VITROX CORPORATION BERHAD ("VITROX" or "Company")
Research Report for the financial period ended 31 December 2007

1. FINANCIAL HIGHLIGHTS

The table below sets out a summary of the unaudited consolidated results of ViTrox and its group of companies ("ViTrox Group" or the "Group") for the 4th quarter and current year to date ended 31 December 2007.

Consolidated Results	3rd Quarter ended 30/09/2007	4th Quarter ended 31/12/2007	Quarter on Quarter	Preceding year to date ended 31/12/2006	Current year to date ended 31/12/2007	Year on year
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	9,717	10,871	11.88	24,000	36,169	50.70
Profit before tax ("PBT")	4,018	4,664	16.08	9,826	14,867	51.30
Profit after tax ("PAT")	4,010	4,414	10.07	9,498	14,427	51.90

For the fourth quarter of 2007, the Group recorded higher revenue of RM10.9 million compared to RM9.7 million recorded for the third quarter of 2007, representing an increase of approximately 11.88%. The increase in revenue was due to strong sales recorded for the machine vision inspections system and electronics communications system which remained as the Group's highest contributor to revenue and profits. The Group recorded a PBT and PAT of RM4.7 million and RM4.4 million respectively for the fourth quarter of 2007 compared to a PBT and PAT of RM4.02 million and RM4.01 million respectively for the third quarter of 2007. The increase in PBT and PAT was in line with the increase in the revenue of the Group.

The Group achieved higher revenue of RM36.2 million for the financial year ended 31 December 2007 compared to RM24.0 million recorded for the financial year ended 31 December 2006. For the current financial year ended 31 December 2007, the Group recorded a PBT and PAT of RM14.9 million and RM14.4 million respectively compared to the PBT and PAT of RM9.8 million and RM9.5 million respectively for the preceding financial year ended 31 December 2006. The increase in the revenue, PBT and PAT for the current financial year ended 31 December 2007 was due to the same reason as above.

Summary of financial results for 5 financial years of the Group are as follow:

Financial years ended 31 December	Audited				Unaudited
	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	2006 (RM'000)	2007 (RM'000)
Revenue	6,571	13,648	9,130	24,000	36,169
PBT	3,259	5,069	9,803	9,826	14,867
PBT margin (%)	50%	37%	107%	41%	41%
PAT	3,256	5,059	9,216	9,498	14,427

Financial years ended 31 December	Audited				Unaudited
	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	2006 (RM'000)	2007 (RM'000)
No. of ViTrox Shares assumed in issue / in issue ('000)	75,400	75,400	67,375	155,000	155,000
Gross earnings per share (EPS) (sen)	4.3	6.7	14.5	6.3	9.6
Net EPS (sen)	4.3	6.7	13.7	6.1	9.3

2. INDUSTRY OUTLOOK

The Malaysian economy strengthened further in the third quarter of 2007. Sustained strong domestic demand raised real GDP growth to 6.7%. Domestic demand was supported by strong private consumption spending and investment activities.

All other key sectors recorded positive growth in the third quarter. Growth in the manufacturing sector picked up to expand by 3.4% (2Q: 1.5%) reflecting a gradual recovery in the electronics and electrical (E&E) industry and further expansion in the domestic-oriented industries. Production of export-oriented industries expanded by 1.4% (2Q: -1.6%), supported by the turnaround in the E&E sector amidst the increased production of semiconductors mainly to meet the demand from the People's Republic of China and the European Union. In addition, the computers and parts segment which is closely linked to developments in the US market showed an improvement in the third quarter (0.2%; 2Q: -16.6%).

Despite increased risks of a sharp slowdown in the US economy, greater uncertainties in global financial market conditions and high oil prices, the global growth outlook remains supported by continued strength in the emerging economies, in particular, in the Asian region. Growth prospects for the large emerging economies, including China, India, Brazil and Russia, remain strong. In the domestic economy, forward looking indicators point to continued strong domestic demand in the near term. Overall, given the strong domestic demand, the potential remains for the economy to continue on a steady growth path.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2007, Bank Negara Malaysia)

During the period of the Third Industrial Master Plan, 2006-2020, the industry will continue to grow and contribute significantly to the industrial progress and transformation. It will leverage upon its strengths in semiconductors, information and communication technology ("ICT") and support industries to develop new products, based on new and emerging technologies. The trend towards extensive applications of electronics in industries and services, together with the development of multimedia ICT, will provide growth opportunities, especially in the areas of miniaturisation, digitalisation and multimedia applications.

Within the next five years, the semiconductor industry is projected to grow at an average annual rate of 6.5 per cent and be able to generate revenues of US$318 billion by 2010. This is attributed to high consumer spending and the changing preference for the most advanced electronics devices among developed countries. The growth in demand for E&E products is expected to be higher among emerging economies, especially in Asia Pacific, in view of the expansion in electronic commerce and increase in consumer purchasing power.

Malaysia is expected to benefit from the growth in demand for semiconductors from these markets, as a result of the further integration of existing semiconductor companies into the global production networks. The need to sustain competitiveness will compel semiconductor companies to outsource their manufacturing processes to more cost efficient producers. The future trend will be towards specialisation, where the larger semiconductor manufacturers will specialise in their core competencies, such as design of integrated circuits and marketing of fabless houses, while outsourcing almost all of their manufacturing functions. This trend will provide opportunities to attract companies in integrated circuits design and fabless houses to Malaysia.

(Source: Third Industrial Market Plan, 2006-2020)

3. PROSPECTS OF THE GROUP

Going forward, the Group will continue to focus and expand on its core business in the development & production of machine vision systems (MVS), automated optical inspection (AOI) system and electronics communication system (ECS). The Group is also positioning itself towards a higher level of integration in the application of vision technologies to diversify its business. The continuous advances in technologies and growth in areas such as automation, miniaturisation and digitalisation are expected to bode well for the Group as this development trend will drive the demand for the need of higher volume and smaller size of Integrated circuits and Printed Circuit Board as well as the imposition of higher quality standards and packaging complexity. Each of these trends calls for more inspection and the ViTrox Group is in a strong position to benefit from such development. The Group's expanded product lines and strengthened organisation put the Company in a strong position to meet the increasing demand from its customers in the semiconductors and electronics assembly markets.

With more than 5000 MVS installed worldwide over the last 7 years, the Group also anticipates additional revenue to be generated through system upgrades and replacements worldwide.

The Group will continue to expand its presence in the high growth market regions, namely China, Taiwan, Thailand, India & Vietnam through internal sales force and sales representatives expansion. Apart from this, the Group is exploring opportunities to further expand its business to include applications for optoelectronics and LED markets.

Based on the above and barring any unforeseen circumstances, the Directors of ViTrox are optimistic that the performance of the Group will continue to grow favourably for the coming year.

4. DEVELOPMENT MILESTONES OF BUSINESS DEVELOPMENT PLAN

The future plans of the ViTrox Group for the short to medium term remains relatively unchanged from that disclosed in the Prospectus dated 16 August 2005. The Group will continue to meet the challenges of fulfilling the growing expectations of the machine vision market while leveraging on its leading edge technologies to add breadth and depth to the business.

New and improved models of vision solutions will continue to be rolled out to meet increasing demands. These include Color inspection systems and Advanced 3D Multi-device 3D Lead vision solutions. The Group expects these new products to contribute positively to its revenue by 2nd half of 2008. Apart from new product developments, the Group will intensify efforts to convince new OEMs to switch over to its vision solutions with the commitment to deliver enhanced value.

While efforts to supply AOI to the semiconductor, Printed Circuit Board Assemblies (PCBA), Printed Circuit Board (PCB) and telecommunication industries will be continuously carried out, the Group will further capitalize on the exciting new opportunity that has been opened up in the highly challenging Flex-PCB and bare PCB markets. Aggressive marketing efforts by way of appointment of marketing channels for the China and Taiwan markets are ongoing. The Group had appointed sales representatives in China, Taiwan and Korea in 2007. The Group will increase the number of sales representative in China from the current one sales representative to three sales representatives by 3rd quarter of 2008. Parallel to this, the Group has explored penetration strategy into the Korean AOI market which saw the realization of a sales representative agreement in 2007. During the 2nd half of 2007, the Group delivered an AOI to a Taiwan customer in China. A few AOIs are under negotiation with potential customers in China and Taiwan. The Group shall ship more AOIs to China and Taiwan in 2008, which are the primary locations for PCB and Flex-PCB production. Aggressive sales and marketing activities were being carried out in the 2nd half of 2007. ViTrox had also participated in PCB exhibitions in Taiwan and Shenzhen, China in 2007.

Following the successful development of cost effective and high speed intelligent ECS thanks to the System-On-Chip technology, orders from OEM customers are set to grow. Orders from OEM customers were strong with good growth in the 2nd half of 2007. Sales and promotion strategies will be stepped up on three (3) fronts; firstly, through establishment of internal sales & support forces, secondly by way of new agency appointments in South East Asia and finally, through increased participation in international trade shows. To hasten penetration rate into new customers, increasing efforts have been put in to help the appointed agents. There were two sales agents appointed in 2007. However, the penetration into new customers through agent channel is still slow. More effort will be put into this front to deliver better results.

The Group's wholly-owned subsidiary in Suzhou, China will continue to function as the sales and support centre to deliver better service for its growing customers base in the China market while at the same time tapping on opportunity to further enhance sales not only for the vision systems but the AOI as well. Meanwhile, the representative office in USA will remain as a beachhead to establish a strategic presence in the North American market for potential business collaboration.

In its fervour to improve on customer services, ViTrox Group has increased and will continue to increase its customer service and support personnel. This has resulted in an increase in its customer service and support personnel from 19 in 2006 to 24 currently in 2007. Furthermore, the Group has instilled the discipline of conducting customer surveys to obtain direct feedback with a view towards improving product and services quality systematically. The foregoing plans are expected to contribute positively to the earnings of the Group over a long-term period.

Representing yet another major milestone for the ViTrox Group, ViE Technologies Sdn. Bhd. ("ViE") was successfully granted pioneer status for a period of 5 years from the Ministry of International Trade and Industry ("MITI") to undertake activities relating to design, development and manufacture of printed circuit board assemblies for microprocessor applications at the beginning of this year. ViE has submitted an application to MITI for determination of its 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. MITI has confirmed that the pioneer period would commence from 1 April 2007 to 31 March 2012.

5. RESEARCH AND DEVELOPMENT ("R&D")

For the financial year ended 31 December 2007, the Group spent RM2.19 million for R&D and has capitalised a total of RM0.55 million as development expenditure under intangible asset. The Group continues to focus its R&D resources on high-end and advanced machine vision and ECS development for the semiconductor and electronics assembly, such as the high speed 3D IC vision inspection system, 5S Vision inspection System, Automated Optical Inspection (AOI) System for the various PCBs and highly flexible & high speed digital electronics communication boards.

Besides remaining committed to continuous own R&D efforts to develop and enhance its products and also to provide reliable high quality products and services, the Group will continuously explore technical collaborations with universities and research institutions. This will ensure that the Group's business remain sustainable and continue to thrive through new growth in previously uncharted areas. Currently, the Group is collaborating with one of the local university on imaging research project in the field of medical devices. This project is funded under TechnoFund by Ministry of Science, Technology and Innovation (MOSTI).

The Group does not allocate a fixed development budget for its R&D activities as R&D plans may be accelerated, postponed or modified if deemed necessary, depending on customers' demand, technological development and/or market trend. Nevertheless, the spending on R&D has been on increasing trend over the past few years, from RM0.28 million in year 2003 to RM2.19 million this year, and is likely to remain so given the Group's unwavering commitment towards product innovations and technological advancements.

The status of the ongoing R&D programmes are as follows:

No.	**Details**	**Estimated Year of Completion**	**Status Update**
(i)	Second phase of the 3D Lead/Pad vision inspection system that utilizes high accuracy optical design and robust algorithms that is applicable to different IC package type and size. The second phase of the development will involve higher system accuracy, speed and flexibility.	2007	Completed

No.	Details	Estimated Year of Completion	Status Update
(ii)	Bareboard AOI system with added features for PCB manufacturing which is an enhancement over the previous generation of AOI. The technological advancements include increased production UPH, better mechanical stability & cost, improvements in machine optical calibration to provide faster object scanning speed, lighting design for better thermal management, computational performance and software system for better system stability and error handling.	2007	Completed and shipped to customer in China.
(iii)	Tester that designs using dsPIC30F family MCU to test the functionality of electronics communication system boards through RS232 signal. Test program and signal will be installed and sent from the tester board to the DUT and the return signal verified on tester board itself without being PC-based.	2007	Completed and implemented in production.
(iv)	New generation of motion controller enhanced with more functionalities. The motion controller can operate in higher speed and mainly used in automation industries for various stepper, servo and DC motor control.	2008	On-going. Expected to ship in 1H 2008.
(v)	Enhanced capabilities on Mark inspection. This advancement will give the inspection higher capability to handle product variances and provide more accurate recognition of marking printed on IC surface.	2008	Commenced. To be completed in 1H 2008.
(vi)	5 sided (5S) QFN/MLP inspection. Provide new and advance inspection capabilities to detect defects that are formally undetectable. This will improve the inspection capabilities of 5S, hence creating higher values to customers.	2008	Commenced. To be completed in 1H 2008.

The above R&D activities are expected to enhance and diversify the products and services provided by the ViTrox Group, which will contribute to the sustained growth of the Group.

6. TOP TEN SHAREHOLDERS OF VITROX

Top ten (10) shareholders of ViTrox as at 31 December 2007 are as follows:

Name of shareholders		No. of shares held	% of shareholding
1.	Chu Jenn Weng	52,766,703	34.04
2.	Siaw Kok Tong	37,878,643	24.44

Name of shareholders		No. of shares held	% of shareholding
3.	Yeoh Shih Hoong	19,729,279	12.73
4.	Teng Soo Fong	4,025,566	2.60
5.	Sim Ah Yoong	4,009,533	2.59
6.	Tan Booi Charn	3,991,200	2.57
7.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Qualifier: Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)]	3,268,300	2.11
8.	Tan Hong Soon	3,000,000	1.94
9.	Citigroup Nominees (Asing) Sdn Bhd [Qualifier: CIPLC for Classics Fund Ltd]	2,021,100	1.30
10.	Chang Mun Kee	1,666,666	1.08

7. PROFIT FORECAST

No profit forecast for the financial year ended 31 December 2007 was made public by the Company.

8. UTILISATION OF PROCEEDS

ViTrox raised gross proceeds of RM10.56 million from its public issue, which was completed on 12 September 2005. The status of the utilisation of proceeds as at 31 December 2007 is as follows:

Description		Current approved utilisation by the Securities Commission	Utilised to date (as at 31 December 2007)	Balance
		RM'000	RM'000	RM'000
(i)	Purchase of R&D equipment	1,170	1,170	-
(ii)	Regional offices set-up	922	922	-
(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)	Estimated listing expenses	1,300	1,300	-
		10,560	10,560	-