.8	

Note :

* Unutilised amounts has been used for working capital purposes.

B9. Group borrowings and debt securities

The Group has no borrowings as at 31 March 2006.

B10. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material litigation

Save for the following, the Directors are not aware of any other proceeding, pending or threatened litigation or any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group as at 26 May 2006 (being a day not earlier than seven (7) days from the date of this report).

Viztel Solutions Berhad ("VSB") versus Allied Interactive Sdn Bhd ("Allied Interactive")

Nature : Recovery of debts of RM200,000 for services rendered.

The Company has filed an application under Order 26A Rules of the Subordinate Court 1980 for summary judgement ("Application") and the court has ruled in favour of VSB after the hearing session held on 25 October 2004 for the recovery of the whole portion of the debt with interest accruing and cost of litigation.

Allied Interactive, however has filed an appeal on 5 November 2004 against the above summary judgement and the appeal is pending further hearing.

TT dotCom Sdn Bhd ("TTDC") versus Viztel Solutions Berhad ("VSB")

Nature : Writ of Summons on dispute services provided under the Strategic Alliance Agreement (Global IP)

The Company had on 4 April 2006 been served a writ of summons (Suit No. S622-212) ("Writ of Summons") by TTDC claiming a sum of RM1,405,693.10 plus interest at the rate of 8% per annum from 14 October 2005 to final settlement for services allegedly provided by them pursuant to a Strategic Alliance Agreement (Global IP) which was entered into between SmartDial International Sdn Bhd ("Smartdial"), a former subsidiary of VSB, with TTDC. The Writ of Summons was filed at the Kuala Lumpur High Court of Malaysia, naming VSB as the first defendant; Smartdial as the second defendant; and three (3) VSB officers (formerly directors of Smartdial prior to the disposal of the latter) as the third, fourth and fifth defendants.



VIZTEL SOLUTIONS BERHAD (489232-W)
Notes on the quarterly report - 31 March 2006

The Directors refutes the claim vehemently and have appointed legal counsel to vigorously defend the Company's interest. A defence has been filed for the above claims together with an application to strike out the claims against the directors. The sealed application is now pending retrieval from court.

B12. Dividends

The Directors do not recommend the payment of a dividend in respect of the current financial year.

B13. Loss per share ("LPS")

	Individual quarter ended 31 Mar 2006	Individual quarter ended 31 Mar 2005	Cumulative quarter ended 31 Mar 2006	Cumulative quarter ended 31 Mar 2005
Basic LPS				
Net loss for the period (RM'000)	(311)	(119)	(311)	(119)
Weighted average number of ordinary shares in issue ('000)	60,500	55,000	60,500	55,000
Basic LPS (sen)	<u>(0.5)</u>	<u>(0.2)</u>	<u>(0.5)</u>	<u>(0.2)</u>

Basic LPS is calculated by dividing the net profit or loss for the period in review by the weighted average number of ordinary shares in issue during the period.

	Individual quarter ended 31 Mar 2006	Individual quarter ended 31 Mar 2005	Cumulative quarter ended 31 Mar 2006	Cumulative quarter ended 31 Mar 2005
Diluted LPS				
Net loss for the period (RM'000)	(311)	(119)	(311)	(119)
Add : After-tax effect of interest on dilutive component	-	-	-	-
Loss for purpose of Diluted LPS	<u>(311)</u>	<u>(119)</u>	<u>(311)</u>	<u>(119)</u>
Weighted average number of ordinary shares in issue ('000)	60,500	55,000	60,500	55,000
Add : Effect of dilutive potential ordinary shares on:				
- Options under ESOS	-	9	-	9
	<u>60,500</u>	<u>55,009</u>	<u>60,500</u>	<u>55,009</u>
Diluted LPS (sen)	<u>(0.5)</u>	<u>(0.2)</u>	<u>(0.5)</u>	<u>(0.2)</u>