

## **PART A – EXPLANATORY NOTE PURSUANT TO FRS 134**

### **1. Accounting Policies**

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 interim condensed financial statements have been prepared based on accounting policies and methods of computation which are consistent with those adopted in the preparation of the audited financial statements for the year ended 31 October 2007.

### **2. Seasonal or cyclical nature 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’s performance will inevitably depend heavily on the outlook and cyclical nature of the semiconductor and semiconductor equipment industry which is highly unpredictable and sensitive in nature. Furthermore, semiconductor and semiconductor equipment industry displayed seasonal pattern which was historically experiencing slowdown in activities in the first half of the Group’s financial year post festive seasons and regained its momentum and peaked in the second half of the Group’s financial year in preparation for the coming festive seasons.

### **3. Unusual Items Due to Their Nature, Size or Incidence**

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size, or incidence during the nine (9) months financial period ended 31 July 2008.

### **4. Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the nine (9) months financial period ended 31 July 2008.

### **5. 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 nine (9) months financial period ended 31 July 2008 except for the following:

#### **5.1 Employee’s Share Option Scheme (“ESOS”)**

During the current financial year-to-date ended 31 July 2008, the Company issued 90,000 ordinary shares of RM0.10 each for cash at exercise price of RM0.10 per ordinary share under the ESOS.

## 6. Dividends Paid

There was no dividend paid during the nine (9) months financial period ended 31 July 2008.

## 7. 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.

## 8. Change in the Composition of the Group

There were no changes in the composition of the Group during the nine (9) months financial period ended 31 July 2008.

## 9. Contingent Liabilities and Contingent Assets

	<u>RM '000</u>
Unsecured – Corporate Guarantees issued to financial institutions in respect of banking facilities granted to subsidiary	5,600
Unsecured – Bank Guarantees issued in favour of third parties	80
	<u>5,680</u>

Save for the above, there were no changes in the contingent liabilities and contingent assets of the Group since the last audited annual balance sheet date as at 31 October 2007.

## 10. Segmental Information

Sales Revenue by Geographical Market for the nine (9) months financial period up to 31 July 2008:

	Current Year	Previous Year
	31 July 2008 RM'000	31 July 2007 RM'000
Malaysia	955	490
South East Asia	1,582	1,149
North Asia	3,097	3,565
USA	93	571
Total	<u>5,727</u>	<u>5,775</u>

No other segmental information such as segment assets, liabilities and results are presented as the Group is principally engaged in business as a manufacturer of automated test equipment and operates from Malaysia only.

## 11. 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 2008 is as follow:

	<u>RM '000</u>
Approved and contracted for	621
<b>TOTAL</b>	<u><u>621</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**

### **12. Performance Review**

In the current quarter ended 31 July 2008, the Group generated lower revenue of RM 2,414,064, a decrease of RM 569,778 or 19% from the previous corresponding quarter ended 31 July 2007 of RM 2,983,842 amidst softening in demand experienced in Automated Test Equipment during the current quarter.

For the current quarter ended 31 July 2008, the Group registered a loss before taxation of RM 201,768 as compared to the profit before taxation for the previous corresponding quarter ended 31 July 2007 of RM292,439. This was mainly due to lower gross profit margin resulting from write down of inventories of RM238,195, in addition to the impact of lower revenue during the current quarter as compared to the previous corresponding quarter ended 31 July 2007.

As compared to the previous corresponding financial year to date, the Group posted a marginally lower revenue of RM 5,726,481 in the current financial year to date ended 31 July 2008, a decrease of RM 48,281 or 1% from the previous corresponding financial year to date ended 31 July 2007 of RM 5,774,762.

The Group posted a loss before taxation of RM 660,930 in the current financial year ended 31 July 2008 due to the lower gross profit margin resulting from write down of inventories of RM366,872 and higher non-production overhead costs incurred as compared to corresponding financial year ended 31 July 2007. The Group suffered a loss before taxation of RM 183,782 during the previous corresponding financial year to date ended 31 July 2007.

### **13. Commentary on Material Change in Profit/(Loss) before Taxation**

The Group posted higher revenue in the current quarter as compared to the preceding quarter ended 30 April 2008 of RM 1,257,398, representing an increase of RM 1,156,666 or 92%, which displayed a pattern consistent with historical seasonal pattern where the second half of the financial year tends to be stronger than the first half of the financial year.

With a substantially higher revenue generated during the current quarter as compared to the preceding quarter, the Group registered a corresponding lower loss before taxation of RM 201,768 in the current quarter ended 31 July 2008 as compared to a loss before taxation of RM 523,569 in the preceding quarter ended 30 April 2008.

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#### 14. Commentary on the Prospects

The Group was experiencing a softening in the demand for tape and reel machines in the third quarter of the financial year ending 31 October 2008. The Group foresees that this trend in demand will continue through to the final quarter of financial year ending 31 October 2008, as indicated by industry forecasts as well as the feedback from the Group’s customers. As at 31 July 2008, approximately 38% of the inventory comprises unbilled finished goods that have been delivered for testing and demonstration at the premises of prospective customers pending their acceptance, as compared to 37% of the same as at 30 April 2008. Despite this, the Group expects that the timeframe for the acceptance of the machines delivered will be lengthened due to the tightening of capital expenditure spending by the customers.

#### 15. 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.

#### 16. Qualification of Audit Reports

The audited financial statements of the Company and its subsidiary, VisDynamics Research Sdn Bhd, for the preceding financial years were reported without any qualification.

#### 17. Tax Expense

Taxation comprises the following:

	Current Year Quarter	Previous Year Quarter	Current Year 9 Months Cumulative To-Date	Previous Year 9 Months Cumulative To-Date
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
	RM’000	RM’000	RM’000	RM’000
In respect of:-				
Taxation	-	5	1	18
Deferred taxation	-	-	-	-
	-	5	1	18

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. An application for the extension for Pioneer Status had been submitted to Ministry of International Trade and Industry for approval in May 2008 which is pending approval as at the date of this announcement.

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

There was a disposal of unquoted investments during the current quarter and year to date ended 31 July 2008 as following:

	<b>Current Year Quarter</b>	<b>Current Year 9 Months Cumulative To-Date</b>
	<b>31 July 2008 RM'000</b>	<b>31 July 2008 RM'000</b>
Total Sale Proceeds	656	656
Net Profit On Disposal	156	156

## 19. 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 2008.

## 20. Status of Corporate Proposal and Utilisation of Proceeds

### 20.1. Status of Corporate Proposal Proposed and Not Complete

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

### 20.2. Utilisation of Proceeds

As at 31 July 2008, the proceeds raised from the public issue of the Company of RM11.022 million have been utilised in the following manner:

Description	As approved by SC on 16 November 2005		As approved by SC on 30 July 2008		Actual Utilisation RM'000	Deviation
	Utilisation schedule RM'000	Timeframe	Revised Utilisation RM'000	Revised Timeframe		
Capital expenditure	3,500	12-Apr-08	4,401 <sup>^</sup>	12-Nov-08	4,401	N/A
R & D	2,500	12-Apr-09	2,500	12-Apr-09	2,500	N/A
Working Capital	3,522	12-Apr-08	2,813 <sup>*^</sup>	12-Apr-08	2,813	N/A
Listing Expenses	1,500	23-Mar-06	1,308 <sup>*</sup>	23-Mar-06	1,308	N/A
<b>TOTAL</b>	<b>11,022</b>		<b>11,022</b>		<b>11,022</b>	

## 20.2. Status of Corporate Proposal and Utilisation of Proceeds (Cont’d)

Note:

\* Unutilised amount of RM191,888 from listing expenses will be utilised for working capital purposes as per the company’s prospectus dated 23 March 2006.

^ Pursuant to the Company’s prospectus dated 23 March 2006, the amount allocated for working capital of RM 3,522,000 was to be utilised by 12 April 2008. However, as at 30 April 2008, the Company’s actual utilisation of working capital amounted to only RM 2,813,000, as a result of an improvement on the debtor turnover which led to an increase in internally generated funds for working capital purposes, and there was no strategic acquisition as envisaged per the prospectus. Following the abovementioned, the Company applied to the Securities Commission (“SC”) for an extension and variation in the utilisation of proceeds and approval was given by SC for such extension and variation via its letter dated 30 July 2008.

## 21. Group Borrowings and Debt Securities

Group borrowings as at 31 July 2008 were as follows:

<b><u>Short term</u></b>	<b><u>RM '000</u></b>
Secured	111
<b><u>Long term</u></b>	
Secured	311
<b>TOTAL</b>	<b>422</b>

The Groups borrowings are all in Ringgit Malaysia.

## 22. Off Balance Sheet Financial Instruments

As at 23 September 2008, the Group has a foreign currency forward contract with a financial institution which is yet to be exercised of total Ringgit Malaysia equivalent to RM 325,950. The maturity date of this contract is 15 December 2008. This foreign currency forward contract was entered into to hedge the Group’s foreign currency risk in respect of its foreign currency denominated receipts.

This foreign currency forward contract carries minimal credit risk as this contract was entered into with reputable banks. All gains and losses arising from forward foreign exchange contracts are dealt with through the Income Statement upon maturity.

## 23. 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.

## 24. Dividend Payable

The Group has not recommended or declared any dividend during the current quarter and nine (9) months financial period ended 31 July 2008.

## 25. Earnings/(Loss) Per Share (“EPS” or “(LPS)”)

### 25.1. Basic EPS/(LPS)

	Current Year Quarter	Previous Year Quarter	Current Year 9 Months Cumulative To-Date	Previous Year 9 Months Cumulative To-Date
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
Net profit/(loss) for the period (RM'000)	(202)	287	(662)	(201)
Weighted average number of shares in issue ('000)	67,082	66,997	67,060	66,958
Basic EPS/(LPS) (sen)	(0.30)	0.43	(0.99)	(0.30)

### 25.2. Diluted EPS

The calculation of diluted EPS has taken 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 and current financial year to date ended 31 July 2008, 113,600 outstanding options granted to certain employees have anti-dilutive potential and hence no diluted earnings per share is reported.

	Current Year Quarter	Previous Year Quarter	Current Year 9 Months Cumulative To-Date	Previous Year 9 Months Cumulative To-Date
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
Net profit for the period (RM'000)	N/A	287	N/A	N/A
Weighted average number of shares in issue ('000)	N/A	66,997	N/A	N/A
Effect of dilution ('000): ESOS	N/A	162	N/A	N/A
Adjusted weighted average number of shares in issue and issuable ('000)	N/A	67,159	N/A	N/A
Diluted EPS (sen)	N/A	0.43	N/A	N/A