

# ViTrox Corporation Berhad

(Company No. 649966-K)

(and its subsidiaries)

(Incorporated in Malaysia)

## Quarterly report on results for the 4th quarter ended 31 December 2005

### CONDENSED CONSOLIDATED INCOME STATEMENTS

*(The figures have not been audited)*

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31-Dec-05 RM('000)	31-Dec-04 RM('000)	31-Dec-05 RM('000)	31-Dec-04 RM('000)
Revenue	4,964	N/A	9,130	N/A
Other operating income	62	N/A	335	N/A
Other operating expenses	(2,009)	N/A	(4,549)	N/A
Profit from operations	<u>3,017</u>	<u>N/A</u>	<u>4,916</u>	<u>N/A</u>
Finance cost	(23)	N/A	(46)	N/A
Operating profit	<u>2,994</u>	<u>N/A</u>	<u>4,870</u>	<u>N/A</u>
Exceptional item	-	N/A	4,945	N/A
- Negative goodwill recognised				
Profit before taxation	<u>2,994</u>	<u>N/A</u>	<u>9,815</u>	<u>N/A</u>
Tax expense	(587)	N/A	(587)	N/A
Net profit for the year/period	<u><u>2,407</u></u>	<u><u>N/A</u></u>	<u><u>9,228</u></u>	<u><u>N/A</u></u>
Earnings Per Share (Sen)				
- Basic	<u><u>1.55</u></u>	<u><u>N/A</u></u>	<u><u>11.85</u></u>	<u><u>N/A</u></u>

Note (a)

Note (b)

Note (a)

#### Note (a)

There were no comparative figures presented for Vitrox Corporation Berhad as the Company is in its first year of listing on the MESDAQ Market of Bursa Malaysia Securities Berhad.

#### Note (b)

The gross results for the year ended 31 December 2005 are disclosed in Appendix I to the Interim Financial Report. The items disclosed above are in respect of the period subsequent to the acquisition of Vitrox Technologies Sdn. Bhd. as disclosed in Note 18 to Interim Financial Report.

The condensed consolidated income statement should be read in conjunction with the accompanying explanatory notes.

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(and its subsidiaries)

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### CONDENSED CONSOLIDATED INCOME STATEMENTS

*(The figures have not been audited)*

	Gross results ended 31-Dec-05 RM('000)	Pre-acquisition results RM('000)	Negative goodwill recognised RM('000)	Post-acquisition results RM('000)
Revenue	13,857	4,727	-	9,130
Other operating income	456	121	-	335
Other operating expenses	(7,992)	(3,443)	-	(4,549)
Profit from operations	<u>6,321</u>	<u>1,405</u>	<u>-</u>	<u>4,916</u>
Finance cost	(62)	(16)	-	(46)
Operating profit	<u>6,259</u>	<u>1,389</u>	<u>-</u>	<u>4,870</u>
Exceptional item - Negative goodwill recognised	-	-	4,945	4,945
Profit before taxation	<u>6,259</u>	<u>1,389</u>	<u>4,945</u>	<u>9,815</u>
Tax expense	(594)	(7)	-	(587)
Net profit for the year	<u><u>5,665</u></u>	<u><u>1,382</u></u>	<u><u>4,945</u></u>	<u><u>9,228</u></u>

The condensed consolidated income statement should be read in conjunction with the accompanying explanatory notes.

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## Quarterly report on results for the 4th quarter ended 31 December 2005

### CONDENSED CONSOLIDATED BALANCE SHEET

	(Unaudited) AS AT END OF CURRENT YEAR QUARTER 31-Dec-05 RM('000)	(Audited) AS AT PRECEDING FINANCIAL YEAR END 31-Dec-04 RM('000)
PROPERTY, PLANT AND EQUIPMENT	9,250	-
INVESTMENT	91	-
DEVELOPMENT COST	248	-
<b>CURRENT ASSETS</b>		
Inventories	2,609	-
Trade and other receivables	6,935	281
Current tax assets	2	-
Cash and cash equivalents	12,745	-
	22,291	281
<b>CURRENT LIABILITIES</b>		
Trade and other payables	2,622	285
Borrowings	576	-
Dividend Payable	1,550	-
Current tax liabilities	319	-
	5,067	285
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	17,224	(4)
	26,813	(4)
<b>FINANCED BY:</b>		
Share Capital	15,500	*
Share Premium	1,222	-
Retained profit/(Accumulated loss)	7,674	(4)
<i>Shareholders' equity</i>	24,396	(4)
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	2,417	-
	26,813	(4)
<b>Net assets value per share (sen)</b>	15.74	(2,000)

\* - Denotes RM20 representing 200 ordinary shares of RM0.10 each.

The condensed consolidated balance sheet should be read in conjunction with the accompanying explanatory notes.

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## Quarterly report on results for the 4th quarter ended 31 December 2005

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(The figures have not been audited)*

	Share Capital RM('000)	Share Premium RM('000)	Retained profit/ (Accumulated loss) RM('000)	Total RM('000)
Balance as at 1 January 2005	-	-	(4)	(4)
Issue of shares				
- Acquisition of subsidiary	7,540	2	-	7,542
- Public issue	1,760	8,800	-	10,560
- Bonus issue	6,200	(6,200)	-	-
Listing expenses	-	(1,380)	-	(1,380)
Net loss not recognised in income statement	-	(1,380)	-	(1,380)
Net profit for the year	-	-	9,228	9,228
Dividend (Note 13)	-	-	(1,550)	(1,550)
Balance as at 31 December 2005	15,500	1,222	7,674	24,396

There were no comparative figures presented for Vitrox Corporation Berhad as the Company is in its first year of listing on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes.

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## Quarterly report on results for the 4th quarter ended 31 December 2005

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*(The figures have not been audited)*

	31-Dec-05 RM('000)	31-Dec-04 RM('000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,815	N/A
Adjustments for:		
Non-cash Items	111	N/A
Non-operating Items	(5,043)	N/A
Operating profit before working capital changes	4,883	N/A
Changes in working capital:		
Decrease in inventories and receivables	(2,714)	N/A
Decrease in payables	(1,794)	N/A
Cash generated from operations	375	N/A
Interest paid	(46)	N/A
Income tax paid	(278)	N/A
<b>Net cash from operating activities</b>	51	N/A
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Other investments	(5,580)	N/A
Equity investments	6,677	N/A
<b>Net cash from investing activities</b>	1,097	N/A
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Transactions with owners	9,180	N/A
Borrowings	2,417	N/A
<b>Net cash from financing activities</b>	11,597	N/A
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	12,745	N/A
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	-	N/A
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	12,745	N/A
<u>Cash and cash equivalents consist of:</u>		
Cash and bank balances	2,668	N/A
Fixed deposits with licensed banks	10,077	N/A
	12,745	N/A

There were no comparative figures presented for Vitrox Corporation Berhad as the Company is in its first year of listing on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The condensed consolidated cash flow statement should be read in conjunction with the accompanying explanatory notes.

# ViTrox Corporation Berhad

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## Quarterly report on results for the 4th quarter ended 31 December 2005

### NOTES TO INTERIM FINANCIAL REPORT

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#### 1 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" (formerly known as MASB 26) and the disclosure requirements as set out in Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad for MESDAQ Market. There were no comparative figures presented for the Group as the Group only exist during the current financial year.

The accounting policies and methods of computation adopted in this interim financial report are consistent with those to be adopted for audited annual financial statements for the year ended 31 December 2005. Those accounting policies are summarized in Note 2 below.

#### 2 Summary of Significant Accounting Policies

##### 2.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

##### 2.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company made up to the end of the financial period. All significant intercompany transactions, balances and resulting unrealized gains are eliminated on consolidation. Unrealized losses are eliminated on consolidation unless costs cannot be recovered.

The Group adopts the acquisition method of consolidation. On acquisition, the assets and liabilities of the relevant subsidiary company are measured at its fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

The results of subsidiary company acquired or disposed of during the financial period are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

Negative goodwill on consolidation which represents the excess of the Group's interest in the fair value of the identifiable net assets of the subsidiary company at the date of acquisition over the cost of acquisition is written off to the consolidated income statement.

##### 2.3 Revenue and Revenue Recognition

Revenue of the Group and of the Company represents gross invoiced values of the goods sold less returns and discounts.

Sales of goods are recognized upon delivery of the products and when the risks and rewards of ownership have passed. Interest income and other revenue are recognized on an accrual basis.

##### 2.4 Foreign Currency Conversion

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Translation gains and losses are recognized in the income statements as they arise.

The principal closing rates used in translation of foreign currency amounts are as follow :-

	<u>RM</u>
1 United States Dollar	3.80
1 Singapore Dollar	2.36
1 Euro	5.05

##### 2.5 Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxation profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

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### NOTES TO INTERIM FINANCIAL REPORT

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#### 2.6 **Employee Benefit Costs**

##### i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognized as expenses in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognized when the absences occur.

##### ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the employee's provident fund. Such contributions are recognized as expenses in the income statements as incurred.

#### 2.7 **Borrowing Costs**

All interest and other cost incurred in connection with borrowings are expensed as incurred.

#### 2.8 **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation of property plant and equipment except for construction in progress which is not depreciated, is computed on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life.

The annual depreciation rates are as follows :

	<u>Rates</u>
Long leasehold land	1.67%
Building	2%
Shoplots	2%
Renovation	25%
Furniture, fittings and equipment	20%-25%
Motor vehicles	25%
Electrical installation	25%
Container	

As of 31 December 2005, the unexpired lease period of the long leasehold land is 52 years.

Gains or losses arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognized in the income statements.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognized whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements.

#### 2.9 **Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value represents an estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. Cost is determined on the weighted average method.

Cost of raw materials consists of the original purchase price plus the cost incurred in bringing the inventories to their present location. Cost of work-in-progress and finished goods consists of the cost of raw materials, direct labour and an appropriate proportion of factory overheads.

Allowance is made for obsolete, slow-moving or defective items where applicable.

#### 2.10 **Research and Development Expenses**

Research expenditure is recognised as an expense in the period in when they are incurred. Costs incurred on development projects are capitalised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense when incurred. Capitalised development expenditure is amortised on a straight-line method over a period of 5 years. The amortisation will commence upon the commercial production of the product to which the expenditure relates.

The accounting policy as stated in the previous quarterly reports was that research and development expenses would be charged to the income statements when incurred. The change in this accounting policy during the current quarter has been applied retrospectively but does not have any effects on the previous quarters' results as there was no development expenditure that met the aforementioned capitalisation criteria being incurred during the previous quarters.

#### 2.11 **Borrowings and Payables**

Borrowings and payables are stated at cost.

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### NOTES TO INTERIM FINANCIAL REPORT

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#### **2.12 Receivables**

Receivables are stated at nominal value as reduced by the appropriate allowance for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

#### **2.13 Hire-Purchase**

Property, plant and equipment acquired under hire-purchase arrangements are capitalized in the financial statements and the corresponding obligations are treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

#### **2.14 Share Capital**

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise the cost is charged to the income statements if there is insufficient share premium.

#### **2.15 Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and bank balances, demand deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to and insignificant risk of changes in value.

#### **2.16 Leased Assets**

Assets under leases which in substance transfer the risk and benefits of ownership of the assets are capitalized under property, plant and equipment. The assets and the corresponding lease obligation are recorded at the fair value of the leased assets which approximate the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

#### **2.17 Investment**

Investment in club membership held as long term investment is stated at cost less impairment loss, if any.

#### **2.18 Financial Instruments**

Financial instruments carried on the balance sheets include demand deposits, cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **3 Auditors' report of preceding annual financial statements**

The auditors' report on the preceding year's annual audited financial statements of the Company and its subsidiary were not subject to any qualification.

### **4 Unusual items**

There were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

### **5 Changes in estimates**

There were no changes in nature and amount of estimates reported that have a material effect in the quarter under review.

### **6 Significant events**

There were no significant event during the quarter under review.

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## Quarterly report on results for the 4th quarter ended 31 December 2005

### NOTES TO INTERIM FINANCIAL REPORT

#### 7 Review of performance

On gross results for the year ended 31 December 2005, the Group achieved revenue of RM13.9 million and profit before taxation of RM6.3 million respectively. These figures have been illustrated in Appendix I to the interim financial report. The Group achieved a profit before taxation of RM9.3 million on the back of revenue of RM9.1 million. This result is arrived at after taken into consideration negative goodwill arising from acquisition of subsidiary as tabled in Appendix I to the interim financial report amounted to RM4.9 million and excluding the pre-acquisition profit of its subsidiary.

#### 8 Variation of results against preceding quarter

The Group recorded revenue and profit before taxation ("PBT") of RM4.9 million and RM3.0 million respectively for the current quarter under review as compared to revenue and profit before taxation of RM2.5 million and RM0.7 million for the preceding quarter, or an increase in revenue of about 96% and in PBT of about 329%. The increase in revenue recorded in the current quarter was a result of increase in sales orders from customers of the Group. The improvement in profit before taxation was mainly attributable to the achievement of economies of scale in tandem with the revenue increase.

#### 9 Seasonal or cyclical factors

There were no seasonal or cyclical factors affecting the results of the Group for the quarter under review.

#### 10 Tax expense

	CURRENT YEAR QUARTER 31-Dec-05 RM('000)	PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-04 RM('000)	CURRENT YEAR TO DATE 31-Dec-05 RM('000)	PRECEDING YEAR CORRESPONDING PERIOD 31-Dec-04 RM('000)
Income tax based on the results for the quarter	<u>587</u>	<u>N/A</u>	<u>587</u>	<u>N/A</u>

ViTrox Corporation Berhad is a MSC status company and it has been granted pioneer status for certain products by Ministry of International Trade and Industry ("MITI") for a period of 5 years commencing 25 January 2005.

The subsidiary, ViTrox Technologies Sdn. Bhd. ("VTSB") was granted pioneer status by MITI for the development and production of automated vision inspection system. Under this incentive, the Company's statutory income from the development and production of automated vision inspection system are exempted from income tax for a period of five years from September 1, 2000 to August 31, 2005. The income tax provided was in respect of post pioneer results.

Additionally to the above, VTSB has been granted the Pioneer Status for a period of ten (10) years via the letter from MIDA dated December 9, 2005, for carrying out activities of development and production of digital automated vision inspection equipment & modules for electrical and electronics industry. Under this incentive, VTSB's statutory income derived from the aforementioned activities shall be exempted from income tax for a period of ten (10) years subject to the conditions that the value added production of the VTSB must reach at least 30% and that the total number of staff at the management, technical and supervision must reach at least 15% of the total human resource of VTSB.

#### 11 Profit forecast and profit guarantee

The variance between published profit forecast against the actual results for the year ended 31 December 2005 are as follows:

	Unaudited results for the year ended 31-Dec-05 RM('000)	Published profit forecast for year ended 31-Dec-05 RM('000)	Variance (%)
Consolidated profit after taxation ("PAT") before pre-acquisition profit and exceptional item*	5,665	5,511	2.79
Less: Pre-acquisition profit	(1,382)	(1,382)	-
Add: Exceptional item (Negative goodwill written off)	<u>4,945</u>	<u>4,821</u>	<u>2.57</u>
Consolidated PAT after pre-acquisition profit and exceptional item	<u>9,228</u>	<u>8,950</u>	<u>3.11</u>

Note: \* The gross results for the year ended 31 December 2005 are disclosed in Appendix I to this interim financial report

The favourable variance of the consolidated PAT before pre-acquisition profit and exceptional item was mainly attributable to the improvement in operating profit margin through reduction in administration costs.

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### NOTES TO INTERIM FINANCIAL REPORT

#### 12 Earnings per share

	CURRENT YEAR QUARTER 31-Dec-05 RM('000)	PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-04 RM('000)	CURRENT YEAR TO DATE 31-Dec-05 RM('000)	PRECEDING YEAR CORRESPONDING PERIOD 31-Dec-04 RM('000)
Net profit attributable to shareholders (RM'000)	2,407	N/A	9,228	N/A
Weighted average number of ordinary shares in issue ('000)	155,000	N/A	77,847	N/A
Basic earnings per share (sen)	<u>1.55</u>	<u>N/A</u>	<u>11.85</u>	<u>N/A</u>

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

#### 13 Dividend paid

On 21 December 2005, the Company has declared a special interim tax exempt dividend of 1 sen per share amounting to RM1,550,000 for the year ended 31 December 2005. The said dividend was paid on 17 January 2006.

The Board of Directors recommend a final tax exempt dividend of 0.5 sen per share amounting to RM775,000 for the year ended 31 December 2005, subject to shareholders approval at the forthcoming Annual General Meeting.

#### 14 Significant related party transactions

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

#### 15 Prospect for the year ending 31 December 2006

Based on the prevailing favourable semiconductor industry outlook and the Group's continuous expansion and efficiency improvement efforts, barring any unforeseen circumstances, the Board is optimistic that the performance of the Group for the forthcoming financial year ending 31 December 2006 would remain favourable and be on a growth trend.

#### 16 Segment reporting

No segment reporting has been prepared as the Group is principally engaged in the provision of machine vision products and services and the Group operates principally in Malaysia.

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

The Group did not revalue any of its property, plant and equipment during the quarter under review.

#### 18 Changes in the composition of the Group

In connection with and as an integral part of the listing of the Company on the MESDAQ Market of the Bursa Malaysia Securities Berhad, the Company undertook the following transactions which have been approved by the relevant authorities:

- Acquisition of the entire issued and fully paid up share capital of ViTrox Technologies Sdn. Bhd. comprising 500,000 ordinary shares of RM1.00 each.

The effect of the above acquisitions on the financial results of the Group for the quarter under review is as follows:

	RM('000)
Revenue	9,130
Other operating income	255
Expenses	(6,870)
Negative goodwill recognized	4,945
Net increase in Group's net profit	<u>7,460</u>
	RM('000)
Non-current assets	9,589
Current assets	11,949
Current liabilities	(5,669)
Non-current liabilities	(2,417)
Increase in Group's net assets	<u>13,452</u>

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### NOTES TO INTERIM FINANCIAL REPORT

#### 19 Group Borrowings

	As at 31-Dec-05 RM('000)	As at 31-Dec-04 RM('000)
Short term borrowings - secured	576	-
Long term borrowings - secured	2,417	-
	<u>2,993</u>	<u>-</u>

#### 20 Issuances, Cancellations, Repurchases, Resale and Repayment of Debt and Equity Securities

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

#### 21 Sales of investments and/or properties

There were no disposal of investments and/or properties during the quarter under review.

#### 22 Purchase and Disposal of Quoted Securities

There were no purchase or disposals of quoted securities during the quarter under review.

#### 23 Off balance sheet financial instrument

There Group does not have any financial instrument with off balance sheet risk as at the date of this report.

#### 24 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 VTSB's source code 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 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 advise 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 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 source codes', if any.

##### (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 Bhd ("the Company").

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-RiskFactors - 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)

(and its subsidiaries)

(Incorporated in Malaysia)

**Quarterly report on results for the 4th quarter ended 31 December 2005**

**NOTES TO INTERIM FINANCIAL REPORT**

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# ViTrox Corporation Berhad

(Company No. 649966-K)

(and its subsidiaries)

(Incorporated in Malaysia)

## Quarterly report on results for the 4th quarter ended 31 December 2005

### NOTES TO INTERIM FINANCIAL REPORT

**25** Save as disclosed in Note 24 to the interim financial report, there were no contingent assets or contingent liabilities for the Group as at the date of this announcement.

**26 Status of corporate proposals announced**

There were no corporate proposal announced as at the date of this announcement.

**27 Status of Utilisation of Listing Proceeds**

The Company raised RM10.56 million during its Initial Public Offering exercise in September 2005 and the details of utilisation of listing proceeds up to 31 December 2005 are as follows:

<u>Description</u>	<u>Proposed Utilisation RM('000)</u>	<u>Actual Utilisation RM('000)</u>	<u>Balance RM('000)</u>
(i) Purchase of research and development equipment	1,170	163	1,007
(ii) Regional offices set-up	1,870	-	1,870
(iii) Repayment of financing of the acquisition of land and the construction of three (3) double-storey office-cum-factory buildings	6,000	147	5,853
(iv) Working capital	220	80	140
(v) Listing expenses	1,300	1,300	-
	<u>10,560</u>	<u>1,690</u>	<u>8,870</u>

The Board of Directors of ViTrox has approved the extension of time on the period of utilisation of the remaining proceeds on items (i) and (ii) above from 1 January 2007 to 31 December 2007; and on item (iii) above from 1 January 2006 to 31 December 2006.

**28 Capital commitments**

	<u>As at 31-Dec-05 RM('000)</u>	<u>As at 31-Dec-04 RM('000)</u>
Approved and contracted for: Construction of New Factory Building and Purchase of Factory Land	<u>4,072</u>	<u>-</u>

**29 Event subsequent to balance sheet date**

- a Subsequent to balance sheet date, the Company acquired the entire issued and paid-up share capital of Vitrox International Sdn. Bhd. ("VISB") of RM2.00 divided into 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00. Consequently, VISB became the wholly-owned subsidiary of the Company. Further details has been set out in the announcement of the Company dated 12 January 2006.
- b Subsequent to balance sheet date, the Company acquired the entire issued and paid-up share capital of ViE Technologies Sdn. Bhd. ("ViE") of RM2.00 divided into 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00. Consequently, ViE became the wholly-owned subsidiary of the Company. Further details has been set out in the announcement of the Company dated 24 February 2006.
- c Subsequent to balance sheet date, the Company incorporated a wholly-owned subsidiary, ViTrox Technologies (Suzhou) Co. Ltd. ("VTC") with Registered Capital of USD100,000. Further details has been set out in the announcement of the Company dated 27 February 2006.

By Order of the Board

**Chu Jenn Weng**  
Managing Director

Penang

Date: Feb 27, 06