Results Report

2 January 2008

SJ Securities Sdn. Bhd.

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VisDynamics Holdings Bhd

Neutral

FY08 4Q: Another poor quarter

Fair Value

RM0.19 (-5.0%)

Stock Data	
Price (RM)	0.20
Stock code	0120
Bloomberg Ticker	VHB MK
Listing	Mesdaq
Share Cap (RM mn)	6.71
Market Cap (RM mn)	13.42
Par value (RM)	0.10
52-wk high (RM)	0.40
52-wk low (RM)	0.11
Major shareholders:-	
Choy Ngee Hoe	30.34%
Ong Hui Peng	4.53%
Lee Chong Leng	4.53%

Financial Data	
12 month trailing PER (x)	40.91
BV per share (RM)	0.24
P/BV (x)	0.83
ROE (%)	-8.62
Beta (x)	Na
Altman Z Score	7.02
Dividend yield (%)	0.00

Relative Performance (%)	
1-month	24.66
3-month	28.88
6-month	33.78
12-month	-17.73
YTD	-0.17

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Investment Highlights

VisDynamics released its FY08 4Q results. Results came in below expectations. Cumulative revenue for the 4 quarters came in at 108.9% of full year forecasts. Losses were higher than expected.

Results. Revenue was 48.5% higher than the preceding quarter but was 6.6% lower than the corresponding year quarter. The net loss for the quarter was RM0.8mn as compared to a net loss of RM0.2mn the preceding quarter and RM0.5mn profit the corresponding year quarter.

Review. The losses for the quarter were attributable to impairments made on inventories and other assets. The impairments include a RM0.51mn write-down/write off of inventories and a RM0.54mn write-down/write off of property, plant & equipment and development expenditure. Excluding the one-off impairments, the group would have registered small profits. The poorer revenue was attributable to the lower capex by customers amid the downturn and poor outlook for the semiconductor industry.

Geographical segmentation. On a year to date basis, sales revenue has been strong in Malaysia and South East Asia while increasing 6.3% and 88.1% respectively. Sales revenue from North Asia had moderated by 14.0% while decreasing substantially by 79.4% in the USA. This is attributable to the slowdown in growth in North Asia and the general slowdown of the US economy.

Outlook. The outlook for the semiconductor industry remains poor with overall production and demand for end products slipping further. The industry is facing layoffs of workforce or running on fewer shifts. Several companies in the semiconductor industry has reduced or revised their guidance on their financial performance. The following quarters are expected to be poorer with the ending of production for the Christmas season.

Risk. Risk to VisDynamics financial performance would be an extended and deeper than expected decline in the semiconductor industry. We are expecting the poor outlook for the industry to last for several more quarters.

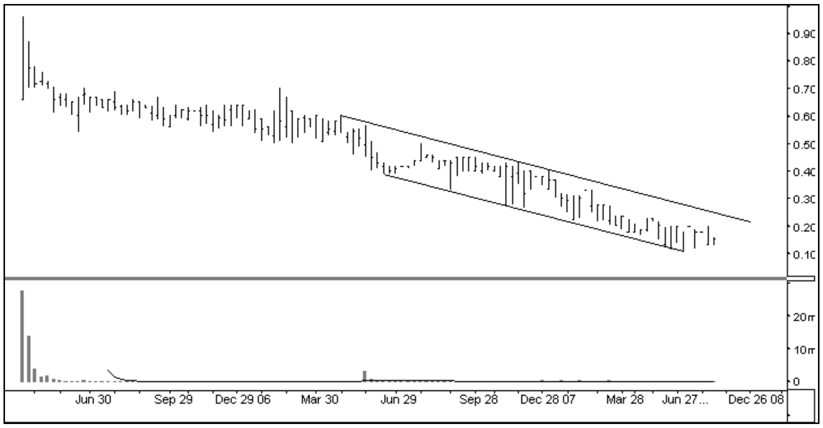
Recommendation. We have further downgraded our forecast to reflect the poor performance and lingering poor outlook of the industry. We value VisDynamics at RM0.19 per share based on a 20% discount to VisDynamics's NA per share.

Results comparison						
FYE 31 Dec	**Units**	**4Q FY07**	**3Q FY08**	**4Q FY08**	**Q-o-Q %**	**Y-o-Y %**
Revenue	**RM ('000)**	**3,837**	**2,414**	**3,584**	**48.5**	**(6.6)**
Cost of Sales	RM ('000)	(2,098)	(1,473)	(2,143)	(45.5)	(2.1)
Gross Profit	RM ('000)	1,739	941	1,441	53.1	(17.1)
Profit from operations	RM ('000)	445	(195)	(789)	(304.6)	(277.3)
Finance cost	RM ('000)	(9)	(7)	(10)	(42.9)	(11.1)
Profit before Tax	**RM ('000)**	**436**	**(202)**	**(799)**	**(295.5)**	**(283.3)**
Taxation	RM ('000)	60	0	0	na	(100.0)
Net Profit	**RM ('000)**	**496**	**(202)**	**(799)**	**(295.5)**	**(261.1)**
EPS	sen	1	(0)	(1)	(296.7)	(260.8)
Margins %						
Operating margin	%	11.6	(8.1)	(59.8)	(640.2)	(615.6)
PBT margin	%	11.4	(8.4)	(22.3)	(166.4)	(296.2)
Net margin	%	12.9	(8.4)	(22.3)	(166.4)	(272.5)

Cumulative Results comparison (YTD)				
FYE 31 Dec	**Units**	**4Q FY07**	**4Q FY08**	**Y-o-Y %**
Revenue	**RM ('000)**	**9,612**	**9,311**	**(3.1)**
Cost of Sales	RM ('000)	(4,824)	(4,980)	(3.2)
Gross Profit	RM ('000)	4,788	4,331	(9.5)
Profit from operations	RM ('000)	285	(1,425)	(600.0)
Finance cost	RM ('000)	(33)	(35)	(6.1)
Profit before Tax	**RM ('000)**	**252**	**(1,460)**	**(679.4)**
Taxation	RM ('000)	43	(1)	(102.3)
Net Profit	**RM ('000)**	**295**	**(1,461)**	**(595.3)**
EPS	sen	0	(2)	(595.5)
Margins %				
Operating margin	%	3.0	(15.3)	(616.2)
PBT margin	%	3.0	(15.3)	(616.2)
Net margin	%	0.4	(0.0)	(102.4)

P&L Analysis					
FYE 31 Dec	**Units**	**2006**	**2007**	**2008**	**2009F**
Revenue	RM (mn)	6.3	9.6	9.3	9.4
Cost of Sales	RM (mn)	(2.8)	(4.8)	(5.0)	(5.0)
Gross profit	RM (mn)	**3.5**	**4.8**	**4.3**	**4.4**
EBITDA	RM (mn)	**0.5**	**0.7**	**(0.9)**	**(0.1)**
Operation Profit	RM (mn)	**0.3**	**0.3**	**(1.4)**	**(0.6)**
Finance Cost	RM (mn)	(0.0)	(0.0)	(0.0)	(0.0)
Pretax Profit	RM (mn)	**0.3**	**0.3**	**(1.5)**	**(0.6)**
Taxation	RM (mn)	0.0	0.0	(0.0)	1.0
Net Profit/(Loss)	RM (mn)	**0.3**	**0.3**	**(1.5)**	**0.4**
Operating margin	%	5.5	3.0	(15.3)	(6.4)
EBITDA margin	%	7.3	7.4	(9.7)	(0.8)
Pretax margin	%	5.0	2.6	(15.7)	(6.8)
Net margins	%	5.4	3.1	(15.7)	3.9
Revenue growth	%	(21.5)	52.4	(3.1)	1.0
EBITDA growth	%	(86.5)	54.7	(226.7)	(91.5)
Pre-tax profit growth	%	(90.5)	(19.7)	(679.4)	(56.5)
Net profit growth	%	(89.7)	(13.3)	(595.3)	(124.9)
Per Share Data		**2006**	**2007**	**2008**	**2009F**
Book Value	RM	0.31	0.26	0.24	0.24
NTA	RM	0.28	0.24	0.20	0.21
Cash Flow	sen	(1.1)	(1.0)	1.3	0.3
Basic EPS	sen	0.6	0.4	(2.2)	0.5
Gross DPS	sen	-	-	-	-
Payout ratio	%	0.0	0.0	0.0	1.0
PER	x	101.7	95.3	(9.2)	37.4
P/Cash Flow	x	(58.7)	(42.5)	15.5	67.1
P/Book Value	x	2.0	1.6	0.8	0.8
Dividend yield	%	0.0	0.0	0.0	1.0
ROE	%	2.0	1.7	(9.0)	2.2
Net Gearing	%	net cash	net cash	net cash	net cash

Technical Analysis



VIS (Stock code: 0120) – Bottoming

Resistance : 0.23 0.28 0.33
Support : 0.07 0.11

Share price is at 0.20 on 2/1/09. The share remains on down trend. However, it is possible that it may be nearing the end of the sell down. It has started to recover from the Double Bottom at 0.11. Upside is at the overhead trendline of 0.28. It needs to clear the immediate resistance at 0.28, to signal a recovery to the previous high at 0.33 of February 2008.