

ViTrox Corporation Berhad

(Company No. 649966-K)

(Incorporated in Malaysia)

Quarterly report on results for the 2nd quarter ended 30 June 2006

CONDENSED CONSOLIDATED INCOME STATEMENTS

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-06 RM'000	Preceding year corresponding quarter 30-Jun-05 RM'000	Current year to date 30-Jun-06 RM'000	Preceding year corresponding period 30-Jun-05 RM'000
Revenue	6,176	1,482	11,307	1,707
Other operating income	44	208	227	208
Other operating expenses	(3,506)	(672)	(6,217)	(724)
Finance cost	(45)	(4)	(82)	(4)
Exceptional item - Negative goodwill recognised	-	4,945	-	4,945
Profit before tax	<u>2,669</u>	<u>5,959</u>	<u>5,235</u>	<u>6,132</u>
Tax expense	(112)	-	(333)	(7)
Net profit for the period	<u><u>2,557</u></u>	<u><u>5,959</u></u>	<u><u>4,902</u></u>	<u><u>6,125</u></u>
Earnings Per Share (Sen)				
- Basic	<u><u>1.65</u></u>	<u><u>8.45</u></u>	<u><u>3.16</u></u>	<u><u>8.69</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>

ViTrox Corporation Berhad

(Company No. 649966-K)

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Quarterly report on results for the 2nd quarter ended 30 June 2006 CONDENSED CONSOLIDATED BALANCE SHEET

	(Unaudited) As at 30-Jun-06 RM'000	(Restated) (Audited) As at 31-Dec-05 RM'000
Non-current assets		
Property, plant and equipment	9,112	6,447
Prepaid lease payments	2,903	2,404
Investment properties	399	399
Investments	91	91
Development cost	505	248
	13,010	9,589
Current assets		
Inventories	3,880	2,609
Trade and other receivables	9,420	6,935
Current tax assets	3	2
Cash and cash equivalents	11,223	12,745
	24,526	22,291
Current liabilities		
Trade and other payables	2,704	2,635
Borrowings	382	576
Dividend payable	775	1,550
Current tax liabilities	513	318
	4,374	5,079
Net current assets	20,152	17,212
	33,162	26,801
Financed by:		
Share capital	15,500	15,500
Share premium	1,222	1,222
Translation reserve	5	-
Retained profits	11,789	7,662
Shareholders' equity	28,516	24,384
Non-current liabilities		
Borrowings	4,646	2,417
	33,162	26,801
Net assets value per share (sen)	18.40	15.73

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Quarterly report on results for the 2nd quarter ended 30 June 2006 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

	Share capital RM'000	Share premium RM'000	Translation Reserve RM'000	Retained profits RM'000	Total RM'000
Period ended 30 June 2006					
Balance as at 1 January 2006	15,500	1,222	-	7,662	24,384
Net profit for the period	-	-	-	4,902	4,902
Exchange difference on translation	-	-	5	-	5
Dividend	-	-	-	(775)	(775)
Balance as at 30 June 2006	<u>15,500</u>	<u>1,222</u>	<u>5</u>	<u>11,789</u>	<u>28,516</u>
Period ended 30 June 2005					
Balance as at 1 January 2005	#	-	-	(4)	(4)
Proceeds from issue of shares	7,540	2	-	-	7,542
Net profit for the period	-	-	-	6,125	6,125
Balance as at 30 June 2005	<u>7,540</u>	<u>2</u>	<u>-</u>	<u>6,121</u>	<u>13,663</u>

Denotes RM20 representing 200 ordinary shares of RM0.10 each.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	Period ended 30-Jun-06 RM'000	Period ended 30-Jun-05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,235	6,132
Adjustments for:		
Non-cash Items	433	40
Non-operating Items	(44)	(4,953)
Operating profit before working capital changes	5,624	1,219
Changes in working capital:		
(Increase)/Decrease in inventories and receivables	(3,756)	686
Increase/(Decrease) in payables	69	(1,049)
Cash generated from operations	1,937	856
Interest paid	(83)	(4)
Income tax paid	(139)	(1)
Net cash from operating activities	1,715	851
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investments	(3,728)	(2,588)
Equity investments	-	6,677
Net cash (used in)/from investing activities	(3,728)	4,089
CASH FLOWS FROM FINANCING ACTIVITIES		
Transactions with owners (Dividend Paid)	(1,550)	-
Borrowings	2,036	1,138
Net cash from financing activities	486	1,138
Effect on foreign exchange	5	-
Net (decrease)/increase in cash and cash equivalents	(1,522)	6,078
Cash and cash equivalents at beginning of period	12,745	-
Cash and cash equivalents at end of period	11,223	6,078
<u>Cash and cash equivalents consist of:</u>		
Fixed deposits with licensed banks	10,424	1,026
Cash and bank balances	799	5,052
	11,223	6,078

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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 MESDAQ Market.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2005, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 December 2006. Details of these changes in accounting policies are set out in Note A2.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2005. 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 2005.

A2 Change in Accounting Policies

The MASB has issued a number of new and revised Financial Reporting Standards ("FRS" which includes the MASB's Issues Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

In 2006, the MASB issued another two revised FRSs (FRS 117, Leases and FRS 124, Related Party Disclosures). These two FRSs are effective for annual periods beginning on or after 1 October 2006.

The Board has determined the following accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2006 issued by the MASB in 2006:

- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Estimates and Errors
- FRS 110 Events after the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 117 Leases (Early adoption)
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investment in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments : Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property

The adoption of FRS 2, 3, 5, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136 and 138 does not have significant financial impact on the Group in the current quarter under review and the preceding year. The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 Leases and FRS 140 Investment Property are as follows:

(a) FRS 117 Leases

In prior years, the leasehold interest in land held for own use classified as property, plant and equipment were stated at cost less accumulated depreciation and impairment losses, if any.

With the adoption of FRS 117, the leasehold interest in land for own use is accounted for as being held under an operating lease. The unamortised cost of the land has been reclassified to Prepaid Lease Payments which are amortised on a straight line basis over the remaining lease term of the land.

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A NOTES TO THE INTERIM FINANCIAL REPORT

(b) FRS 140 Investment property

In prior years, the investment properties held to earn rentals and for capital appreciation were classified as property, plant and equipment were stated at cost less accumulated depreciation and impairment losses, if any.

With the adoption of FRS 140, the investment properties are stated at fair value, representing open-market value determined by external valuers. Gains or losses arising from changes in fair values of investment properties are recognised in profit or loss in which period they arise.

The effect on the financial statements of the Group on adoption of FRS 117 and FRS 140 are as follows:

	As previously reported RM'000	Effect of adopting FRS 117 & 140 RM'000	As restated RM'000
<u>As at 31 December 2005</u>			
Property, plant and equipment	9,250	(2,803)	6,447
Prepaid lease payments	-	2,404	2,404
Investment properties	-	399	399

A3 Auditors' report of preceding annual financial statements

The auditors have expressed an unqualified opinion on the Company's statutory financial statements for the year ended 31 December 2005 in their report dated 13 March 2006.

A4 Seasonal or cyclical factors

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

A5 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.

A6 Material changes in estimates

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

A7 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.

A8 Dividend paid

The final tax exempt dividend of 0.5 sen per share amounting to RM775,000 for the year ended 31 December 2005 was paid on 7 July 2006.

A9 Segment reporting

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

A10 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.

A11 Material events subsequent to the end of the quarter

There were no material events between the end of the reporting quarter and the date of this report.

A12 Changes in the composition of the Group

- a There were no material changes in the composition of the group during the quarter 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 2005 to the day 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 2006

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

B1 Review of performance

The Group achieved revenue of RM11.3 million and profit before tax of RM5.2 million respectively for the current period under review. The improvement in the revenue for the current quarter as compared to the preceding immediate quarter was a result of favourable semiconductor industry outlook and the Group's continuous expansion.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM6.2 million and RM2.7 million respectively for the current quarter under review as compared to revenue and profit before tax of RM5.1 million and RM2.6 million for the immediate preceding quarter. The lower profit margin was mainly due to the higher costs in research and development of new products, costs of overseas expansion and the increased of manufacturing overhead which included depreciation costs for the new ViTrox Innovation Centre and etc. for the current quarter as compared to immediate preceding quarter.

B3 Prospect for the remaining quarters

Based on the prevailing favorable semiconductor industry outlook and the Group's continuous expansion and efficiency improvement efforts and barring any unforeseen circumstances, the Board is optimistic that the performance of the Group for the remaining quarters to be favorable.

B4 Profit forecast and profit guarantee

The Group does not have any profit forecast and guarantee for the financial year ending 31 December 2006.

B5 Tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-06 RM'000	Preceding year corresponding quarter 30-Jun-05 RM'000	Current year to date 30-Jun-06 RM'000	Preceding year corresponding period 30-Jun-05 RM'000
Income tax based on the results for the period under review	112	-	333	7

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.

ViTrox Technologies Sdn. Bhd. ("VTSB") has been granted the Pioneer Status for a period of five (5) years and renewable another 5 years for carrying out activities of development and production of digital automated vision inspection equipment and modules. The incentive is commencing from 1st Apr 2005 to 31st Mar 2010. The income tax provided is in respect of other non-pioneer products of VTSB.

B6 Sales of investments and/or properties

There were no sale of investments and/or properties during the period under review.

B7 Purchase and Sale of Quoted Securities

There were no purchase or sale of quoted securities during the period under review.

B8 Status of corporate proposals announced

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

B9 Group Borrowings

	As at 30-Jun-06 RM'000	As at 31-Dec-05 RM'000
Short term borrowings - secured	382	576
Long term borrowings - secured	4,646	2,417
	<u>5,028</u>	<u>2,993</u>

All the borrowings are denominated in Ringgit Malaysia.

B10 Off balance sheet financial instruments

There Group does not have any financial instruments with off balance sheet risk as at 15 August 2006 (being the latest practicable date which shall not be earlier than 7 days from the date of this report).

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

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 copied VTSB's source code and produced an 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 an 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 a 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 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 believe 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.

The Court vacated the date for decision and a new date has yet to be fixed.

(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-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.

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

The Court directed parties to file written submissions and fixed 18/09/2006 for decision.

(c) Tan Hwang Kiat v 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 ("VTCB").

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-Info Summary-Risk Factors - published in the Bursa 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 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 a 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.

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

The Subsidiary having consulted its solicitors have been advised that it has good defence to the action commenced by the Plaintiff and 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 Court has fixed for hearing on 29/08/2006

B12 Dividends

The final tax exempt dividend of 0.5 sen per share amounting to RM775,000 for the year ended 31 December 2005 was paid on 7 July 2006.

Save as disclosed in the above, the Board of Directors do not recommend any payment of dividend for the year ending 31 December 2006.

B13 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-06 RM'000	Preceding year corresponding quarter 30-Jun-05 RM'000	Current year to date 30-Jun-06 RM'000	Preceding year corresponding period 30-Jun-05 RM'000
Net profit attributable to shareholders (RM'000)	2,557	5,959	4,902	6,125
Weighted average number of ordinary shares in issue ('000)	155,000	70,517	155,000	70,517
Basic earnings per share (sen)	<u>1.65</u>	<u>8.45</u>	<u>3.16</u>	<u>8.69</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 exercise in September 2005 and the details of utilisation of listing proceeds up to 30 June 2006 are as follows:

Description	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
(i) Purchase of research and development equipment	1,170	513	657
(ii) Regional offices set-up	1,870	115	1,755
(iii) Repayment of financing of the acquisition of land and the construction of three (3) double-storey office-cum-factory buildings.	6,000	390	5,610
(iv) Working capital	220	220	-
(v) Listing expenses	<u>1,300</u>	<u>1,300</u>	<u>-</u>
	<u>10,560</u>	<u>2,538</u>	<u>8,022</u>

Utilisation of the remaining proceeds is in progress.

B15 Authorise for issue

The interim financial statements were authorised for issue by the Board of Directors on 22 August 2006.

By Order of the Board

Chu Jenn Weng
Managing Director

Penang

Date: Aug 22, 06