

# ViTrox Corporation Berhad

(Company No. 649966-K)

(Incorporated in Malaysia)



## Quarterly report on results for the 2nd Quarter ended 30 June 2007

### CONDENSED CONSOLIDATED INCOME STATEMENTS

*(The figures have not been audited)*

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-07 RM'000	Preceding year corresponding quarter 30-Jun-06 RM'000	Current year to date 30-Jun-07 RM'000	Preceding year corresponding period 30-Jun-06 RM'000
Revenue	8,886	6,176	15,581	11,307
Other operating income	134	63	348	246
Other operating expenses	(5,340)	(3,525)	(9,740)	(6,236)
Finance cost	-	(45)	(3)	(82)
Profit before tax	<u>3,680</u>	<u>2,669</u>	<u>6,186</u>	<u>5,235</u>
Tax expense	(127)	(112)	(182)	(333)
Net profit for the period	<u><u>3,553</u></u>	<u><u>2,557</u></u>	<u><u>6,004</u></u>	<u><u>4,902</u></u>
Earnings Per Ordinary Share attributable to ordinary equity holders of the Company (sen)				
- Basic	<u><u>2.29</u></u>	<u><u>1.65</u></u>	<u><u>3.87</u></u>	<u><u>3.16</u></u>
- Diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

# ViTrox Corporation Berhad



(Company No. 649966-K)  
(Incorporated in Malaysia)

## Quarterly report on results for the 2nd Quarter ended 30 June 2007 CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As at 30-Jun-07 RM'000	Audited As at 31-Dec-06 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8,722	9,158
Prepaid land lease payments	2,854	2,878
Investment properties	600	600
Investments	91	91
Development cost	901	766
	<u>13,168</u>	<u>13,493</u>
<b>Current assets</b>		
Inventories	5,018	4,232
Trade and other receivables	12,575	10,097
Current tax assets	229	96
Cash and cash equivalents	10,353	8,600
	<u>28,175</u>	<u>23,025</u>
<b>TOTAL ASSETS</b>	<u>41,343</u>	<u>36,518</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	15,500	15,500
Reserves	21,443	17,766
<b>Total equity</b>	<u>36,943</u>	<u>33,266</u>
<b>Non-current liabilities</b>		
Borrowings	-	144
<b>Current liabilities</b>		
Trade and other payables	3,565	2,967
Borrowings	-	141
Dividend payable	775	-
Current tax liabilities	60	-
<b>Total current liabilities</b>	<u>4,400</u>	<u>3,108</u>
<b>Total liabilities</b>	<u>4,400</u>	<u>3,252</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>41,343</u>	<u>36,518</u>
<b>Net assets value per share attributable to ordinary equity holders of the parent (sen)</b>		
	<u>23.83</u>	<u>21.46</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

# ViTrox Corporation Berhad

(Company No. 649966-K)

(Incorporated in Malaysia)



## Quarterly report on results for the 2nd Quarter ended 30 June 2007 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(The figures have not been audited)*

	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
<b>Period ended 30 June 2007</b>					
Balance as at 1 January 2007	15,500	1,222	(3)	16,547	33,266
Net profit for the period	-	-	-	6,004	6,004
Exchange difference on translation			(2)		(2)
Total recognised income and expenses	-	-	(2)	6,004	6,002
Dividend	-	-	-	(2,325)	(2,325)
Balance as at 30 June 2007	15,500	1,222	(5)	20,226	36,943
<b>Period ended 30 June 2006</b>					
Balance as at 1 January 2006					
- As Previously Reported	15,500	1,222	-	7,662	24,384
- Effects of adopting FRS 140	-	-	-	161	161
Balance as at 1 January 2006 -Restated	15,500	1,222	-	7,823	24,545
Net profit for the period	-	-	-	4,902	4,902
Exchange difference on translation			5		5
Total recognised income and expenses	-	-	5	4,902	4,907
Dividend				(775)	(775)
Balance as at 30 June 2006	15,500	1,222	5	11,950	28,677

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

# ViTrox Corporation Berhad

(Company No. 649966-K)  
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## Quarterly report on results for the 2nd Quarter ended 30 June 2007

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*(The figures have not been audited)*

	Period ended 30-Jun-07 RM'000	Period ended 30-Jun-06 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	6,186	5,235
Adjustments for :		
Depreciation of property, plant and equipment	427	412
Amortisation of prepaid land lease payments	24	21
Amortisation of development expenditure	68	-
Gain on disposal of property, plant and equipment	(156)	-
Unrealised losses on foreign exchange	95	-
Interest expense	3	82
Interest income	(140)	(126)
Operating profit before working capital changes	6,507	5,624
Changes in working capital:		
Increase in inventories and receivables	(3,350)	(3,756)
Increase in payables	590	68
Cash generated from operating activities	3,747	1,936
Income tax paid	(255)	(139)
Net cash generated from operating activities	3,492	1,797
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	140	126
Purchase of property, plant and equipment	(186)	(3,060)
Proceeds from disposal of property, plant and equipment	351	-
Payment of capitalised development expenditure	(203)	(257)
Prepayment of land lease	-	(538)
Net cash generated from/(used in) investing activities	102	(3,729)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term loans	-	2,291
Dividends paid	(1,550)	(1,550)
Interest paid	(3)	(82)
Repayment of hire-purchase payables	(262)	(56)
Repayment of long-term loans	(24)	(197)
Net cash (used in)/generated from financing activities	(1,839)	406
Net increase/ (decrease) in cash and cash equivalents	1,755	(1,526)
Effects from foreign exchange	(2)	5
Cash and cash equivalents at beginning of period	8,600	12,745
Cash and cash equivalents at end of period	10,353	11,224
<u>Cash and cash equivalents consist of:</u>		
Fixed deposits with licenced banks	9,597	9,649
Cash and bank balances	756	1,575
	10,353	11,224

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

# ViTrox Corporation Berhad

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## Quarterly report on results for the 2nd Quarter ended 30 June 2007

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### A NOTES TO THE INTERIM FINANCIAL REPORT

#### A1 Basis of preparation of Interim Financial Report

The interim financial report is unaudited and has been prepared in compliance with FRS 134 2004, "Interim Financial Reporting", issued by the Malaysian Accounting Standards Board ("MASB") and the disclosure requirements as set out in Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market ("MMLR").

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2006. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2006, except for the adoption of the revised FRS 124 Related Party Disclosures which is effective for the annual periods beginning on or after 1 October 2006. The adoption of this standard does not have any significant financial impact on the Group in the current quarter and period under review and the preceding year. The disclosure requirements pertaining to this standard will be presented in the annual financial statements of the Group for the financial year ended 31 December 2007.

As at the date of this report, the Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has yet to be determined by MASB.

#### A2 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2006 was not subject to any qualification.

#### A3 Seasonal or cyclical factors

The Group's operations have not been significantly affected by any seasonal or cyclical factors during the period under review.

#### A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the period under review.

#### A5 Material changes in estimates

There were no changes in nature and amount of estimates reported in prior financial years which may have a material effect in the period under review.

#### A6 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debts and equity securities in the Company during the period under review.

#### A7 Dividend paid

A final tax exempt dividend of 0.5 sen per share amounting to RM775,000 for the year ended 31 December 2006 was paid on 6 July 2007.

#### A8 Segment reporting

No segment reporting has been prepared as the Group is principally engaged in a single business segment, namely the development and production of machine vision inspection products and the Group operates predominantly in Malaysia.

#### A9 Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment during the period under review or prior periods.

#### A10 Valuation of investment properties

The value of the Group's investment properties, stated at 2006 valuation, have been brought forward without amendment from the audited financial statements for the year ended 31 December 2006 based on valuation carried out by an independent firm of professional valuers. In line with the adoption of the fair value model, the investment properties stated at valuation will be measured at fair value on yearly basis.

# ViTrox Corporation Berhad

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## Quarterly report on results for the 2nd Quarter ended 30 June 2007

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### A NOTES TO THE INTERIM FINANCIAL REPORT

#### **A11 Material events subsequent to the end of the quarter**

There were no material events subsequent to the end of the current reporting period that have not been reflected in the financial statements for the said period.

#### **A12 Changes in the composition of the Group**

There were no material changes in the composition of the Group during the period under review.

#### **A13 Contingent liabilities**

Save as disclosed in Note B11, there were no contingent assets or liabilities for the Group since the previous financial year ended 31 December 2006 to the date of this report.

#### **A14 Capital commitments**

There were no material capital commitments for the Group as at the date of this report.

#### **A15 Significant related party transactions**

There were no significant related party transactions during the period under review.

# ViTrox Corporation Berhad

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## Quarterly report on results for the 2nd Quarter ended 30 June 2007

### B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

#### B1 Review of performance

Buoyed by strong sustainable demand for its products, the Group recorded a significantly better performance for the current quarter and half year period ("period") under review despite increasing operational costs due to ongoing expansion plans. As compared to the corresponding quarter and period of the preceding year, revenue for the current quarter grew by 43.9% to RM 8.89 million while revenue for the period registered a growth of 37.8% to RM 15.58 million. With higher revenue, the Group achieved higher profit before tax of RM 3.68 million and RM 6.19 million for the quarter and period under review, representing increases of 37.9% and 18.2% respectively against the profit before tax of the corresponding quarter and period. In similar fashion, coupled with lower income tax provisions, the Group's profit after tax increased by 39% to RM 3.55 million for the current quarter and by 22.5% to RM 6.00 million for the period.

#### B2 Variation of results against immediate preceding quarter

The Group's revenue of RM8.89 million represented an increase of 32.7% over the revenue of the immediate preceding quarter. The higher revenue was derived from increasing sales of the machine vision inspections system and electronics communication system (ECS) as principal customers strove to meet growth in demand for their products. As a result of increased revenue which in turn led to better profit margins, the Group posted a higher rise in profit before tax for the current quarter, increasing by 46.9% to RM 6.19 million as compared to that of the immediate preceding quarter.

#### B3 Prospects for the remaining quarters of current financial year ending 31 December 2007

The consistently good performance achieved by the Group over the past few quarters in spite of the sluggish conditions in the electronics & electrical industry sector attests to the resilience of the Group's business and underscores the fact that its business fortunes bore no close relationship to the performance of this sector. Nevertheless, riding on the current mild recovery in this sector with overall improvement in business outlook and driven by the expected sustainable demand for its existing vision inspection products, the Board expects the performance of the other quarters of the current financial year to remain satisfactory barring any unforeseen circumstances.

#### B4 Profit forecast, profit guarantee and internal targets

The Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcements made.

#### B5 Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-07 RM'000	Preceding year corresponding quarter 30-Jun-06 RM'000	Current year to date 30-Jun-07 RM'000	Preceding year corresponding period 30-Jun-06 RM'000
Income tax based on the results for the period under review	127	112	182	333

The effective tax rate of the Group is lower than the statutory rate due to the tax exempt incentives enjoyed by the companies within the Group as further elaborated below:

ViTrox Corporation Berhad ("VCB") is a MSC status company and enjoys pioneer status/tax exempt incentive for certain qualifying products granted by the Ministry of International Trade and Industry ("MITI") for a period of 5 years commencing from 25 January 2005 to 24 January 2010.

A wholly-owned subsidiary of VCB, ViTrox Technologies Sdn. Bhd. ("VTSB") has been granted pioneer status by MITI for a period of five (5) years for the development and production of digital automated vision inspection equipment and modules. The incentive commenced from 1 April 2005 to 31 March 2010. The current provision of income tax is in respect of certain non-business income and non-tax exempted income generated from non-pioneer products of VTSB.

Another wholly-owned subsidiary of VCB, ViE Technologies Sdn Bhd ("ViE") has also been granted pioneer status by MITI for a period of five (5) years to undertake activities relating to design, development and manufacture of printed circuit board assemblies for microprocessor applications. It is the intention of the Group that ViE will spearhead the production and sales of the ECS product. ViE has submitted an application to MITI for the determination of the pioneer status period and prior to the commencement of the pioneer status period, the business income of ViE will be subjected to income tax at prevailing tax rates.

#### B6 Sales of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties during the quarter under review and financial year-to-date.

#### B7 Purchase and Sale of Quoted Securities

There was no purchase or sale of quoted securities during the quarter under review and financial year-to-date.

#### B8 Status of corporate proposals announced

There was no corporate proposal announced as at the date of this report.

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## Quarterly report on results for the 2nd Quarter ended 30 June 2007

### B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

#### B9 Group Borrowings

	As at 30-Jun-07 RM'000	As at 31-Dec-06 RM'000
Short term borrowings - secured	-	141
Long term borrowings - secured	-	144
	<u>-</u>	<u>285</u>

All the borrowings are denominated in Ringgit Malaysia.

#### B10 Off balance sheet financial instruments

During the current quarter, the Group entered into forward foreign exchange contracts for hedging purposes. As at 22 August 2007 (being the latest practicable date which shall not be earlier than 7 days from the date of this report), details of the foreign exchange contracts entered into by the Group to hedge its sales proceeds denominated in foreign currency are as follows:-

Currency	Contract Amount in USD'000	Equivalent amount in RM'000	Contract maturity Date
US Dollar	420	1,421	Maturity dates up to December 2007

Exchange gains or losses relating to the hedged instruments are recognised in the Income Statement in the same period as the exchange differences on the underlying hedged exposures.

The above financial instruments were executed with a creditworthy financial institution, thus mitigating any credit risk associated with their settlement on maturity dates.

#### B11 Material litigation

##### (a) VTSB vs Tan Hwang Kiat (NRIC No : 730726-02-5333) ("First Defendant") and ACA Vision Technology Sdn Bhd (Company No. : 618197-K) ("Second Defendant")

The First Defendant was an engineer previously employed by VTSB. He was suspected to have copies of VTSB's source codes and produced automated vision inspection system to be sold through the Second Defendant.

VTSB was granted an Anton Pillar order on 22 October 2003 and conducted a raid at the Second Defendant's office and the First Defendant's residence on 29 October 2003. It is VTSB's case that the said ViTrox's source codes were discovered in the computers at the said office but nothing was found at the residence.

Based on the results of the raid, VTSB has applied for injunction on 24 November 2003. The application for the injunction together with 2 separate applications by the Defendants to set aside the Anton Pillar order and application by the First Defendant to challenge an affidavit of a witness for VTSB is pending fixing of date from the court for hearing. One of the grounds put forward by the Defendants in their application is that the source codes discovered in the computers do not belong to VTSB.

Based on the advice of the solicitors, the Directors of VTSB are confident that the Court is likely to allow VTSB's claim. VTSB will be entitled to all earnings the First Defendant and Second Defendant made as a result of the unauthorised use of VTSB's source code and costs including the investigation fees.

Notwithstanding the above, in the event that VTSB's claim is not successful and assuming that both the Defendants continue with the business, the Directors of VTSB believes that VTSB would only be minimally affected, if any, in view of the fact that the affected source codes are of the older version. In line with the dynamic environment of the machine vision industry, VTSB has since upgraded the source codes which are of higher accuracy and speed. As such, the current product lines of VTSB are independent of the affected source codes and thus, the sales of VTSB's products should not be affected by products arising from the use of affected sources codes, if any.

The decision for Enclosure 57 (the Defendant's application to expunge certain affidavits of the Plaintiff) came up on 9 November 2006 where the Court dismissed the Defendant's application. Therefore, the Plaintiff is entitled to rely on all the affidavits. However, the Court informed the Defendant's solicitors that they are at liberty to file an application to cross examine the deponent/s of the relevant affidavits as provided for in the Rules of the High Court.

Having delivered the said decision on 9 November 2006, the Court then fixed Enclosures 15 (the First Defendant's application to set aside the Anton Pillar Order), 17 (the Plaintiff's application for further injunction) and 19 (the Second Defendant's application for return of the items seized) for hearing on 10 November 2006.

On 10 November 2006, all counsels applied for an adjournment on the basis that more time is needed to fully prepare for hearing of the said 3 enclosures. The Court allowed the application for an adjournment and fixed the said 3 enclosures for hearing on 8 December 2006. Following a few adjournments, the next date of hearing has been fixed on 3 December 2007.

##### (b) ACA Vision Technology Sdn Bhd vs ViTrox Technologies Sdn Bhd

ACA Vision Technology Sdn Bhd vs ViTrox Technologies Sdn Bhd, ACA Vision Technology Sdn Bhd ("the plaintiff") has commenced an action against ViTrox Technologies Sdn Bhd ("the subsidiary"), a wholly-owned subsidiary of ViTrox Corporation Berhad.

In the statement of claim endorsed on the writ of summons that was served on 27 December 2005 on the subsidiary, the plaintiff alleges that the subsidiary had in the subsidiary's corporate directory under the file - Vitrox-CorpDirectory-InfoSummary-Risk Factors - published in the Bursa Malaysia website, www.bursamalaysia.com, under the heading of Information Summary and in the sub-heading entitled Material Litigation published a statement that is defamatory of the plaintiff.

The subsidiary, having consulted its solicitors has been advised that there is a good defence to this action commenced by the plaintiff.

The subsidiary has been further advised that at this stage, the quantum of damages cannot be determined as damages (if any) that is to be awarded in a defamation action is to be assessed by the Court having the benefit of evidence adduced during trial.

# ViTrox Corporation Berhad

(Company No. 649966-K)  
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## Quarterly report on results for the 2nd Quarter ended 30 June 2007

### **B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET**

VTSB has filed an application to set-aside the services of the writ of summons and statement of claims.

The Court has allowed VTSB's application to set aside the service of the writ of summons against VTSB with costs. ACA Vision Technology Sdn Bhd had filled an appeal against the decision by the Deputy Registrar to Judge in chambers and a hearing date has yet to be fixed.

#### **(c) Tan Hwang Kiat vs ViTrox Technologies Sdn Bhd**

Tan Hwang Kiat ("the Plaintiff") commenced action against ViTrox Technologies Sdn Bhd ("the Subsidiary"), a wholly- owned subsidiary of ViTrox Corporation Berhad.

In the statement of claim endorsed on the writ of summons that was served on 6 March 2006 on the Subsidiary, the Plaintiff alleges that the Subsidiary had in the Subsidiary's directory under the file - ViTrox-Corp Directory-Inform Summary-Risk Factors-published in the Bursa website, [www.bursamalaysia.com](http://www.bursamalaysia.com), under the heading of Information Summary and in the sub-heading entitled Material Litigation published a statement that is defamatory of the Plaintiff.

The Plaintiff did not specify any specific quantum of damages in the aforementioned writ of summons. At this stage, the quantum of damages of the suit cannot be determined as damages (if any) that is to be awarded in a defamation action is to be assessed by the Court having the benefit of evidence adduced during trial. In accordance, the Company is not able to assess the financial damages (if any) and the suit is not expected to have any other financial impact on the Group. The suit is also not expected to have any operational impact on the Group.

As the Plaintiff's claim is founded on the allegation of the tort of defamation, it is not liquidated claim that can be quantified. The Plaintiff had therefore claimed the interest rate on the judgment sum which is to be assessed in the event that the Plaintiff is successful in his claim. In such an event, the Plaintiff is entitled to claim interest of 8% per annum on the judgment sum from the judgment date until the full settlement of the said sum.

The Subsidiary, having consulted its solicitors has been advised that it has good defence to the action commenced by the Plaintiff and has instructed its solicitors to do the necessary to defend the said action.

The hearing date on 29 August 2006 for the hearing of the Plaintiff's application for interim injunction in the action commenced by him against VTSB was adjourned to 7 December 2006.

Subsequently, following a few adjournments, the next date of hearing has been fixed on 1 November 2007.

#### **B12 Dividends**

A final tax exempt dividend of 0.5 sen per share amounting to RM775,000 for the financial year ended 31 December 2006 was paid on 6 July 2007. Save as disclosed herein, the Board has not recommended nor declared any dividend for the current quarter and current financial year ending 31 December 2007.

# ViTrox Corporation Berhad

(Company No. 649966-K)  
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## Quarterly report on results for the 2nd Quarter ended 30 June 2007

### B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

#### B13 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-07	Preceding year corresponding quarter 30-Jun-06	Current year to date 30-Jun-07	Preceding year corresponding period 30-Jun-06
Net profit attributable to shareholders (RM'000)	3,553	2,557	6,004	4,902
Weighted average number of ordinary shares in issue ('000)	155,000	155,000	155,000	155,000
Basic earnings per share (sen)	<u>2.29</u>	<u>1.65</u>	<u>3.87</u>	<u>3.16</u>

Diluted earnings per share has not been calculated as the Company does not have any dilutive potential shares.

#### B14 Status of Utilisation of Listing Proceeds

The Company raised RM10.56 million during its Initial Public Offering ("IPO") exercise in September 2005. On 15 February 2007, the Securities Commission ("SC") approved the variation and extension of time for the Company's utilisation of the above proceeds up to 31 December 2007. Details of the utilisation of the IPO proceeds up to 30 June 2007 are as follows :-

Description	Approved Utilisation by Securities Commission RM'000	Actual Utilisation RM'000	Intended timeframe for utilisation	Deviation amou RM'000
(i) Purchase of research and development (R & D) equipment	1,170	729	By 31 December 2007	441
(ii) Regional offices set-up	922	508	By 31 December 2007	414
(iii) Repayment of financing of the acquisition of land and the construction of three (3) double-storey office-cum-factory buildings.	5,345	5,345		-
(iv) Working capital	1,823	1,823		-
(v) Listing expenses	<u>1,300</u>	<u>1,300</u>		<u>-</u>
	<u>10,560</u>	<u>9,705</u>		<u>855</u>

#### Explanations:-

##### Note 1: Purchase of R & D equipment

There has been a slowdown of the R & D equipment purchases for the year to date following the completion of most of the R & D projects initiated over the last few years, by end of 2006. Nevertheless, with the Group's continued focus on R & D, the ongoing projects, particularly on development of new enhanced generations of the AOI system and motion controller targeted for completion by end of 2007 will in all likelihood see the full utilisation of the allocated balance by then.

##### Note 2: Regional offices set-up

The Group has been exercising prudence and frugality in its spending, particularly for the Suzhou office in China whereas the office in San Jose will be activated for operation only when absolutely necessary. This has resulted in lower spending for the regional offices set-up for the period to date. The balanced allocation is expected to be fully utilised by the end of the current year, especially with spending expected to be stepped up in response to increasing demand for service support from its customers base in China.

#### B15 Status of Compliance with the Required Public Shareholding Spread

As at 29 June 2007, the Company has yet to comply with the Required Public Shareholding Spread pursuant to Rule 8.15 (1) of the MMLR, with the level of public shareholding spread as follows:-

(a) Percentage of Public Shareholdings:	27.11%
(b) Number of Public Shareholders holding not less than 100 shares each:	409

Accordingly, the Company had on 12 July 2007 submitted an application to Bursa Malaysia Securities Berhad ("Bursa") for the following:-

- An extension of time of six (6) months from 2 July 2007 to 1 January 2008 to comply with the Required Public Shareholding Spread; and
- A waiver of the Required Public Shareholding Spread by Bursa through the acceptance of a lower number of public shareholders.

Through a letter dated 9 August 2007, Bursa has granted approval to the Company an extension of six (6) months up to 1 January 2008 ("Extension of Time") to meet the Required Public Shareholding Spread. However, the application for lower number of public shareholders was unsuccessful.

To meet the Required Public Shareholding Spread within the Extension of Time, the Company proposes to undertake the following rectification plans:-

- generate more public interest over the Company's shares by conducting analysts' briefing, press interviews and press releases;
- continue to actively participate in fairs and exhibitions held locally and internationally to promote the Company to new foreign and local investors;
- aggressively promote the Company's corporate profile and business activities to the overseas market through the Group's representatives stationed overseas; and
- encourage employees as well as business associates of the Company and its subsidiaries to purchase shares of the Company.

The said rectification plans are ongoing and the Company will report on the progress from time to time.

#### B16 Authorisation for issue

# ViTrox Corporation Berhad

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## **Quarterly report on results for the 2nd Quarter ended 30 June 2007**

**B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET**

The interim financial statements are authorised for issue by the Board of Directors on 29 August 2007.

By Order of the Board

**Chu Jenn Weng**  
Managing Director

Penang  
Date: **29-Aug-07**