

## **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 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’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**

During the current financial year ended 31 October 2008, the Group has made the following written-downs/write offs through its interim financial statements for the financial year ended 31 October 2008:

- 1) written-down/write off of inventories of RM 508,043; and
- 2) written-down/write off of property, plant and equipment and development expenditure of RM 544,878.

Except of the above impairment loss and written-downs/write off s, 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 twelve (12) months financial period ended 31 October 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 twelve (12) months financial period ended 31 October 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 twelve (12) months financial period ended 31 October 2008 except for the following:

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

During the current financial year-to-date ended 31 October 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 twelve (12) months financial period ended 31 October 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 twelve (12) months financial period ended 31 October 2008.

## 9. Contingent Liabilities and Contingent Assets

	<b><u>RM '000</u></b>
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	100
	<u>5,700</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.

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## 10. Segmental Information

Sales Revenue by Geographical Market for the twelve (12) months financial period up to 31 October 2008:

	<b>Current Year</b>	<b>Previous Year</b>
	<b>31 October 2008</b>	<b>31 October 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	1,830	1,722
South East Asia	2,184	1,161
North Asia	5,143	5,982
USA	154	747
Total	9,311	9,612

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

There was no capital commitment for the purchase of property, plant and equipment that was not provided for in the interim financial statements as at 31 October 2008.

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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 October 2008, the Group generated a lower revenue of RM 3,584,403, a decrease of RM 252,377 or approximately 7% from the previous corresponding quarter ended 31 October 2007 of RM 3,836,780 amidst tightening of capital expenditure by customers and end users in response to the softening in general economic condition during the current quarter.

For the current quarter ended 31 October 2008, the Group registered a loss before taxation of RM 799,094 as compared to profit before taxation for the previous corresponding quarter ended 31 October 2007 of RM 435,579. Excluding written-down/write off of inventories, property, plant and equipment and development expenditure totalling RM 597,291 for the current quarter ended 31 October 2008, the loss before taxation was RM 201,803. The loss before taxation (excluding written-down/write off of inventories, property, plant and equipment and development expenditure) for the current quarter ended 31 October 2008 was due to insufficient gross profit generated from lower revenue to cover higher non-production overheads incurred during the current quarter.

As compared to the previous corresponding financial year to date, the Group posted a marginally lower revenue of RM 9,310,884 in the current financial year to date ended 31 October 2008, a decrease of RM 300,657 or approximately 3% from the previous corresponding financial year to date ended 31 October 2007 of RM 9,611,541.

The Group posted a loss before taxation of RM 1,460,024 in the current financial year to date ended 31 October 2008. Excluding written-down/write off of inventories, property, plant and equipment and development expenditure totalling RM 1,052,921 for the current financial year to date ended 31 October 2008, the Group reported a loss before taxation of RM 407,103 for the current financial year to date. The incurrance of loss before taxation (excluding written-down/write off of inventories, property, plant and equipment and development expenditure) for the current financial year ended 31 October 2008 was due to higher non-production overheads incurred as compared to the previous corresponding financial year to date ended 31 October 2007. The Group posted a profit before taxation of RM 251,797 during the previous corresponding financial year to date ended 31 October 2007.

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

The Group posted a higher revenue in the current quarter of RM 3,584,403 as compared to the preceding quarter ended 31 July 2008 of RM 2,414,064, representing an increase of RM 1,170,339 or approximately 48%.

Despite a higher revenue generated during the current quarter as compared to the preceding quarter, the Group posted a loss before taxation of RM 799,094 in the current quarter ended 31 October 2008 against a loss before taxation of RM 201,768 in the preceding quarter ended 31 July 2008 mainly due to written-down/write off of inventories, property, plant and equipment and development expenditure in the current quarter under review.

### **14. Commentary on the Prospects**

With the slowdown in economic activities in both developed and developing countries expected in calendar year 2009, the Group will not be spared from the effects of the deteriorating business conditions heading into next financial year.

In response to this challenging external environment, the Group has undertaken cost cutting measures as well as prudent cash management to ensure sufficient resources are available to cater for the eventual recovery of our market. More importantly, the Group will continue to undertake key technology enhancement projects during this period so that the Group can remain in the forefront in the semiconductor equipment market.

### **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.

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## 17. Tax Expense

Taxation comprises the following:

	Current Year Quarter	Previous Year Quarter	Current Year 12 Months Cumulative To-Date	Previous Year 12 Months Cumulative To-Date
	31 October 2008	31 October 2007	31 October 2008	31 October 2007
	RM'000	RM'000	RM'000	RM'000
In respect of:-				
Taxation	-	(11)	1	6
Deferred taxation	-	(49)	-	(49)
	-	(60)	1	(43)

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 was further extended for another five (5) years commencing from 1 June 2008 to 31 May 2013 which was approved by Ministry of International Trade and Industry via its letter dated 14 October 2008.

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

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

	Current Year Quarter	Current Year 12 Months Cumulative To-Date
	31 October 2008	31 October 2008
	RM'000	RM'000
Total Sale Proceeds	-	656
Net Profit On Disposal	-	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 October 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 the date of this announcement, the proceeds raised from the public issue of the Company of RM11.022 million have been fully utilised.

## 21. Group Borrowings and Debt Securities

Group borrowings as at 31 October 2008 were as follows:

<u>Short term</u>	<u>RM '000</u>
Secured	283
<u>Long term</u>	
Secured	375
<b>TOTAL</b>	<b>658</b>

The Groups borrowings are all in Ringgit Malaysia.

## 22. Off Balance Sheet Financial Instruments

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

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

In November 2008, VRSB initiated a legal proceeding against its ex-employee (“the Defendant”) for breach of Confidentiality Agreement entered between the ex-employee and VRSB dated 12 October 2006 (“the Legal Proceeding”). Writ of summon for the Legal Proceeding have been registered with the High Court in Melaka on 26 November 2008 and the writ of summon was served on the Defendant on 11 December 2008 (“the Writ of Summon”).

In the Writ of Summon, VRSB has applied, inter alia, for the judgments on the following claims:

- 1) injunction to prohibit the Defendant from direct involvement or through service or agent or whatsoever, within two (2) years from 30 September 2008 from working with Vitrox Corporation Berhad and/or any of its subsidiaries and/or its associated companies with immediate effect;
- 2) injunction to prohibit the Defendant from direct involvement or through service or agent or whatsoever, directly or indirectly within two (2) years from 30 September 2008 from :

### 23. Changes in Material Litigation Since the Last Annual Balance Sheet Date (Cont'd)

- ii) carry on or be engaged or employed in any business in any South-East-Asia countries which compete with any business carried on by VRSB as at the date of termination;
  - iii) be a consultant or employee or officer in any executive, sales, marketing, research or technical support capacity in any business in any South-East-Asia countries which competes with business carried on by the Company at the time of termination.
- 3) Specific damages of RM 96,777.50;
  - 4) General damages in respect of breach of contract by the Defendant; and
  - 5) Full indemnification of legal costs.

Other than as stated above, there were no other material litigations as at the date of this report.

### 24. Dividend Payable

The Group has not recommended or declared any dividend during the current quarter and twelve (12) months financial year to date ended 31 October 2008.

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

#### 25.1. Basic EPS/(LPS)

	Current Year Quarter	Previous Year Quarter	Current Year 12 Months Cumulative To-Date	Previous Year 12 Months Cumulative To-Date
	31 October 2008	31 October 2007	31 October 2008	31 October 2007
Net profit/(loss) for the period (RM'000)	(799)	496	(1,461)	295
Weighted average number of shares in issue ('000)	67,088	66,997	67,067	66,948
Basic EPS/(LPS) (sen)	(1.19)	0.74	(2.18)	0.44



## 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 October 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 12 Months Cumulative To-Date	Previous Year 12 Months Cumulative To-Date
	31 October 2008	31 October 2007	31 October 2008	31 October 2007
Net profit for the period (RM'000)	N/A	496	N/A	295
Weighted average number of shares in issue ('000)	N/A	66,997	N/A	66,948
Effect of dilution ('000): ESOS	N/A	159	N/A	159
Adjusted weighted average number of shares in issue and issuable ('000)	N/A	67,156	N/A	67,107
Diluted EPS (sen)	N/A	0.74	N/A	0.44