

VERSATILE • INNOVATIVE • SIMPLICITY

VISDYNAMICS HOLDINGS BERHAD (677095-M)

ANNUAL REPORT 2008

VisDynamics

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SUSTAINABLE *Growth*

Our Vision

To be semiconductor industry's top choice of equipment solution provider through value innovation, best-in-class performance, excellent service & support, cost effectiveness, environmental friendliness and partnership with customers, peers, suppliers & employees.

Our Mission

- Strive to meet or exceed expectation of customers, peer partners, suppliers, employees & investors
- Identify and employ/partner with the best talents in the market
- Unleash the best potential of partners & employees
- Contribute to local & global communities in education & long term economy sustainability



Corporate office and manufacturing plant

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Corporate Structure

VisDynamics
VisDynamics Holdings Berhad ("VHB")



VisDynamics Research Sdn Bhd ("VRSB")
Design, R&D and Assembly of Back-end Semiconductor Equipment



Back-end Semiconductor Equipment



OEM Vision Inspection System



Gravity-based
(G-Series)



Tray-based
(T-Series)

BACK-END SEMICONDUCTOR EQUIPMENT

To test, inspect and transfer of semiconductor at high speed

OEM VISION INSPECTION SYSTEM

To inspect an object automatically at high speed



G-Series

T-Series



Financial

Highlights

	2004 ¹ RM'000	2005 ² RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Turnover	8,309	8,036	6,309	9,612	9,311
Gross Profit	5,467	5,489	3,481 ^o	4,787	4,328
Depreciation	(58)	(98)	(150) ^o	(225)	(409)
Amortization of Development Expenditure	-	(7)	(44)	(183)	(197)
Interest expenses	(#)	(1)	(26)	(21)	(27)
(Loss)/Profit before Taxation	2,863	3,295	238 ^o	252	(1,491)
Taxation	-	-	26	43	(2)
Pre-acquisition Profits	-	(1,102)	-	-	-
(Loss)/Profit after Taxation	2,863	2,193 [*]	265 ^o	295	(1,493)
No. of Ordinary Shares in Issue ('000)	50,000 [*]	50,000 [*]	66,852	66,998	67,088
Basic EPS (sen)**	5.7	6.6	0.5 ^o	0.4	(2.2)
Net Tangible Assets per Share (sen)***	7.00	10.30	21.70	21.90	20.05
R&D Spending ('000)	N/A	1,027	1,389	1,408	735
Inventory	N/A	1,276	3,328	5,560	5,826
Receivables	N/A	4,016	4,820	3,562	2,219
Net (Decrease)/Increase in Cash And Cash Equivalents	N/A	962	6,532	(3,078)	(2,417)

Notes:

¹ Presented on a proforma basis on the assumption that the Group is already in existence in the financial year.

² For financial period from 3 January 2005 (date of incorporation) to 31 October 2005.

* Assumed to be in existence throughout the financial period.

** The basic Earnings Per Share (EPS) is arrived at by dividing the Group's profit attributable to shareholders (before pre-acquisition profit but after taxation) by the weighted average number of ordinary shares in issue during the year.

*** The Net Tangible Assets (NTA) Per Share is arrived at by dividing net tangible assets value attributable to ordinary shares by the number of ordinary shares in issue.

^o Restated in financial year ended 31 October 2007

Represents amount less than RM1,000

Turnover (RM'000)

9,311



Gross Profit (RM'000)

4,328



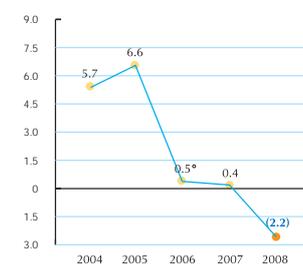
Profit Before Taxation (RM'000)

(1,491)



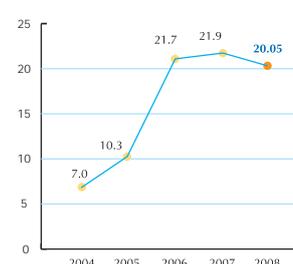
Basic EPS (sen)

(2.2)



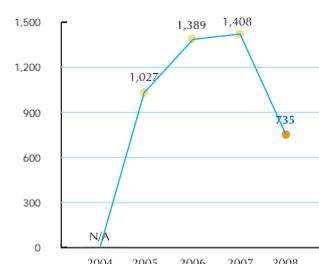
Net Tangible Assets Per Share (sen)

20.05



R&D Spending (RM'000)

735



Chairman's

Statement



IT IS MY PLEASANT DUTY TO REVIEW OUR PERFORMANCE FOR THE PAST YEAR AND TO PROVIDE YOU WITH AN OVERVIEW OF OUR FUTURE PLANS AND THE ROAD AHEAD.

OUR INDUSTRY

FY 2008 saw both the semiconductor and semiconductor equipment industries displaying healthy growth during the first three quarters. However, this expansionary environment quickly turned negative in September as a result of the deleveraging of the US economy, and the present global financial crisis.

Unlike the “dot.com” burst of 2000, where the communications industry was most at risk, never mind the onomatopoeic companies with vacuous business models, this time around the impact on the semiconductor industry is wider and relates to a contraction of private consumption. As consumer spending worldwide drives over 50% of demand for semiconductors, the fortunes of the chip industry are now determined by macroeconomic conditions such as negative GNP growth in the developed countries, increasing unemployment, tightening consumer credit and declining consumer confidence.

It is estimated that global personal computer unit sales will decline by 5% and cell phone by more than 6% in 2009. As PCs and cell phones together account for approximately 60% of worldwide semiconductor consumption, any decline in these two important market segments will have a negative impact on semiconductor sales.

The anticipated contraction in demand has been met by capacity reduction on the part of the industry. Dynamic Random Access Memory (“DRAM”) investment collapsed in 2008 and foundry capacity cuts deepened. Declining end-user demand has put considerable downside pressure on front-end capacity.

Consequently, the back-end equipment market is also expected to decline in 2009, with spending targeted near the USD4.5 billion mark. Weak capital spending is expected to limit market potential through much of 2009, but is hoped to set the floor for some recovery in 2010.

PERFORMANCE REVIEW

For financial year ended 31 October 2008, the Group generated sales of RM9.3 million as compared to RM9.6 million recorded during the previous financial year ended 31 October 2007, a decrease of 3%. The decrease was mainly attributable to the sales mix, as more units of equipment with lower contribution margins were sold. This applied to both our gravity-type equipment (G-series) as well as our tray-type equipment (T-series).

On a product group basis, semiconductor back-end equipment, both gravity and tray, contributed 81% of our total revenue generated during FY 2008. The balance was made up of vision inspection systems, upgrading projects and spares and services. As for the geographical coverage, 98% of our sales went to North Asia and South East Asia with North America accounting for the balance.

Gross profit of the Group for FY 2008 stood at RM4.3 million as compared to RM4.8 million during the previous financial year, a decrease of 10% which were due to lower sales generated and the written down of inventories in the current financial year.

Loss before taxation for the Group for the year under review registered RM1.5 million as compared to a profit before taxation of RM252k in the prior year. This was mainly the result of a write down of inventories, properties, plant and equipment and development expenditure in the current financial year.

Property, plant and equipment increased from RM2.3 million in FY 2007 to RM5.5 million in FY 2008. This was mainly due to the construction of our new design and assembly facility, with a total floor area of approximately 25,000 sq. ft. to cater for our long-term expansion. The new premises have created a more congenial working environment for our staff as compared to our previous rented shop lot premises.

There was a slight increase in inventories from RM5.6 million to RM5.8 million. Work-in-progress and finished products which include demonstration and consignment machines represent 76% of the total inventory, with the rest being made up of components and raw materials for assembly.

Trade receivables declined from RM3.6 million during previous financial year to RM2.2 million during current financial year, which marks a decrease in receivables' turnover days from 135 days to 87 days. This improvement reflects the ability of the Group to access higher quality customers and to enhance relationships with existing customers.

Chairman's Statement (cont'd)



Corporate office and manufacturing plant



OUR CORE VALUE – INNOVATION

We believe that the only way for us to remain ahead of the competition in our industry is through sustained innovation resulting from continuous R&D.

The continuous development of our G-series has improved user experience and ease of maintenance of these machines. The stabilization in the performance of our newer T-series has earned greater customers acceptance.

To ensure continuous improvement and development, we are currently enhancing our G-series in terms of speed. We are also enhancing and streamlining our T-series to create a common platform for both 2-dimension and 3-dimension vision applications.

PROSPECTS

By most accounts, the current global financial turmoil, which is expected to last at least for most of 2009, does not bode well for the semiconductor industry and ultimately for the semiconductor equipment segment of the industry.

While the business cycle is expected to continue downwards for the industry as a whole, certain segments are expected to perform better than the rest. The system-on-chip, analog and radio frequency test markets are the expected outperformers while the memory test market will become more competitive.

While these developments are useful as a guide our sales projections, we account for of the ATE of less than 1%. Hence, our sales performance may be quite different from the market as a whole. In deriving our sales projections, we are guided more by the demand projections of our customers, judiciously discounted.

The year ahead will be more challenging as compared to previous ones. As this report is written, it would appear that the deleveraging of the US economy will spread to other developed economies which are likely to find themselves in recession for 2009. The contraction of trade flows and credit are likely to have an impact on the economies of developing countries. We can only hope that the world has learned that the "beggar-thy-neighbour" policies of the last century have no place in the new millennium.

On our part, we will continue undertake strategic cost reductions while maintaining the functional and performance levels expected of our customers. Through innovation, we plan to offer more value to them which will prove to be mutually beneficial to us as well.



CORPORATE SOCIAL RESPONSIBILITY

Our new facility, which is fully operational, is a testament to the environmental concerns of the Group. I will not belabour the details as they have been mentioned in last year's statement.

During the financial year, we have offered internships to a number of undergraduates who were required to fulfill their practical training requirement. Apart from learning technical skills, these undergraduates had the opportunity to gain an insight of our culture and operations, and may be attracted to join us upon graduation.

We have also put in place a scholarship programme for existing staff who are interested in furthering their education. We have sponsored two of our staffs during the financial year.

INVESTORS RELATIONS

By participating in Bursa Malaysia's Capital Market Development Fund Research Scheme, we have an opportunity to disseminate to the investing public our financial results as well as corporate developments free-of-charge. Currently, the Group is covered by two research houses, namely Standard & Poor's and SJ Securities.

Our one-stop investor information centre in our corporate website, www.vis-dynamics.com, provides up-to-date announcements and press releases as well as financial reports. Within the Group, we communicate regularly with our employees to brief them of our financial performance and to encourage their participation in the ownership of our shares. Our investor relation activities have also been extended to business associates.

We also provide briefings to the analyst community and the press on the occasion of our Annual General Meetings.

CORPORATE GOVERNANCE

The Group is committed to achieving and maintaining good standards of corporate governance. The Board views good corporate governance as going beyond the duty of care that it owes to shareholders. All things being equal, we expect good governance to translate into a lower cost of capital for the Group, and a premium for shareholders in the long run.

ACKNOWLEDGEMENT

Allow me express, on behalf of the Board, our deep appreciation to management, employees and business associates for their unstinting commitment, dedication, support and loyalty in contributing to the success of the Group.

We also wish to express our sincere appreciation and gratitude to our shareholders and stakeholders for the confidence placed upon us. In the difficult year ahead, we will redouble our efforts to earn and retain your trust.

Board of Directors



from left to right

Khairil Anuar Bin Abdullah - Chairman / Non-Independent Non-Executive Director

Dato' Nordin Bin Baharuddin - Independent Non-Executive Director

Datuk Azzat Bin Kamaludin - Independent Non-Executive Director

Choy Ngee Hoe - Chief Executive Officer / Executive Director

Lee Chong Leng - Chief Technical Officer / Executive Director

Ong Hui Peng - Machine Software Department Manager / Executive Director

Board of Directors' Profile

KHAIRIL ANUAR BIN ABDULLAH

58 years of age / Malaysian, Chairman / Non-Executive Non-Independent Director

En Khairil Anuar Bin Abdullah ("En Khairil") was appointed as the Chairman/Non-Executive Non-Independent Director on 14 January 2005. He is the Chairman of the Employees' Share Option Scheme ("ESOS") Committee and a member of the Remuneration Committee, Nomination Committee and Audit Committee.

En Khairil graduated with a first degree in economics from the University of Malaya in 1972 and obtained his Master of Business Administration from Harvard Business School, USA in 1981. He is a Fellow of the Malaysian Institute of Banks.

En Khairil's career covers a diverse range of government and corporate experiences in the Economic Planning Unit of the Prime Minister's Department from 1973 to 1982, the Guthrie Group of Companies from 1983 to 1987, Batu Lintang Rubber Company (re-listed on Bursa Securities as Advance Synergy Berhad) and Arthur D Little from 1988 to 1992. In 1993, he joined the Securities Commission at its commencement as Director for Policy and Development. His portfolio included regulations and law reform, product development, economic research, information technology, the Securities Industry Development Centre, accounting standards and Islamic capital market development. He also served in the advisory committee of the Malaysian Central Depository, the Board of the Labuan Offshore Financial Services Authority and chaired a working group on the regulation of secondary markets of the Emerging Markets Committee of the International Organisation of Securities Commission ("IOSCO"). He was a member of the Bank of International Settlement / IOSCO Task Force on clearing and settlement in 1996.

In 1997, he was appointed founding chairman of the Malaysian Exchange of Securities Dealing & Automated Quotation Bhd (MESDAQ), Malaysia's securities exchange catering to high growth and technology companies until it merged with Bursa Securities (then the Kuala Lumpur Stock Exchange) in 2002.

Currently, En Khairil is the Chairman of The Media Shoppe Berhad and BCT Technology Berhad. He is also a Director of Symphony House Berhad, Kuwait Finance House (M) Berhad, and Apollo Hospitals Enterprise Limited.

CHOY NGEE HOE

45 years of age / Malaysian, Executive Director / Chief Executive Officer

Mr Choy Ngee Hoe ("Mr Choy") was appointed as the Executive Director on 14 January 2005. He is also a member of the Remuneration Committee and ESOS Committee.

Mr Choy, a major shareholder, is our Chief Executive Officer and one (1) of the founder members of Visdynamics Research Sdn Bhd ("VRSB"), a subsidiary of our company. He is the leader of the team of talented and experienced engineers in VRSB. He oversees our management team as well as in charge of devising our corporate strategies and plans.

Mr Choy graduated from University of Malaya with a Bachelor of Science Degree in Mechanical Engineering (Honours) in 1988. He began his career in the semiconductor industry in 1988 as a Process Engineer in a subsidiary of one (1) of the well-known Multi-National Corporations (MNCs), National Semiconductors Corporation, in Melaka. Mr Choy was exposed to manufacturing and process technologies covering molding, strip/laser marking, solder plating, trim and form, electrical tests, reliability test and all the way to final pack in various consumers, industrial and military/aerospace products. Other than process related responsibilities such as yield improvement, cost savings, upgrades, productivity enhancement, equipment qualification, product transfer etc, he was also actively involved in new product development that required him to work with the corporate R&D team. His last position in National Semiconductor Corporation was Equipment Manager.

Mr Choy joined Telford as Operations Manager in 1994 and helped form and head TQS Manufacturing Sdn Bhd ("TOSSB"). TOSSB is a Tape and Reel (TNR) contract manufacturer. He was later promoted as Business Director in TOSSB where he was heavily involved in semiconductor equipment development.

In 1997, Telford acquired the backend equipment division of a major semiconductor Integrated Device Manufacturer (IDM), Texas Instruments Incorporated, where he was a member of the acquisition team. Telford equipment division was then spun off to become the Semiconductor Technologies & Instruments (STI) group of companies. Mr Choy was made President of STI Sdn Bhd, which he helped form. In 1999, Telford and the STI group of companies were later united under ASTI Holding Ltd ("ASTI") and listed on the Singapore Exchange Ltd, Singapore. Mr Choy also held directorship and chairmanship in various international ASTI subsidiaries and helped ASTI with another major acquisition, the Reel Service Ltd group of companies, making ASTI one of the world's largest TNR contract manufacturers. He resigned from ASTI at 31 December 2002 and subsequently set up VRSB with the rest of the promoters.

Board of Directors' Profile (cont'd)

LEE CHONG LENG

44 years of age / Malaysian, Executive Director / Chief Technical Officer

Mr Lee Chong Leng ("Mr Lee") was appointed as the Executive Director on 14 January 2005. He is also a member of ESOS Committee.

Mr Lee is our Chief Technical Officer ("CTO") and one (1) of the founder members of VRSB. In his capacity, Mr Lee oversees our Vision Software, Mechanical Design, Machine Software and Equipment Assembly sections. In addition, he is also our R&D project leader, in which he is in charge of the overall R&D activities that we undertake. He is involved in the formulation of corporate strategies and implementation of the R&D policy.

Mr Lee graduated with both Bachelor of Science Degree in Computer Science and Bachelor of Engineering Degree (Honours) in Electrical Engineering from University of New South Wales in 1989.

Upon his graduation, he joined as a Test Engineer in the subsidiary of one (1) of the well-known semiconductor MNCs, National Semiconductors Corporation, in Penang. During 1990 to 1997, he acted as an R&D Engineer for Powermatic Sdn Bhd in Petaling Jaya, Selangor which specialized in the manufacturing of security system, time management system and computer peripherals. In 1997, he joined TQS Manufacturing Sdn Bhd, a subsidiary of ASTI, which specialized in the TNR solution for semiconductor back-end industry, as Engineering Manager for two (2) years. In 1999, he was transferred to STISB, a subsidiary of ASTI, where he held the post of Engineering Manager.

Mr Lee resigned from ASTI and STISB on 15 November 2002 after which he and the rest of the promoters formed VRSB where he assumed the position as Engineering Manager and subsequently CTO. His vast experience and technical know-how throughout his nineteen (19) years of employment history has gained him reputable recognition from the industry. He is also one (1) of the inventors of our proprietary on-track mark and 3D vision inspection which are pending patent registration.

ONG HUI PENG

33 years of age / Malaysian, Executive Director / Machine Software Department Manager

Ms Ong Hui Peng ("Ms Ong") was appointed as the Executive Director on 14 January 2005. She is one (1) of the founder members of VRSB. Presently, she manages our Machine Software section and is responsible for all our machine software development projects. She contributes actively in R&D activities undertaken by us under the leadership of the CTO. Other than that, Ms Ong participates in the formulation and implementation of R&D strategies. She graduated from University of Malaya with a Bachelor's Degree (Honours) in Computer Science in 1999.

Ms Ong started her career in the semiconductor industry in 1999 as a Software Engineer in STISB, a subsidiary of ASTI, specializing in machine software development, and later as a Section Head of Machine Software.

Ms Ong resigned from STISB on 15 November 2002 after which she and the rest of the promoters formed VRSB where she assumed the post of Section Head of Machine Software Development and subsequently Machine Software Department Manager. Her specialization in the software development and experience during her career has been recognized by the industry.

Board of Directors' Profile (cont'd)

DATO' NORDIN BIN BAHARUDDIN

59 years of age / Malaysian, Non-Executive Independent Director

Dato' Nordin Bin Baharuddin ("Dato' Nordin") was appointed as the Non-Executive Independent Director on 9 February 2006. He is the Chairman of the Audit Committee and a member of the Nomination Committee.

Dato' Nordin graduated from University of London, United Kingdom with a Bachelor of Science (Econs) (Hons) Degree in 1973.

He joined Deloitte Haskins & Sells in London in 1973 upon graduation to pursue Chartered Accountancy. Following that, Dato' Nordin joined Petronas in 1979 as Manager in the Production Sharing Audit & Accounts Department.

Dato' Nordin joined Ernst & Young Malaysia in 1980 as Manager and was soon promoted to Principal and Partner. Subsequently in 1984, he was reassigned to the Sarawak office of Ernst & Young to assist the Partner-in-Charge to develop the Ernst & Young offices in Sarawak. In 1990, he was appointed the Partner-in-Charge of Sarawak. In 2004, he retired as Executive Chairman of Ernst & Young Malaysia after 35 years in the accounting and auditing sector in Malaysia and overseas.

Dato' Nordin is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Taxation, London. Presently, he is serving as President of the Malaysian Institute of Certified Public Accountants, Council Member and Chairman of the Accounting and Auditing Committee and Practice Review Committee in the Malaysian Institute of Accountants and member of the Malaysian Financial Reporting Foundation. He is also a Member of the Mongolian Institute of Certified Public Accountants and has helped to develop the profession in Mongolia as well as provided professional advice to the corporate sector through his tenure as Partner-in-Charge of Ernst & Young Mongolia.

Currently, he sits on the boards of KUB Malaysia Berhad, Syarikat Prasarana Negara Berhad and Sarawak Enterprise Corporation Berhad.

DATUK AZZAT BIN KAMALUDIN

63 years of age / Malaysian, Non-Executive Independent Director

Datuk Azzat Bin Kamaludin ("Datuk Azzat") was appointed as the Non-Executive Independent Director on 9 February 2006. He is the Chairman of the Remuneration Committee and Nomination Committee. He is also a member of the Audit Committee.

A lawyer by profession, Datuk Azzat graduated from Queen's College, University of Cambridge, with a degree of Bachelor of Arts in 1968 and a Degree of Bachelor of Law in International Law in 1969. He was admitted to the Honourable Society of the Middle Temple, London in 1970.

From 1970 to 1979, Datuk Azzat was an Administrative and Diplomatic Officer with the Ministry of Foreign Affairs, during which time, he was also Assistant Secretary of Association of Southeast Asian Nation (ASEAN) and Zone of Peace, Freedom and Neutrality (ZOPFAN) Divisions, Second Secretary at the Permanent Mission of Malaysia to the United Nations, Head of Chancery at the Malaysian Commission in Hong Kong and finally, Principal Assistant Secretary, Law of the Sea Division. He has been a partner of the legal firm, Messrs Azzat & Izzat ever since 1979.

He has served as a member of the Securities Commission and the Board of MESDAQ before its merger with the then Kuala Lumpur Stock Exchange.

Currently, Datuk Azzat serves on the boards of Boustead Holdings Berhad, Affin Holdings Berhad, KPJ Healthcare Berhad, Pulai Springs Berhad, Boustead Heavy Industries Berhad and TM International Berhad.

Notes:

1. None of the Directors has any family relationship with any Directors and/or major shareholders of the Company.
2. None of the Directors has any business arrangement with the Company in which he has a personal interest or has any conflict of interest with the Company.
3. None of the Directors has any conviction for offences within the past 10 years, other than traffic offences, if any.
4. The details of directors' attendance of board meetings in the financial year ended 31 October 2008 are disclosed in page 14 of this Annual Report.

Corporate

Information

BOARD OF DIRECTORS

Khairil Anuar Bin Abdullah

Chairman / Non-Executive Non-Independent Director

Choy Ngee Hoe

Executive Director / CEO

Lee Chong Leng

Executive Director / CTO

Ong Hui Peng

Executive Director / Machine Software Department Manager

Dato' Nordin Bin Baharuddin

Non-Executive Independent Director

Datuk Azzat Bin Kamaludin

Non-Executive Independent Director

COMPANY SECRETARIES

Mah Li Chen (MAICSA 7022751)

Lee Wai Kim (MAICSA 7036446)

Peggy Chek Hong Kim (MIA 23475)

REGISTERED OFFICE

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50250 Kuala Lumpur, Malaysia
Tel : 03-2382 4288
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CORPORATE HEAD OFFICE

Lot 3844, Jalan TU 52
Kawasan Perindustrian Tasik Utama
Ayer Keroh, 75450 Melaka, Malaysia
Tel : 06-2323 023
Fax : 06-2323 600

PRINCIPAL BANKERS

Public Bank Berhad
HSBC Bank Malaysia Berhad
United Overseas Bank Malaysia Berhad

AUDITORS

Horwath (AF 1018)
Melaka Office
Chartered Accountants
535 Jalan Merdeka, Melaka Raya
75000 Melaka, Malaysia
Tel : 06-2825 995
Fax : 06-2836 449

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose,
Capital Square
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50100 Kuala Lumpur, Malaysia
Tel : 03-2721 2222
Fax : 03-2721 2530

SPONSOR

Kenanga Investment Bank Berhad
Company No. 15678-4
15th Floor, Suite 15.06, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Tel : 03-2164 6689
Fax : 03-2164 6690

STOCK EXCHANGE LISTING

Mesdaq Market of Bursa Securities
Stock Name : VIS
Stock Code : 0120

