

VisDynamics Holdings Berhad
(“VHB” or “COMPANY”)
(Company No. 677095-M)
(Incorporated in Malaysia)

PART A – EXPLANATORY NOTE PURSUANT TO FRS 134

1. Basis of Preparation

The Company was listed only on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 April 2006, and therefore there is no comparative figure presented.

The interim financial report is unaudited and is prepared in accordance with Financial Reporting Standard (FRS) 134 “Interim Financial Reporting” and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the MESDAQ Market.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the most recent audited annual financial statements for the financial year ended 31 October 2005.

2. Qualification of Audit Reports

The audited financial statements of the Company and its subsidiary, VisDynamics Research Sdn Bhd (“VRSB”)(collectively “the Group”), for the preceding financial years/periods were reported without any qualification.

3. Seasonal or cyclicity of interim operations

Presently, the Group focuses its range of products and services to customers/end-users principally engaged in test/backend of semiconductor manufacturing. As such, the Group performance will inevitably depend heavily on the outlook and cyclical nature of the semiconductor and semiconductor equipment industry which is highly unpredictable and sensitive. Furthermore, semiconductor and semiconductor equipment industry displays seasonal pattern which was historically experiencing slowdown in activities in the first half of the Group’s financial year post festive seasons and regains its momentum and peaks in the second half of the Group’s financial year in preparation for the coming festive seasons.

4. Unusual Items Due to Their Nature, Size or Incidence

There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the year to date ended 31 July 2006.

5. Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the year to date ended 31 July 2006.

6. Revaluation of Property, Plant and Equipment

The valuation on the property, plant and equipment have been brought forward without amendment from the financial statements for the financial year ended 31 October 2005.

7. Debt and Equity Securities

There were no issuances, cancellations or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the year to date ended 31 July 2006 except for the following:

7.1. Ordinary shares issued as part of the listing scheme

On 4 April 2006, the Company issued 16,700,000 ordinary shares of RM 0.10 each at an issue price of RM 0.66 per ordinary share amounting to RM 11,022,000 as an integral part of the listing of and quotation for its entire enlarge issued and paid-up share capital on the MESDAQ market of the Bursa Securities.

7.2. Employee Share Option Scheme (“ESOS”)

During the year to date ended 31 July 2006, the Company issued 151,800 ordinary shares of RM 0.10 each for cash at exercise price of RM 0.10 per ordinary share.

8. Dividends Paid

During the year to date ended 31 July 2006, VRSB has paid the final balance of RM 500,000 to its former ordinary shareholders in respect of the Tax Exempt Final Dividend of RM 1,000,000 declared on 12 January 2005.

9. Subsequent Material Events

There were no material events since the end of the current quarter to the date of this announcement that have not been reflected in the interim financial statements.

10. Change in the Composition of the Group

There were no changes in the composition of the Group during the year to date ended 31 July 2006.

11. Contingent Liabilities and Contingent Assets

There were no material changes in the contingent liabilities and contingent assets since the last annual balance sheet date as at 31 October 2005.

12. Segmental Information

No segmental information is prepared as the Group is principally engaged in the provision of test/backend equipment in the automated test equipment industry for semiconductors and the Group operates principally in Malaysia.

13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 July 2006 is as follow:

	<u>RM '000</u>
Approved and contracted for	21
TOTAL	<u><u>21</u></u>

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Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities for the MESDAQ Market

14. Performance Review

The Group registered lower revenue for the current quarter ended 31 July 2006 of RM 1,466,351 compared to previous quarter ended 30 April 2006 of RM 2,373,631, a decrease of RM 907,280 or 38%. The decrease in revenue was mainly due to unexpected softening in the demand for Tape and Reel solutions during the current quarter under review. Current quarter is seasonally stronger as compared to first half of the financial year.

Against the backdrop of lower revenue and relatively fixed overheads, the Group suffered loss before taxation in the current quarter ended 31 July 2006 of RM 193,772 as compared to profit before taxation RM 697,486 in the previous quarter.

No comparative figure is presented as the Company was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 April 2006.

15. Commentary on Material Change in Profit/(Loss) before Taxation

The Group registered loss before taxation for the current quarter ended 31 July 2006 of RM 193,772 against the profit before taxation of RM 697,486 in the previous quarter.

The loss before taxation in the current quarter was due to lower revenue and relatively fixed operating overheads as compared to second quarter of the financial year ending 31 October 2006.

16. Commentary on the Prospects

The Directors are of the opinion that the sales of the Group will remain flat in the final quarter of the Group's financial year ending 31 October 2006 as compared to the current quarter.

With the impact of lower year-to-date sales coupled with higher overheads on the current financial year ending 31 October 2006, the Directors are of view that the Group will post lower net profit in this financial year as compared to previous corresponding financial year.

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17. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee in any public document and hence, is not applicable.

18. Tax Expense

Taxation comprises the following:

	Current Quarter	9 Months Cumulative To-Date
	31 July 2006	31 July 2006
	RM'000	RM'000
In respect of:-		
Taxation	2	2
Deferred taxation	-	-
	2	2

The effective tax rate of the Group is lower than the statutory tax rate due to Pioneer Status granted to VRSB under the Promotion of Investments Act, 1986. Under Pioneer Status incentive granted to its subsidiary, 100% of the subsidiary's statutory income from pioneer activities is exempted from income tax for a period of five (5) years, commencing from 1 June 2003. The Pioneer Status may be extended for another five (5) years upon expiry.

19. Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments or properties during the current quarter and year to date ended 31 July 2006.

20. Purchase and Disposal of Quoted and marketable securities

There was no purchase or disposal of quoted and marketable securities during the current quarter and year to date ended 31 July 2006.

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21. Status of Corporate Proposal and Utilisation of Proceeds

1. Status of Corporate Proposal Proposed and Not Complete

There was no corporate proposal announced but not completed as at the date of this announcement.

2. Utilisation of Proceeds

As at 31 July 2006, the proceeds raised from the Public Issue of RM11.022 million is utilised in the following manner:

Purpose	Proceeds raised RM'000	Amount Utilised RM'000	Balance RM'000
Capital expenditure	3,500	1,057	2,443
R & D	2,500	648	1,852
Working Capital	3,522	694	3,020 *
Estimated Listing Expenses	1,500	1,308	NIL *
TOTAL	11,022	3,707	7,315

Note:

* Unutilised amount of RM 191,888 from listing expenses will be utilised for working capital purposes as per prospectus.

22. Group Borrowings and Debt Securities

Group borrowings as at 31 July 2006 were as follows:

<u>Short term</u>	<u>RM '000</u>
Secured	226
<u>Long term</u>	
Secured	323
TOTAL	549

All Group borrowings are in Ringgit Malaysia.

23. Off Balance Sheet Financial Instruments

As at the date of this announcement, the Group has no off balance sheet financial instrument of any kind.

24. Changes in Material Litigation Since the Last Annual Balance Sheet Date

As at the date of this announcement, the Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group.

25. Dividend Payable

The Group has not recommended or declared any dividend during the current quarter and year to date ended 31 July 2006.

26. Earnings Per Share (“EPS”)

(ii) Basic EPS

	Current Quarter	9 Months Cumulative To-Date
	31 July 2006	31 July 2006
Net profit for the period (RM'000)	(195)	599
Weighted average number of shares in issue ('000)	66,851	57,250
Basic EPS (sen)	(0.29)	1.05

(iii) Diluted EPS

The calculation of diluted EPS has take into consideration of the adjustment of weighted average number of ordinary shares in issue during the period for the dilutive effect of all potential ordinary shares in relation to the outstanding ESOS in existence.

For current quarter ended 31 July 2006, 363,200 outstanding options granted to certain employees have anti-dilutive potential and hence no diluted earning per share is reported.

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26. Earnings Per Share (“EPS”) (Cont’d)

(ii) Diluted EPS

	Current Quarter	9 Months Cumulative To-Date
	31 July 2006	31 July 2006
Net profit for the period (RM'000)	N/A	599
Weighted average number of shares in issue ('000)	N/A	57,250
Effect of dilution ('000): ESOS	N/A	306
Adjusted weighted average number of shares in issue and issuable ('000)	N/A	52,556
Diluted EPS (sen)	N/A	1.04

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