

**6 APPROVAL AND CONDITIONS****6.1 APPROVALS AND CONDITIONS**

The SC (and under the Foreign Investment Committee's Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests) has approved the proposed Listing of VHB on 16 November 2005. The conditions imposed by the SC and their respective statuses of compliance are as follows: -

No.	Conditions Imposed By SC	Status of Compliance
i)	VHB to disclose in its prospectus the risks related to its business, including the salient terms and conditions of Choy Ngee Hoe's previous letter of employment and the steps taken to / factors that mitigate the same	Complied. Please refer to Section 3(i) of this Prospectus.
ii)	VHB to disclose in its prospectus risks with respect to termination of contract with customers and the impact and/or consequences thereof and measures undertaken and/or to be undertaken by the company to mitigate the risk	Complied. Please refer to Section 3(m) of this Prospectus.
iii)	VHB to adequately disclose in its prospectus the risks associated with the fluctuation of global semiconductor industry and the state of semiconductor industry today	Complied. Please refer to Sections 3(e) and 4.4 of this Prospectus.
iv)	VHB to disclose, in its public prospectus, relevant details on the proposed utilisation of the proceeds from the public issue allocated to expansion of the core and related business of VHB including, specific allocation, the planned utilisation and remarks/ elaboration on the respective allocations	Complied. Please refer to Section 2.7 of this Prospectus.
v)	AmMerchant/ VHB to disclose the status of utilisation of proceeds in its periodic and annual reports until the proceeds are fully utilised	The Directors have taken note of the condition and will ensure compliance.
vi)	AmMerchant/ VHB to inform the SC on the appointment of Independent Directors and to provide confirmation that they qualify as Independent Directors as defined in the Listing Requirement	Complied via the letter dated 20 February 2006 furnished to the SC by VHB.
vii)	VHB to provide undertaking that any transactions involving related parties should be done at arms-length	Complied via the letter dated 20 February 2006 to the SC.
viii)	VHB to meet the 30% Bumiputera equity requirement within one (1) year after it has achieved the profit record required for a company listing on the Second Board of Bursa Malaysia or five (5) years after admission listed on MESDAQ Market, whichever is the earlier, in which the shares to be allocated to Bumiputera investors should be approved by MITI	The Directors have taken note of the condition and will ensure compliance.

No.	Conditions Imposed By SC	Status of Compliance
ix)	VHB to submit a preliminary proposal to SC on how the company intends to meet the Bumiputera equity condition, 6 months before the expiry date of the compliance	The Directors have taken note of the condition and will ensure compliance.
x)	AmMerchant/ VHB to inform SC upon completion of the proposed flotation scheme	To be complied upon completion.
xi)	AmMerchant/ VHB to ensure that all provisions of Listing Requirements are complied with	To be complied upon completion.
xii)	Approvals to be obtained from other relevant authorities, if any	Complied.

The SC has also noted the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings of VHB that will be changed following the implementation of the Public Issue are as follows:-

	Before Proposal^ (%)	After Proposal^ (%)
Bumiputera	-	0.00*
Non-Bumiputera	100.00	99.73
Foreigners	-	0.27
	<b>100.00</b>	<b>100.00</b>

<sup>^</sup> Proposal refers to the proposed Listing

\* Recognition on Bumiputera was not obtained from MITI

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## 6.2 MORATORIUM ON SHARES

In accordance with the Listing Requirements, our Promoters will not be allowed to sell, transfer or assign their shareholdings amounting to 45% of our enlarged issued and paid-up capital for one (1) year from our date of admission to the Official List of the MESDAQ Market and thereafter, they are permitted to sell, transfer or otherwise dispose up to a maximum of one third per annum (on a straight-line basis) of their respective shareholdings under moratorium.

Our Promoters whose shares are subjected to the moratorium are as follows:-

Name of shareholders	Under Moratorium after Public Issue <sup>(1)</sup>		Under Moratorium assuming Full Exercise of ESOS <sup>(2) (3)</sup>	
	No. of shares held under moratorium	% of enlarged issued and paid-up capital	No. of shares held under moratorium	% of enlarged issued and paid-up capital
Choy Ngee Hoe	16,495,100	24.72	16,495,100	22.46
Lee Chong Leng	2,360,200	3.54	2,360,200	3.22
Ong Hui Peng	2,360,200	3.54	2,360,200	3.22
Ch'ng Paed Wee	2,360,200	3.54	2,360,200	3.22
Chan Heng Soon	2,360,200	3.54	2,360,200	3.22
Jong Pit Fong	2,360,200	3.54	2,360,200	3.22
Lim Yong Juay	2,360,200	3.54	2,360,200	3.22
Teo Leong Khoon	2,360,200	3.54	2,360,200	3.22
<b>Total</b>	<b>33,016,500</b>	<b>49.50</b>	<b>33,016,500</b>	<b>45.00</b>

Notes:

- (1) Computed based on enlarged issued and paid up share capital of 66,700,000 Shares;  
(2) Computed based on enlarged issued and paid up share capital of 73,370,000 Shares;  
and  
(3) The ESOS is 10% of the enlarged issued and paid-up share capital upon listing

The restriction, which is fully accepted by our Promoters, is specifically endorsed on the share certificates representing the respective shareholdings of the shareholders which are under moratorium, to ensure that our registrars do not register any transfer not in compliance with the moratorium restriction. The Promoters have provided an undertaking that they shall not sell, transfer or assign their respective shareholdings under moratorium in accordance with the Listing Requirements.

**7 RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST****7.1 EXISTING AND PROPOSED RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST**

As at 6 March 2006 (being the latest practicable date prior to the printing of this Prospectus), we do not have any ongoing or proposed related party transactions or arrangements between us and our promoters, substantial shareholders, directors and/or persons connected with any of the aforementioned persons.

**7.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS**

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party in respect of the past one (1) financial year and the subsequent financial period thereof immediately preceding the date of the Prospectus.

**7.3 OUTSTANDING LOANS MADE BY CORPORATION OR ANY OF ITS PARENT OR SUBSIDIARIES TO/FOR THE BENEFIT OF RELATED PARTIES**

Our Group have no outstanding loans (including guarantees of any kind) to/for the benefit of the related parties in respect of the past one (1) financial year and the subsequent financial period immediately preceding the date of the Prospectus.

**7.4 INTEREST IN SIMILAR BUSINESS**

None of our Directors, substantial shareholders and/or key management are interested, directly or indirectly, in any business carrying on a similar trade as us and our subsidiary, other than Mr Choy Ngee Hoe who is a non-substantial shareholder of ASTI whose shares are listed on the SGX. As at 6 March 2006 (being the latest practicable date prior to the printing of this Prospectus), Mr Choy's shareholdings in the company amounts to 1,341,468 ordinary shares of SGD0.10 each representing 0.33% of the paid-up share capital of ASTI.

**7.5 PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED/TO BE ACQUIRED WITHIN TWO YEARS PRECEDING THE DATE OF THIS PROSPECTUS**

Save for the acquisition of VRSB as set out in Section 4.1.3 of this Prospectus, as at 6 March 2006 (being the latest practicable date prior to the printing of this Prospectus), none of our directors and/or substantial shareholders have any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to us or our subsidiary within the two (2) years preceding the date of this Prospectus.

**7.6 CONTRACTS OR ARRANGEMENTS IN WHICH OUR DIRECTORS OR SUBSTANTIAL SHAREHOLDERS IS INTERESTED AND SIGNIFICANT IN RELATION TO THE BUSINESS OF OUR GROUP**

As at 6 March 2006 (being the latest practicable date prior to the printing of this Prospectus), none of our directors and/or substantial shareholders have interest in any contract or arrangement, which is significant in relation to our business.

**7.7 RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE**

There is no recurrent related party transactions involving recurrent transactions of revenue or trading in nature involving us.

Pursuant to Rule 6.8 of the Listing Requirements, we may seek our shareholders' mandate in respect of related party transactions involving recurrent transactions of revenue or trading in nature subject to the following: -

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) our shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to our shareholders' mandate during the financial year; and
- (c) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

**7.8 DECLARATION BY THE ADVISERS**

AmMerchant Bank hereby confirm that there is no conflict of interest with respect to their capacity as our Adviser, Sponsor, Managing Underwriter and Sole Placement Agent for the IPO.

Messrs. Cheang & Ariff hereby confirm that there is no conflict of interest with respect to their capacity as our Solicitors for the IPO.

Messrs. Horwath hereby confirm that there is no conflict of interest with respect to their capacity as our Auditors and Reporting Accountants for the IPO.

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**8 FINANCIAL INFORMATION****8.1 HISTORICAL FINANCIAL INFORMATION**

This proforma consolidated results has been extracted from the Accountants' Report set out in Section 9 of this Prospectus and should be read in conjunction with the notes and assumptions thereto. Our summarised proforma income statements based on the audited financial statements are provided for illustrative purpose only and based on the assumption that we had been in existence throughout the relevant financial periods are set out below:-

	FP 2003 RM'000	FP 2004 RM'000	FYE 2005 RM'000
Turnover	814	8,309	8,036
Cost of goods sold *	(350)	(2,842)	(2,507)
Gross profit	464	5,467	5,529
Other operating income **	-	-	#
Selling and distribution, administrative expenses and other operating expenses *	(219)	(2,146)	(1,673)
Research and development expenses ***	(233)	(394)	(441)
Finance costs ****	#	(2)	(4)
Profit before interest, depreciation, tax and amortisation	12	2,925	3,411
Interest income	#	#	7
Depreciation	(53)	(58)	(115)
Amortisation	-	-	(7)
Interest expenses	(#)	(4)	(1)
(Loss)/Profit before taxation	(41)	2,863	3,295
Taxation	-	-	-
(Loss)/Profit after taxation	(41)	2,863	3,295
Number of ordinary shares in issue ('000)	50,000	50,000	50,000
Gross (loss)/earnings per share ("LPS")/"EPS") ^ (Sen)	(0.1)	5.7	6.6
Net (LPS)/EPS ^ (Sen)	(0.1)	5.7	6.6
Net dividend rate (%)	-	-	-

*Notes: -*

- # : Represents amount less than RM1,000
- ^ : The calculation of (LPS)/EPS has not been annualised
- \* : Excluding depreciation charges
- \*\* : Excluding interest income
- \*\*\* : Excluding amortisation charges
- \*\*\*\* : Excluding interest expenses

- (a) *The proforma consolidated income statements for the relevant financial periods have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of VHB Group.*
- (b) *The increase of depreciation charges of approximately RM57,000 from RM58,000 in FP 2004 to RM115,000 in FYE 2005 is mainly due to further additions of plant and equipment of approximately RM266,000 in FYE 2005.*
- (c) *There was no provision for tax for VHB for the relevant financial periods as it is in a tax loss position. No provision for tax was made for the relevant financial periods for VRSB as VRSB's income from pioneer activities is exempted from tax in accordance with the pioneer status incentive granted under the Promotion of Investments Act, 1986.*
- (d) *There were no extraordinary/exceptional items during the relevant financial periods under review.*
- (e) *The proforma gross and net (LPS)/EPS are calculated based on the (loss)/profit before and after taxation respectively, and on the assumed number of ordinary shares in issue for the respective financial periods under review.*
- (f) *All significant intragroup transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*

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## 8.2 ANALYSIS OF HISTORICAL FINANCIAL INFORMATION

### Analysis of Revenue by Product:-

	FP 2003 (RM'000)	FP 2004 (RM'000)	FYE 2005 (RM'000)
Gravity feed system	672	7,127	6,027
Vision inspection system	125	1,138	440
Spares, services and upgrading	17	44	1,569
	<b>814</b>	<b>8,309</b>	<b>8,036</b>

### Analysis of Revenue by Geographical Location:-

	FP 2003 (RM'000)	FP 2004 (RM'000)	FYE 2005 (RM'000)
Malaysia	568	1,275	4,449
North Asia	-	5,293	893
Southeast Asia	246	1,741	2,259
USA	-	-	435
	<b>814</b>	<b>8,309</b>	<b>8,036</b>

### Analysis of Operating (Loss) / Profits by Product:-

	FP 2003 (RM'000)	FP 2004 (RM'000)	FYE 2005 (RM'000)
Gravity feed system	313	4,647	3,437
Vision inspection system	(144)	349	259
Spares, services and upgrading	6	16	1,254
	<b>175</b>	<b>5,012</b>	<b>4,950</b>

### Analysis of Operating Profits by Geographical Location:-

	FP 2003 (RM'000)	FP 2004 (RM'000)	FYE 2005 (RM'000)
Malaysia	36	539	2,637
North Asia	-	3,426	708
Southeast Asia	139	1,047	1,359
USA	-	-	246
	<b>175</b>	<b>5,012</b>	<b>4,950</b>



## 8.2.2 Overview of Revenue and Operating Profit

### Revenue

Turnover of approximately RM814,000 for the FP 2003 was generated mainly from sales of G6 machines and vision inspection systems.

Turnover increased by approximately RM7,495,000, or 920.8%, to RM8,309,000 in the FP 2004 compared to RM814,000 in the FP 2003. The increase in turnover for the FP 2004 was mainly due to more sales of equipment, especially G6 machines and change kit components to overseas customers.

The turnover decreased slightly by approximately RM273,000, or 3.3%, to RM8,036,000 in the FYE 2005 mainly due to the slow down in the semiconductor industry, especially the ATE market where VRSB is in.

### Operating (loss)/profits

Operating (loss)/profits represent the turnover amount and net off cost of sales, operating expenses and research and development expenses.

With the revenue of approximately RM814,000 in FP 2003, operating profit margin is 21.5%.

In FP 2004, the operating margin increased to 60.3%. The improvement of the results by approximately RM4,837,000, or 2,764.0%, from RM175,000 in FP 2003 to RM5,012,000 in the FP 2004 was due to the higher turnover resulting in higher profit contributions.

Despite the lower turnover and operating profit for the FYE 2005 as compared to FP 2004, the operating margin increased slightly to 61.6%. This is mainly due to the reduction in VRSB's cost of sales and operating expenses such as purchases, and the amortisation of additional development costs that was capitalised to Balance Sheet on a straight-line basis over a period of not exceeding 5 years.

## 8.2.3 Impact Of Foreign Exchange / Interest Rates / Commodity Prices On Operating Profits

We exports our products to various countries situated in Southeast Asia, North Asia and the USA and these exports are mostly denominated in USD. Our export revenue accounts to approximately USD0.9 million or 44.6% of total revenue for the FYE 2005. At the same time, a few of our main raw materials are sourced from international suppliers in Singapore and are denominated in Euro, SGD and USD and as such are subject to foreign exchange risk. Certain of our component parts, which are purchased through local distributors, originate from Europe, Japan, Singapore and Taiwan hence any unfavourable movements in the relevant currencies against the RM will also indirectly affect our financial position.

As disclosed in Section 8.4, we have borrowings of RM635, 406 and as such are subject to interest rate fluctuations.

#### **8.2.4 Taxation**

No provision for tax was made for the financial periods under review as income from pioneer activities is exempted from tax in accordance with the pioneer status incentive granted under the Promotion of Investment Act, 1986.

#### **8.2.5 Exceptional And Extraordinary Items**

Based on the audited financial statements of the companies within our Group, there were no exceptional and extraordinary items for the financial periods under review.

### **8.3 FINANCIAL PERFORMANCE, POSITION AND OPERATIONS**

Save as disclosed in Section 8 of this Prospectus, our Directors are of the view that our financial performance, position and operations are not affected by any of the following: -

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations;
- (ii) material capital commitments;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations; and
- (v) known events, circumstances, trends, uncertainties and commitments that are likely to make the historical financial statements not indicative of future financial performance and position.

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## 8.4 WORKING CAPITAL, MATERIAL LITIGATION, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENT

### (ii) Working Capital

Our Directors are of the opinion that, after taking into consideration the cashflow position and the net proceeds from the Public Issue, we will have adequate working capital for a period of not less than twelve (12) months from the date of issue of the Prospectus.

### (ii) Material Litigation

As at 6 March 2006 (being the latest practicable date prior to the printing of this Prospectus), we are not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on our financial position and our Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our position or business.

### (iii) Borrowings

As at 6 March 2006 (being the latest practicable date prior to the printing of this Prospectus), our total outstanding borrowings in the form of term loans, trust receipts, letters of credit, banker's acceptance and hire-purchase financing are as follows:

	RM
Short Term* – Secured .....	245,753
Long Term^ – Secured .....	389,653
<b>TOTAL</b>	<b>635,406</b>

\*Within 12 months

^More than 12 months

We have no foreign currency borrowings. As at 6 March 2006, we have not defaulted on payments of either interest and/or principal sums in respect of our borrowings.

All the outstanding borrowings are interest-bearing liabilities and relate to borrowings from local financial institutions.

In addition to the above, we have been granted various trade facilities amounting to RM700,000 and a foreign exchange facility of RM2,000,000. These facilities have not been utilised.

### (iv) Contingent Liabilities

As at 6 March 2006 (being the latest practicable date prior to the printing of this Prospectus), we have a total of RM1,000,000 in contingent liability in the form of corporate guarantee provided in the ordinary course of business. Details of the contingent liability are as follows:

Contingent Liability	In Favour of	Nature of Guarantee	Amount (RM)
Corporate Guarantee	Bumiputra-Commerce Bank Berhad	For credit facilities amounting to RM1 million to VRSB. As at 6 March 2006, RM600,000 has been utilised.	1,000,000

Save for the above, there are no contingent liabilities incurred by us which may have a material impact on our financial position.

**(v) Material Commitments**

As at 20 February 2006, we entered into a sale and purchase agreement to acquire two (2) pieces of land in Mukim Bukit Baru, Melaka for a total consideration of RM963,488 of which we have paid a deposit of RM96,349, which represents 10% of the total purchase consideration. Details of the sale and purchase agreement are included in Section 12.4 of this Prospectus.

Save for the above, we have not incurred or known to have incurred any material commitments for capital expenditure, which may have a material impact on our financial position.

**8.5 MOVEMENTS IN THE SHARE CAPITAL, SHARE PREMIUM AND RESERVES**

The movements in our share capital and share premium account are as follows: -

	Share capital	Share Premium	(Accumulated Losses) / Retained Profits	Total	Accumulated Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 October 2005	5,000.00	-	2,193.00	7,193.00	7,193.00
Proforma I: Public Issue	1,670.00	7,852.00	-	9,522.00	16,715.00
Proforma II: ESOS	667.00	3,441.00	-	4,108.00	20,823.00

# *The listing expenses of RM1.50 million have been set-off against the share premium account.*

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## 8.6 PROFORMA CONSOLIDATED BALANCE SHEETS OF THE VHB GROUP AS AT 31 OCTOBER 2005

The Proforma Consolidated Balance Sheets as at 31 October 2005 set out below has been prepared for illustrative purposes only to show the effects on our audited balance sheet, had the Listing Scheme and ESOS been effected on that date.

	<b>Audited As at 31 October 2005</b>	<b>Proforma I</b>	<b>Proforma II</b>
	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>			
<i>Property, plant and equipment</i>	613	4,113	4,113
<i>Development expenditure</i>	443	443	443
<i>Goodwill on consolidation</i>	1,576	1,576	1,576
	<u>2,632</u>	<u>6,132</u>	<u>6,132</u>
<b>CURRENT ASSETS</b>			
<i>Inventories</i>	1,276	1,276	1,276
<i>Trade receivables</i>	4,016	4,016	4,016
<i>Other receivables, deposits and prepayments</i>	424	83	83
<i>Fixed deposits with a licensed bank</i>	484	484	484
<i>Cash and bank balances</i>	478	6,841	10,949
	<u>6,678</u>	<u>12,700</u>	<u>16,808</u>
<b>CURRENT LIABILITIES</b>			
<i>Trade payables</i>	765	765	765
<i>Other payables and accruals</i>	1,271	1,271	1,271
<i>Term loan</i>	30	30	30
	<u>2,066</u>	<u>2,066</u>	<u>2,066</u>
<i>Net current assets</i>	4,612	10,634	14,742
	<u>7,244</u>	<u>16,766</u>	<u>20,874</u>
<b>FINANCED BY:-</b>			
<i>Share capital</i>	5,000	6,670	7,337
<i>Share premium</i>	-	7,852	11,293
<i>Retained profits</i>	2,193	2,193	2,193
<b>SHAREHOLDERS' EQUITY</b>	<u>7,193</u>	<u>16,715</u>	<u>20,823</u>
<b>NON-CURRENT LIABILITY</b>			
<i>Term loan</i>	51	51	51
	<u>7,244</u>	<u>16,766</u>	<u>20,874</u>
<i>Number of ordinary shares of RM0.10 each ('000)</i>	<u>50,000</u>	<u>66,700</u>	<u>73,370</u>
<i>Net tangible assets per ordinary share ^ (RM)</i>	<u>0.10</u>	<u>0.22</u>	<u>0.26</u>
<i>Net assets (excluding goodwill on consolidation) per ordinary share # (RM)</i>	<u>0.11</u>	<u>0.23</u>	<u>0.26</u>

Notes: -

- ^ : Net tangible asset is calculated by deducting goodwill on consolidation and development expenditure.
- # : Net asset (excluding goodwill on consolidation) is calculated by deducting only the goodwill on consolidation.
- Proforma I : Incorporates the Public Issue of 16,700,000 Shares. The listing expenses of RM1.50 million have been set off against the share premium account.
- Proforma II : Incorporates Proforma I and assumes that the ESOS of 6,670,000 Shares is fully exercised.

The proforma consolidated balance sheets have been properly prepared on a basis consistent with the accounting policies normally adopted by us.

**8.7 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA  
CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2005**  
*(Prepared for inclusion in the Prospectus)*



**Horwath** AF No 1018  
**Kuala Lumpur Office**  
Chartered Accountants

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15 March 2006

The Board of Directors  
**VisDynamics Holdings Berhad**  
No. 21, Jalan IMJ 2,  
Taman Industry Malim Jaya,  
75250 Melaka.

Dear Sirs/Madam

**VISDYNAMICS HOLDINGS BERHAD ("VHB")  
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2005**

We have reviewed the Proforma Consolidated Balance Sheets of VHB and its subsidiary ("VHB Group") as at 31 October 2005, together with the accompanying notes thereto which have been prepared for illustrative purposes only, for which the Directors are solely responsible, as set out in the accompanying statements (initialed by us for the purpose of identification only) for inclusion in the Prospectus of VHB to be dated 23 March 2006 in connection with the following transactions:-

- (a) the acquisition by VHB of the entire issued and paid-up share capital of VisDynamics Research Sdn. Bhd. ("VRSB") for a total purchase consideration of RM4,999,980 which was satisfied by the issuance of 49,999,800 new ordinary shares of RM0.10 each at par in VHB ("Acquisition"). The Acquisition was completed on 13 January 2005;
- (b) public issue of 16,700,000 new ordinary shares of RM0.10 each at an issue price of RM0.66 per share to the public, institutional and individual investors, eligible directors, employees and/or business associates of VHB ("Public Issue");
- (c) proposed listing of and quotation for the entire enlarged issued and paid-up share capital of VHB comprising 66,700,000 new ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad ("Proposed Listing"); and
- (d) the employees' share option scheme to the directors and eligible employees of VHB Group of up to 10% of the enlarged issued and paid-up share capital of VHB ("ESOS"). The ESOS has been approved by the shareholders at an extraordinary general meeting held on 14 January 2005.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai



In our opinion,

- (i) the Proforma Consolidated Balance Sheets, which are prepared for illustrative purposes only, have been properly compiled on the bases set out in the accompanying notes to the Proforma Consolidated Balance Sheets;
- (ii) the bases are consistent with the accounting policies normally adopted by the VHB Group; and
- (iii) the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A handwritten signature in black ink, appearing to be a stylized name.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe".

**Onn Kien Hoe**  
Approval No : 1772/11/06(J/PH)  
Partner


**VISDYNAMICS HOLDINGS BERHAD ("VHB")**
**PROFORMA CONSOLIDATED BALANCE SHEETS**

	Audited As at 31 October 2005 RM'000	Proforma I Public Issue RM'000	Proforma II ESOS RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	613	4,113	4,113
Development expenditure	443	443	443
Goodwill on consolidation	1,576	1,576	1,576
	2,632	6,132	6,132
<b>CURRENT ASSETS</b>			
Inventories	1,276	1,276	1,276
Trade receivables	4,016	4,016	4,016
Other receivables, deposits and prepayments	424	83	83
Fixed deposits with a licensed bank	484	484	484
Cash and bank balances	478	6,841	10,949
	6,678	12,700	16,808
<b>CURRENT LIABILITIES</b>			
Trade payables	765	765	765
Other payables and accruals	1,271	1,271	1,271
Term loan	30	30	30
	2,066	2,066	2,066
Net current assets	4,612	10,634	14,742
	7,244	16,766	20,874
<b>FINANCED BY:-</b>			
Share capital	5,000	6,670	7,337
Share premium	-	7,852	11,293
Retained profits	2,193	2,193	2,193
<b>SHAREHOLDERS' EQUITY</b>	7,193	16,715	20,823
<b>NON-CURRENT LIABILITY</b>			
Term loan	51	51	51
	7,244	16,766	20,874
Number of ordinary shares of RM0.10 each ('000)	50,000	66,700	73,370
Net tangible assets per ordinary share ^ (RM)	0.10	0.22	0.26
Net assets (excluding goodwill on consolidation) per ordinary share # (RM)	0.11	0.23	0.26

Notes:-

^ - Net tangible asset is calculated by deducting goodwill on consolidation and development expenditure.

# - Net asset (excluding goodwill on consolidation) is calculated by deducting only the goodwill on consolidation.




**VISDYNAMICS HOLDINGS BERHAD ("VHB")**
**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**
**1. Basis of Preparation**

The Proforma Consolidated Balance Sheets of VHB and its subsidiary, VisDynamics Research Sdn. Bhd. ("VRSB") ("VHB Group") have been prepared based on the audited balance sheets of VHB Group as at 31 October 2005 together with the accompanying notes thereto, which have been prepared for illustrative purposes, to show the effects of the Public Issue, Proposed Listing and ESOS as though they were effected as of that date. The subsidiary is consolidated using the acquisition method of accounting.

**1.1 Proforma I**

Proforma I incorporates the effects of the public issue of 16,700,000 new ordinary shares of RM0.10 each at an issue price of RM0.66 per share to the public, institutional and individual investors, eligible directors, employees and/or business associates of VHB ("Public Issue").

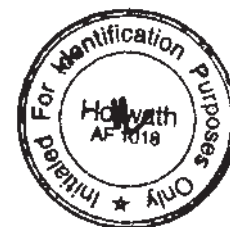
The utilisation of proceeds from the Public Issue is as follows:-

	RM'000
Capital expenditure	3,500
Research and development	2,500
Estimated listing expenses	1,500
Working capital	3,522
	11,022

The Public Issue will give rise to a share premium of RM9,352,000.

For the purpose of presentation in the Proforma Consolidated Balance Sheets:-

- (a) the proceeds to be utilised for the capital expenditure have been included in the property, plant and equipment;
- (b) the proceeds to be utilised for the research and development expenditure and working capital requirements have been included in cash and bank balances pending their utilisation;
- (c) as at 31 October 2005, VHB incurred an amount of RM340,919 as prepaid listing expenses. In Proforma I, the prepaid listing expenses from other receivables, deposits and prepayments have been debited against the share premium account; and
- (d) the total estimated listing expenses of RM1,500,000, inclusive of item (c) above, have been debited against the share premium account.



## VISDYNAMICS HOLDINGS BERHAD ("VHB")

## NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

## 1. Basis of Preparation (Cont'd)

## 1.2 Proforma II

Proforma II incorporates the effects of Proforma I and the full exercise of the share options to be granted under the employees' share option scheme approved by the shareholders at an extraordinary general meeting held on 14 January 2005, of up to 6,670,000 new ordinary shares of RM0.10 each ("ESOS").

On 14 January 2005, the directors of the Company granted 550,000 options to certain key employees ("Initial Grant"). As at 31 October 2005, the number of outstanding options under the Initial Grant was 525,000.

For the purpose of presentation in the Proforma Consolidated Balance Sheets, the subscription prices of the shares to be issued under the ESOS are as follows:-

- (a) 525,000 new ordinary shares of RM0.10 each at par of RM0.10 each; and
- (b) 6,145,000 new ordinary shares of RM0.10 each at RM0.66 per share, being the initial public offering's issue price.

## 2. Ordinary Share Capital

The movements in the issued and paid-up ordinary share capital of VHB are as follows:-

<i>Issued and Fully Paid-up Share Capital</i>	<i>Par value</i>	<i>Number of Ordinary Shares</i> '000	<i>Amount of Share Capital</i> RM'000
Ordinary shares of RM0.10 each as at 3 January 2005 (date of incorporation)	0.10	^	#
Ordinary shares issued pursuant to the Acquisition of VRSB on 13 January 2005	0.10	50,000 *	5,000 *
As at 31 October 2005		50,000	5,000
Public Issue	0.10	16,700	1,670
As per Proforma I		66,700	6,670
Full exercise of ESOS	0.10	6,670	667
As per Proforma II		73,370	7,337

Notes -

^ - Represents 200 shares

# - Represents RM20

\* - Rounded up from 49,999,800 and RM4,999,980 which are the number of ordinary shares and amount of share capital respectively


**VISDYNAMICS HOLDINGS BERHAD ("VHB")**


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**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)**
**3. Share Premium**

The listing expenses, estimated at RM1.5 million, have been debited against the share premium account under Proforma I. The movements in the share premium account are as follows:-

	RM'000
As at 3 January 2005 (date of incorporation)/As at 31 October 2005	-
Share premium arising from the Public Issue	9,352
Estimated listing expenses	(1,500)
As per Proforma I	<u>7,852</u>
Share premium arising from the full exercise of ESOS	3,441
As per Proforma II	<u><u>11,293</u></u>

*(Prepared for inclusion in the Prospectus)*



15 March 2006

The Board of Directors  
**VisDynamics Holdings Berhad**  
No. 21, Jalan IMJ 2,  
Taman Industry Malim Jaya,  
75250 Melaka.

Dear Sirs/Madam

**Horwath** AF No 1018  
**Kuala Lumpur Office**  
Chartered Accountants

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## **VISDYNAMICS HOLDINGS BERHAD (“VHB” or “the Company”) ACCOUNTANTS' REPORT**

### **1. PURPOSE OF THE REPORT**

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of VHB to be dated 23 March 2006 in connection with the Public Issue of 16,700,000 new ordinary shares of RM0.10 each in VHB at an issue price of RM0.66 per share and the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of VHB comprising 66,700,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

### **2. DETAILS OF VHB AND ITS SUBSIDIARY**

#### **2.1 THE COMPANY**

VHB was incorporated in Malaysia under the Companies Act, 1965 on 3 January 2005 as a private limited company under the name of VisDynamics Holdings Sdn. Bhd. On 25 January 2005, VHB was converted to a public limited company and changed its name to VisDynamics Holdings Berhad. The principal activity of VHB is investment holding and the provision of management services.

VHB was incorporated with an authorised share capital of RM2,500,000 comprising 25,000,000 ordinary shares of RM0.10 each, of which 200 ordinary shares of RM0.10 each were subscribed for on the date of incorporation.

On 12 January 2005, VHB increased its authorised share capital from RM2,500,000 to RM5,000,000.

On 13 January 2005, VHB increased its issued and paid-up share capital from RM20 to RM5,000,000 by the issuance and allotment at par of 49,999,800 new ordinary shares of RM0.10 each as purchase consideration amounting to RM4,999,980 for the acquisition of the entire equity interest in its subsidiary, VisDynamics Research Sdn Bhd (“VRSB”).

On 16 January 2006, VHB increased its authorised share capital from RM5,000,000 to RM25,000,000.

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## 2. DETAILS OF VHB AND ITS SUBSIDIARY (CONT'D)

### 2.1 THE COMPANY (CONT'D)

As at the date of this report, the authorised and issued and paid-up share capital of VHB is as follows:-

	RM
Authorised:-	
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>
Issued and fully paid-up:-	
50,000,000 ordinary shares of RM0.10 each	<u>5,000,000</u>

### 2.2 RESTRUCTURING AND LISTING SCHEME

In conjunction with and as an integral part of the proposed listing of VHB on the MESDAQ Market of Bursa Securities, VHB undertook the following transactions which have been approved by the relevant authorities:-

- (i) acquisition by VHB of the entire issued and paid-up share capital of VRSB comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM4,999,980 which was satisfied by the issuance of 49,999,800 new ordinary shares of RM0.10 each at par in VHB ("Acquisition"). The Acquisition was completed on 13 January 2005;
- (ii) public issue of 16,700,000 new ordinary shares of RM0.10 each in VHB at an issue price of RM0.66 per share to the public, institutional and individual investors, eligible directors, employees and/or business associates of VHB ("Public Issue");
- (iii) proposed listing of and quotation for the entire enlarged issued and paid-up share capital of VHB comprising 66,700,000 new ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad ("Proposed Listing"); and
- (iv) employees' share option scheme to the directors and eligible employees of VHB Group of up to 10% of the enlarged issued and paid-up share capital of VHB ("ESOS"). The ESOS has been approved by the shareholders at an extraordinary general meeting held on 14 January 2005.

The above-mentioned are hereinafter collectively referred to as "the Proposed Flotation Exercise".



## 2. DETAILS OF VHB AND ITS SUBSIDIARY (CONT'D)

### 2.3 THE SUBSIDIARY OF VHB, VRSB

VRSB was incorporated in Malaysia under the Companies Act, 1965 on 4 December 2002 as a private limited company. VRSB is principally engaged in research and development, design, assembly and final set-up/tuning of test/backend equipment in the automated test equipment industry for semiconductors.

VRSB was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each were subscribed for on the date of incorporation.

On 5 March 2003, VRSB increased its authorised share capital from RM100,000 to RM500,000.

On 27 March 2003, VRSB increased its issued and paid-up share capital from RM2 to RM310,000 by the issuance and allotment at par of 309,998 new ordinary shares of RM1.00 each and subsequently, on 12 December 2003, VRSB increased its issued and paid-up share capital from RM310,000 to RM500,000 by the issuance and allotment at par of 190,000 new ordinary shares of RM1.00 each.

On 10 November 2004, VRSB increased its authorised share capital from RM500,000 to RM5,000,000.

On 6 January 2005, VRSB increased its issued and paid-up share capital from RM500,000 to RM2,000,000 by way of a bonus issue of 1,500,000 new ordinary shares of RM1.00 each on the basis of 3 bonus shares for every 1 existing ordinary share held. The bonus shares were issued by capitalising RM1,500,000 from the retained profits. The new shares issued rank pari passu in all respects with the existing shares of the Company.

In June 2004, VRSB was granted Pioneer Status by MITI under the Promotions of Investments Act, 1986. Accordingly, 100% of VRSB's statutory income from pioneer activities is exempted from income tax for a period of five years, commencing 1 June 2003.

## 3. RELEVANT FINANCIAL PERIODS

The relevant financial periods for the purpose of this report ("Relevant Financial Periods") are as follows:-

Company	Relevant Financial Periods
VHB	Financial period from 3 January 2005 (date of incorporation) to 31 October 2005 ("FP 2005")
VRSB	Financial period from 4 December 2002 (date of incorporation) to 31 December 2003 ("FP 2003"), financial period from 1 January 2004 to 31 October 2004 ("FP 2004") and financial year ended 31 October 2005 ("FYE 2005")



#### **4. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES**

The report is primarily based on the audited financial statements of VHB and its subsidiary ("VHB Group"), which have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The financial statements of VHB Group are presented on a basis consistent with the accounting policies normally adopted by the Group.

#### **5. AUDITORS AND AUDITOR'S REPORTS**

##### **5.1 AUDITORS**

We have acted as the auditors for VHB for FP 2005.

In respect of VRSB, we have acted as the auditors for FP 2004 and FYE 2005. The financial statements of VRSB for FP 2003 were audited by KY Siow & Co., another firm of chartered accountants.

##### **5.2 AUDITOR'S REPORTS**

The audited financial statements for VHB and VRSB for the Relevant Financial Periods were reported upon without any qualification and did not include any emphasis of matter or disclaimer.



## 6. SUMMARISED INCOME STATEMENTS

### 6.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF VHB GROUP

The summarised proforma consolidated income statements of VHB Group based on the audited financial statements of VHB Group are provided for illustrative purposes only and are based on the assumption that VHB Group had been in existence throughout the Relevant Financial Periods are set out below:-

	FP 2003 RM'000	FP 2004 RM'000	FYE 2005 RM'000
Turnover	814	8,309	8,036
Cost of goods sold *	(350)	(2,842)	(2,507)
Gross profit	464	5,467	5,529
Other operating income **	-	-	#
Selling and distribution, administrative expenses and other operating expenses *	(219)	(2,146)	(1,673)
Research and development expenses ***	(233)	(394)	(441)
Finance costs ****	#	(2)	(4)
Profit before interest, depreciation, tax and amortisation	12	2,925	3,411
Interest income	#	#	7
Depreciation	(53)	(58)	(115)
Amortisation	-	-	(7)
Interest expense	#	(4)	(1)
(Loss)/Profit before taxation	(41)	2,863	3,295
Taxation	-	-	-
(Loss)/Profit after taxation	(41)	2,863	3,295
Assumed number of ordinary shares in issue ( '000)	50,000	50,000	50,000
Gross (loss)/earnings per share ((“LPS”)/“EPS”) ^ (sen)	(0.1)	5.7	6.6
Net (LPS)/EPS ^ (sen)	(0.1)	5.7	6.6
Net dividend rate (%)	-	-	-





## 6. SUMMARISED INCOME STATEMENTS (CONT'D)

### 6.1 PROFORMA CONSOLIDATED INCOME STATEMENT OF VHB GROUP (CONT'D)

Notes:-

# - Represents amount less than RM1,000

^ - The calculation of (LPS)/EPS has not been annualised

\* - Excluding depreciation charges

\*\* - Excluding interest income

\*\*\* - Excluding amortisation charges

\*\*\*\* - Excluding interest expenses

Notes to the proforma consolidated income statements of VHB Group:-

- (a) *The proforma consolidated income statements for the Relevant Financial Periods have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of VHB Group.*
- (b) *The increase of depreciation charges of approximately RM57,000 from RM58,000 in FP 2004 to RM115,000 in FYE 2005 is mainly due to further additions of plant and equipment of approximately RM266,000 in FYE 2005.*
- (c) *There was no provision for tax for VHB for the Relevant Financial Periods as it is in a tax loss position. No provision for tax was made for the Relevant Financial Periods for VRSB as VRSB's income from pioneer activities is exempted from tax in accordance with the pioneer status incentive granted under the Promotion of Investments Act, 1986.*
- (d) *There were no extraordinary/exceptional items during the Relevant Financial Periods under review.*
- (e) *The proforma gross and net (LPS)/EPS are calculated based on the (loss)/profit before and after taxation respectively, and on the assumed number of ordinary shares in issue for the Relevant Financial Periods under review.*
- (f) *All significant intragroup transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*



## 6. SUMMARISED INCOME STATEMENTS (CONT'D)

### 6.2 VHB

The summarised income statement of VHB based on the audited financial statements of VHB for the Relevant Financial Periods are set out below:-

	FP 2005 RM'000
Turnover	-
Other operating income	#
Administrative expenses and finance cost	<u>(58)</u>
Loss before interest, depreciation, tax and amortisation/Loss before taxation	(58)
Taxation	<u>-</u>
Loss after taxation	<u>(58)</u>
Number of ordinary shares in issue ('000)	<u>50,000</u>
Gross loss per share ("LPS") ^ (sen)	<u>(0.12)</u>
Net LPS ^ (sen)	<u>(0.12)</u>
Net dividend rate (%)	<u>-</u>

Notes:-

# - Represents amount less than RM1,000

^ - The calculation of LPS has not been annualised

Notes to the income statement of VHB:-

- (a) VHB has no turnover for the FP 2005.
- (b) Loss before taxation for the FP 2005 was due to set-up operating overheads and expenses.
- (c) No provision for tax was made for the FP 2005 as it was in a tax loss position.
- (d) There were no extraordinary/exceptional items during the FP 2005.
- (e) The gross and net LPS are calculated based on the loss before and after taxation respectively, and on the number of ordinary shares in issue for the FP 2005.



## 6. SUMMARISED INCOME STATEMENTS (CONT'D)

### 6.3 VRSB

The summarised income statements of VRSB based on the audited financial statements of VRSB for the Relevant Financial Periods are set out below:-

	FP 2003 RM'000	FP 2004 RM'000	FYE 2005 RM'000
Turnover	814	8,309	8,036
Cost of goods sold *	(350)	(2,842)	(2,507)
Gross profit	464	5,467	5,529
Other operating income **	-	-	#
Selling and distribution, administrative expenses and other operating expenses *	(219)	(2,146)	(1,616)
Research and development expenses ***	(233)	(394)	(441)
Finance costs ****	#	(2)	(4)
Profit before interest, depreciation, tax and amortisation	12	2,925	3,468
Interest income	#	#	7
Depreciation	(53)	(58)	(115)
Amortisation	-	-	(7)
Interest expense	#	(4)	(1)
(Loss)/Profit before taxation	(41)	2,863	3,352
Taxation	-	-	-
(Loss)/Profit after taxation	(41)	2,863	3,352
Assumed number of ordinary shares in issue ('000)	500	500	2,000
Gross (loss)/earnings per share ("LPS")/"EPS" ^ (sen)	(8.2)	572.6	167.6
Net (LPS)/EPS ^ (sen)	(8.2)	572.6	167.6
Net dividend rate (%)	-	200	-



## 6. SUMMARISED INCOME STATEMENTS (CONT'D)

### 6.3 VRSB (CONT'D)

Notes:-

# - Represents amount less than RM1,000

^ - The calculation of (LPS)/EPS has not been annualised

\* - Excluding depreciation charges

\*\* - Excluding interest income

\*\*\* - Excluding amortisation charges

\*\*\*\* - Excluding interest expenses

Notes to the income statements of VRSB:-

- (a) Turnover of approximately RM814,000 for the FP 2003 was generated mainly from sales of G6 machines and vision inspection systems.

Turnover increased by approximately RM7,495,000, or 920.8%, to RM8,309,000 in the FP 2004 compared to RM814,000 in the FP 2003. The increase in turnover for the FP 2004 was mainly due to more sales of equipment, especially G6 machines and change kit components to overseas customers.

The turnover decreased slightly by approximately RM273,000, or 3.3%, to RM8,036,000 in the FYE 2005 mainly due to the slow down in the semi-conductor industry, especially the Automated Test Equipment ("ATE") market where VRSB is in.

- (b) The increase of depreciation charges of approximately RM57,000 from RM58,000 in FP 2004 to RM115,000 in FYE 2005 is mainly due to further additions of plant and equipment of approximately RM266,000 in FYE 2005.

- (c) Loss before taxation of approximately RM41,000 for the FP 2003 was due to start-up and research and development costs and inadequate revenue to cover operating overheads.

The improvement in the results for the FP 2004 to profit before taxation of approximately RM2,863,000 from loss before taxation of RM814,000 in FP 2003 was due to the higher turnover resulting in higher profit contributions.

Despite the lower turnover achieved for the FYE 2005, the Company recorded an increase of approximately RM489,000, or 17.1%, from RM2,863,000 in FP 2004 to RM3,352,000 in FYE 2005. VRSB managed to reduce their expenses by managing costs such as lower commission paid to sales agents as major sales were obtained through in-house sales personnel.

- (d) No provision for tax was made for the Relevant Financial Periods as income from pioneer activities is exempted from tax in accordance with the pioneer status incentive granted under the Promotion of Investment Act, 1986.



## **6. SUMMARISED INCOME STATEMENTS (CONT'D)**

### **6.3 VRSB (CONT'D)**

*Notes to the income statements of VRSB:- (Cont'd)*

- (e) There were no extraordinary/exceptional items during the Relevant Financial Periods under review.*
- (f) The gross and net (LPS)/EPS are calculated based on the (loss)/profit before and after taxation respectively, and on the number of ordinary shares in issue for the Respective Financial Periods under review.*

## **7. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIODS**

VHB has not declared or paid any dividend during the Relevant Financial Periods.

No dividend was paid or declared by VRSB in FP 2003 and FP 2004. In FYE 2005, VRSB declared a tax-exempt final dividend of RM2.00 per share amounting to RM1,000,000 in respect of the FP 2004 to the former shareholders of VRSB as at 31 December 2004, of which an amount of RM500,000 was paid during the FYE 2005.



## 8. SUMMARISED BALANCE SHEETS

### 8.1 VHB

The summarised balance sheet of VHB based on its audited financial statements for the financial period from 3 January 2005 (date of incorporation) to 31 October 2005 is as follows:-

	At 31.10.2005 RM'000
Non-current asset	5,000
Current assets	339
Current liabilities	(397)
Net current liabilities	(58)
	<u>4,942</u>
Financed by:-	
Share capital	5,000
Accumulated loss	(58)
	<u>4,942</u>
Shareholders' equity	<u>4,942</u>
Number of shares in issue ('000)	<u>50,000</u>
Net tangible assets per share (RM)	<u>0.10</u>



## 8. SUMMARISED BALANCE SHEETS (CONT'D)

### 8.2 VRSB

The summarised balance sheets of VRSB based on its audited financial statements as at the end of the Relevant Financial Periods are as follows:-

	At 31.12.2003 RM'000	At 31.10.2004 RM'000	At 31.10.2005 RM'000
Plant and equipment	375	469	613
Development expenditure	-	-	443
	<u>375</u>	<u>469</u>	<u>1,056</u>
Current assets	872	4,935	6,722
Current liabilities	(788)	(2,083)	(2,053)
Net current assets	<u>84</u>	<u>2,852</u>	<u>4,669</u>
	<u>459</u>	<u>3,321</u>	<u>5,725</u>
Financed by:-			
Share capital	500	500	2,000
(Accumulated loss)/Retained profits	(41)	2,821	3,674
Shareholders' equity	<u>459</u>	<u>3,321</u>	<u>5,674</u>
Non-current liability	-	-	51
	<u>459</u>	<u>3,321</u>	<u>5,725</u>
Number of shares in issue ('000)	<u>500</u>	<u>500</u>	<u>2,000</u>
Net tangible assets per share (RM)	<u>0.92</u>	<u>6.64</u>	<u>2.62</u>



## **9. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES**

The following are detailed proforma statements of assets and liabilities of VHB Group as at 31 October 2005 prepared for illustrative purposes, based on the audited financial statements of VHB and VRSB as at 31 October 2005.

The Proforma Statements of Assets and Liabilities of VHB Group are provided for illustrative purposes only to show the effects of the Public Issue, Proposed Listing and ESOS as if they had been completed as at 31 October 2005.

The Proforma Statements of Assets and Liabilities should be read in conjunction with the accompanying notes thereon.





## 9. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

	Note	Audited As at 31 October 2005 RM'000	Proforma I Public Issue RM'000	Proforma II ESOS RM'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	11.1	613	4,113	4,113
Development expenditure	11.2	443	443	443
Goodwill on consolidation	11.3	1,576	1,576	1,576
		<u>2,632</u>	<u>6,132</u>	<u>6,132</u>
<b>CURRENT ASSETS</b>				
Inventories	11.4	1,276	1,276	1,276
Trade receivables	11.5	4,016	4,016	4,016
Other receivables, deposits and prepayments		424	83	83
Fixed deposits with a licensed bank	11.6	484	484	484
Cash and bank balances	11.7	478	6,841	10,949
		<u>6,678</u>	<u>12,700</u>	<u>16,808</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	11.8	765	765	765
Other payables and accruals	11.9	1,271	1,271	1,271
Term loan	11.10	30	30	30
		<u>2,066</u>	<u>2,066</u>	<u>2,066</u>
<b>NET CURRENT ASSETS</b>				
		<u>4,612</u>	<u>10,634</u>	<u>14,742</u>
		<u>7,244</u>	<u>16,766</u>	<u>20,874</u>
<b>FINANCED BY:-</b>				
Share capital	11.11	5,000	6,670	7,337
Share premium	11.12	-	7,852	11,293
Retained profits		2,193	2,193	2,193
<b>SHAREHOLDERS' EQUITY</b>				
		<u>7,193</u>	<u>16,715</u>	<u>20,823</u>
<b>NON-CURRENT LIABILITY</b>				
Term loan	11.10	51	51	51
		<u>7,244</u>	<u>16,766</u>	<u>20,874</u>
Number of ordinary shares of RM0.10 each in issue ('000)		<u>50,000</u>	<u>66,700</u>	<u>73,370</u>
Net tangible assets per ordinary share ^ (RM)		<u>0.10</u>	<u>0.22</u>	<u>0.26</u>
Net assets (excluding goodwill on consolidation) per ordinary share # (RM)		<u>0.11</u>	<u>0.23</u>	<u>0.26</u>

Notes:-

^ - Net tangible asset is calculated by deducting goodwill on consolidation and development expenditure

# - Net asset (excluding goodwill on consolidation) is calculated by deducting only the goodwill on consolidation



## **10. ACCOUNTING STANDARDS AND POLICIES**

### **10.1 BASIS OF PREPARATION**

The financial statements of VHB and its subsidiary ("VHB Group") have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in the summary of significant accounting policies below. The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

### **10.2 SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Financial Instruments**

Financial instruments are recognised in the balance sheet when VHB Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when VHB Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

#### **(b) Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 31 October 2005.

A subsidiary is defined as a company in which VHB Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency of accounting policies with those of VHB Group.



## 10. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 10.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Basis of Consolidation (Cont'd)

Minority interests are measured at the minorities' share at the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

#### (c) Goodwill or Negative Goodwill on Consolidation

Goodwill represents the excess of the fair value of the purchase consideration over VHB Group's share of the fair values of the separable net assets of the subsidiary at the date of acquisition. Negative goodwill represents the excess of VHB Group's share of the fair values of the separable net assets of the subsidiary at the date of acquisition over the fair value of the purchase consideration.

Goodwill is retained in the balance sheet and is not amortised. Goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of goodwill written off is taken to the income statement. Negative goodwill is taken to the income statement immediately.

#### (d) Investments in Subsidiaries

Investments in subsidiaries are initially stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial period/year if events or changes in circumstances indicate that their carrying values may not be recoverable.

#### (e) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Plant and machinery	10 - 20%
Furniture, fittings and electrical installation	10%
Forklift	20%
Computer equipment	20%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Capital work-in-progress is stated at cost, and will be transferred to the relevant category of long term assets and depreciated accordingly when the assets are completed and ready for commercial use.

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## 10. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 10.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

#### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard cost basis, which approximates the actual costs incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and an appropriate proportion of production overheads.

In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

#### (h) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.



## 10. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 10.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (i) Research and Development Expenditure

Research expenditure is written off to the income statement when incurred. Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure capitalised comprises costs incurred for development including direct and attributable indirect costs.

Development costs initially recognised as an expense are not recognised as assets in the subsequent period. Development costs initially capitalised in the balance sheet in respect of a specific product will be transferred to cost of sales when the product is sold.

Development costs that have been capitalised are amortised on a straight-line basis over the period of their expected benefit, but not exceeding 5 years, from the commencement of the commercial production of the products.

#### (j) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### (k) Interest-bearing Bank Borrowings

The interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

#### (l) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.



## 10. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 10.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (n) Employee Benefits

##### (i) Short Term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of VHB Group.

##### (ii) Defined Contribution Plans

VHB Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, VHB Group has no further liability in respect of the defined contribution plans.

#### (o) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling on that date. All exchange differences are taken to the income statement.

#### (p) Taxation

Taxation for the Relevant Financial Periods comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.



## 10. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 10.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (p) Taxation (Cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

#### (q) Revenue Recognition

##### (i) *Sale of Goods*

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

##### (ii) *Interest Income*

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

### 10.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

There were no changes in the significant accounting policies adopted by VHB Group during the Relevant Financial Periods.



## 11. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

### 11.1 PLANT AND EQUIPMENT

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Plant and machinery	333	(76)	257
Furniture, fittings and electrical installation	173	(45)	128
Forklift	21	(12)	9
Computer equipment	173	(92)	219
	<u>838</u>	<u>(225)</u>	
As at 31 October 2005			613
Proceeds from the Public Issue utilised for capital expenditure			<u>3,500</u>
As per Proforma I/II			<u>4,113</u>

Included in the plant and equipment of the Group are certain computer equipment with a carrying value of RM77,544 that has been pledged to a financial institution as security for banking facilities granted to the Group.

### 11.2 DEVELOPMENT EXPENDITURE

	RM'000
Development expenditure, at cost	450
Accumulated amortisation	(7)
	<u>443</u>
As at 31 October 2005/As per Proforma I/II	<u>443</u>

Development expenditure comprised direct materials, labour and related overheads.

### 11.3 GOODWILL ON CONSOLIDATION

	RM'000
At 3 January 2005 (date of incorporation)	-
Arising from the acquisition of a subsidiary	1,576
	<u>1,576</u>
As at 31 October 2005/As per Proforma I/II	<u>1,576</u>





## 11. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

### 11.4 INVENTORIES

	RM'000
At cost:-	
Raw materials	240
Work-in-progress	769
Finished goods	181
Consignment inventories	86
	<hr/>
As at 31 October 2005/As per Proforma I/II	<u>1,276</u>

None of the inventories is carried at net realisable value.

### 11.5 TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The breakdown of trade receivables by currency is as follows:-

	RM'000
Ringgit Malaysia	1,403
United States Dollar ("USD")	2,613
	<hr/>
	<u>4,016</u>

The principal closing foreign exchange rate used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of USD balance as at 31 October 2005 is 3.78.

### 11.6 FIXED DEPOSITS WITH A LICENSED BANK

A fixed deposit of RM150,000 has been pledged to a licensed bank for credit facilities granted to the Company.

The weighted average effective interest rate per annum of the fixed deposits at the balance sheet date was 3.03%.



## 11. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

### 11.6 FIXED DEPOSITS WITH A LICENSED BANK (CONT'D)

The breakdown of the fixed deposits based on the maturity periods are as follows:-

Maturity Date	RM'000
3 November 2005	34
8 November 2005	300
1 June 2006	150
	<hr/>
	484
	<hr/> <hr/>

The foreign currency exposure profile of fixed deposits is as follows:-

	RM'000
United States Dollar	34
	<hr/> <hr/>

### 11.7 CASH AND BANK BALANCES

The movement of cash and bank balances is as follows:-

	RM'000
Ringgit Malaysia	427
USD	51
	<hr/>
As at 31 October 2005	478
Net proceeds from Public Issue	11,363
Less: Estimated listing expenses	(1,500)
Less: Utilisation for capital expenditure	(3,500)
	<hr/>
As per Proforma I	6,841
Proceeds from full exercise of ESOS	4,108
	<hr/>
As per Proforma II	10,949
	<hr/> <hr/>



## 11. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

### 11.8 TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 days.

The breakdown of trade payables by currency is as follows:-

	RM'000
Ringgit Malaysia	709
Singapore Dollar	48
Euro	7
United States Dollar	1
	765
	765

### 11.9 OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals are the following:-

- (a) a tax-exempt final dividend of RM2.00 per share amounting to RM1,000,000 in respect of the previous financial period, of which an amount of RM500,000 was paid during the current financial year; and
- (b) a provision for warranty claims amounting to RM200,897.

The breakdown of other payables and accruals by currency is as follows:-

	RM'000
Ringgit Malaysia	1,202
United States Dollar	69
	1,271
	1,271



## 11. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

### 11.10 TERM LOAN

	RM'000
Current portion:	
- repayable within one year	30
Non-current portion:	
- repayable between one and two years	31
- repayable between two and five years	20
Total non-current portion	51
As at 31 October 2005/As per Proforma I/II	81

The term loan as at 31 October 2005 is repayable by 36 equal monthly instalments of RM2,681 per month with effect from August 2005. The term loan bore an effective interest rate of 3.0% per annum at the balance sheet date.

The term loan is secured as follows:-

- (i) by way of a fixed charge over certain plant and equipment of the Group; and
- (ii) by a personal guarantee of a director of the Group.

### 11.11 SHARE CAPITAL

Ordinary shares of RM0.10 each:-	Number Of Ordinary Shares '000	Share Capital RM'000
<b>Authorised</b>		
As at 3 January 2005 (date of incorporation)	25,000	2,500
Creation of authorised share capital on 10 November 2004	25,000	2,500
As at 31 October 2005	50,000	5,000
Creation of authorised share capital on 16 January 2006	200,000	20,000
	250,000	25,000



## 11. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

### 11.11 SHARE CAPITAL (CONT'D)

Ordinary shares of RM0.10 each:-	Number Of Ordinary Shares '000	Share Capital RM'000
<b>Issued and Fully Paid-up Share Capital</b>		
As at 3 January 2005 (date of incorporation)	^	#
Ordinary shares allotted pursuant to the acquisition of VRSB	50,000 *	5,000 *
As at 31 October 2005	50,000	5,000
Public Issue	16,700	1,670
As per Proforma I	66,700	6,670
Full exercise of ESOS	6,670	667
As per Proforma II	73,370	7,337

Notes:-

^ - Represents 200 shares

# - Represents RM20

\* - Rounded up from 49,999,800 and RM4,999,980 which are the number of ordinary shares and amount of share capital, respectively.

On 14 January 2005, the Company's ESOS of up to 10% of the issued and paid-up share capital of the Company, which is governed by the by-laws, was approved by the shareholders during an extraordinary general meeting and shall be in force for a period of 10 years. On the same date, the directors of the Company granted 550,000 options to certain key employees ("Initial Grant"). The number of outstanding options as at the date of this report under the Initial Grant was 525,000.

### 11.12 SHARE PREMIUM

	RM'000
As at 3 January 2005/As at 31 October 2005	-
Share premium arising from Public Issue	9,352
Estimated listing expenses	(1,500)
As per Proforma I	7,852
Share premium arising from the full exercise of ESOS	3,441
As per Proforma II	11,293



## 12. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of VHB Group set out below has been prepared for illustrative purposes only and is based on the audited financial statements of VHB Group for the FYE 2005, and is prepared on the basis that VHB Group had been in existence throughout the Relevant Financial Periods.

	FYE 2005 RM'000
<b>Cash Flows From Operating Activities</b>	
Profit before taxation	3,295
Adjustments for:-	
Amortisation of development expenditure	7
Depreciation of plant and equipment	115
Development expenditure transferred to income statement	123
Equipment written off	1
Interest expense	1
Loss on foreign exchange - unrealised	4
Provision for warranty claims	201
Gain on disposal of equipment	(#)
Interest income	(7)
Operating profit before working capital changes	3,740
Decrease in inventories	524
Increase in trade and other receivables	(2,070)
Decrease in trade and other payables	(746)
<b>Cash From Operations</b>	1,448
Interest paid	(1)
<b>Net Cash From Operating Activities</b>	1,447
<b>Cash Flows For Investing Activities</b>	
Interest received	7
Proceeds from disposal of equipment	1
Payment of development expenditure	(568)
Purchase of plant and equipment	(266)
<b>Net Cash For Investing Activities</b>	(826)
<b>Cash Flows For Financing Activities</b>	
Proceeds from issuance of shares	^
Dividend paid	(500)
Drawdown of term loan	91
Repayment of term loan	(10)
<b>Net Cash For Financing Activities</b>	(419)
<b>Net Increase In Cash And Cash Equivalents</b>	202
<b>Cash And Cash Equivalents At Beginning Of The Financial Period</b>	760
<b>Cash And Cash Equivalents At End Of The Financial Period</b>	962

Notes:-

# - Represents amount less than RM1,000

^ - Represents RM20



## 12. PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the purpose of the proforma consolidated cash flow statement, cash and cash equivalents comprise the following:-

	RM'000
Fixed deposits with a licensed bank	484
Cash and bank balances	478
	962
	962

## 13. NET TANGIBLE ASSETS PER ORDINARY SHARE

The net tangible assets cover of VHB based on the Proforma Statements of Assets and Liabilities as at 31 October 2005 as set out in Paragraph 9 above is illustrated below:-

	RM'000
Net tangible assets of VHB Group before the Public Issue	5,174
Increase in net tangible assets arising from the Public Issue	11,022
Less: Estimated listing expenses	(1,500)
	14,696
Proforma I net tangible assets	14,696
Increase in net tangible assets arising from full exercise of ESOS	4,108
	18,804
	18,804

Number of ordinary shares of RM0.10 each in VHB that are in issue is as follows:-

	Number of ordinary shares '000
Existing ordinary shares in issue	#
Additional ordinary shares to be issued pursuant to:	
- the Acquisition of VRSB	50,000 *
- the Public Issue	16,700
	66,700
Enlarged share capital after the Public Issue (Proforma I)	66,700
Upon full exercise of ESOS	6,670
	73,370
	73,370

Note:-

# - Represents 200 shares

\* - Rounded up from 49,999,800 number of ordinary shares



### 13. NET TANGIBLE ASSETS PER ORDINARY SHARE (CONT'D)

On the basis of the enlarged issued and paid-up share capital after the Public Issue of 66,700,000 ordinary shares of RM0.10 each in VHB and after the Public Issue and ESOS of 73,370,000 ordinary shares of RM0.10 each in VHB, VHB Group's net tangible assets cover per ordinary share of VHB are approximately RM0.22 and RM0.26 respectively.

### 14. SUBSEQUENT EVENTS

Subsequent to 31 October 2005:-

- (a) on 20 February 2006, the Group entered into a Sales and Purchase Agreement to acquire two pieces of land in Mukim Bukit Baru, Melaka for a total consideration of RM963,488 of which the Group have paid a deposit of RM96,349, which represents 10% of the total purchase consideration; and
- (b) on 16 January 2006, the Company increased its authorised share capital from RM5,000,000 to RM25,000,000.

### 15. AUDITED FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 October 2005 for VHB Group.

Yours faithfully

A handwritten signature in black ink, appearing to be "J. K. W.", written over the Horwath logo.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written in a stylized cursive script.

**Onn Kien Hoe**  
Approval No : 1772/11/06 (J/PH)  
Partner



(Prepared for inclusion in the Prospectus)

## **VisDynamics Holdings Berhad**

(Company No : 677095-M)

No 21, Jalan IMJ2  
Taman Industri Malim Jaya  
75250 Melaka  
Tel: 06-3366 997

Date: **15 MAR 2006**

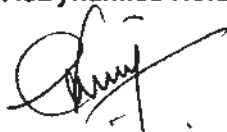
The Shareholders  
VisDynamics Holdings Berhad

Dear Sir/Madam

On behalf of the Directors of VisDynamics Holdings Berhad ("VHB"), I wish to report after making due enquiries that during the period from 31 October 2005 (being the date to which the last audited accounts of the Company and its subsidiaries (the "Group") has been made) up to the date hereof (being the date not earlier than fourteen days before the issue of this Prospectus), that:-

- (a) the business of VHB and its subsidiary company have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of VHB and its subsidiary company which have adversely affected the trading or the value of the assets of VHB or its subsidiary company;
- (c) the current assets of VHB and its subsidiary company appear in the book at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by VHB or its subsidiary company save as disclosed in Section 8.4 of this Prospectus;
- (e) in the opinion of the Directors, there have been, since the last audited accounts of VHB and its subsidiary company, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and
- (f) there have been no material changes in the published reserves or any unusual factors affecting the profits of VHB and its subsidiary company, since the last audited accounts of VHB and its subsidiary company.

Yours faithfully  
For and on behalf of the Board of Directors of  
**VisDynamics Holdings Berhad**



**Choy Ngee Hoe**  
Executive Director

**VisDynamics Holdings Berhad**  
(No. Syarikat: 677095-M)